

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2015**

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
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**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Housing Authority of the City of Hoboken:

### **Report on the Financial Statements**

We have audited the financial statements of the Housing Authority of the City of Hoboken ("the Authority") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Hoboken'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 the 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Hoboken ("the Authority"), as of September 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension contributions and schedule of net pension liability be presented to supplement the 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 financial statements that collectively comprise the Housing Authority of the City of Hoboken's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and financial data schedule, as required by the United States Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and financial data schedule ("the Schedules") 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 Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**INDEPENDENT AUDITOR'S REPORT (continued)**

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2016 on our consideration of the Housing Authority of the City of Hoboken's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Housing Authority of the City of Hoboken's internal control over financial reporting and compliance.

*Fallon & Larsen LLP*

May 4, 2016  
Toms River, New Jersey

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

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

**FINANCIAL HIGHLIGHTS**

The Authority adopted the provisions of GASB Statement 68, "*Accounting and Financial Reporting for Pensions*". The provisions were effective for periods beginning after June 15, 2014. As of October 1, 2014, The Authority's net position has been restated and reduced by \$5,599,046 to reflect a net pension liability of \$5,828,845 and deferred outflows of resources of \$229,799.

Assets of the Authority's enterprise fund were \$11,424,300 greater than the liabilities, a decrease in the financial position of \$7,483,612 or a 40% percent decrease.

As noted above, the assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows by \$11,424,300 as of September 30, 2015. Of this amount, the unrestricted net deficit is \$2,384,580 representing a decrease of \$5,535,082 from the previous year. The net investment in capital assets decreased \$2,001,764 or 13% percent for an ending balance of \$13,748,536. The restricted net position increased \$53,234 for an ending balance of \$60,344. Additional information on the Authority's restricted and unrestricted net positions can be found in the Notes to the Financial Statements, which can be found in the Audit Report

The Authority's unrestricted cash, and cash equivalents at September 30, 2015 is \$4,803,517 representing a decrease of \$162,346 or 3% percent from the prior fiscal year. Total restricted cash increased \$53,234 for an ending balance of \$60,344. The full detail of these amounts can be found in the Statement of Cash Flows and Notes to the Financial Statements in the Audit Report

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority's total assets and deferred outflows are \$27,157,572 of which capital assets net book value is \$20,894,541 and total current assets is \$5,345,067. Total current assets increased from the previous fiscal year by \$36,403 or 1% percent.

The Authority's total liabilities and deferred inflows are reported at \$15,733,272, of which noncurrent liabilities are stated at \$12,890,933. Total liabilities and deferred inflows increased during the fiscal year as compared to the prior fiscal year in the amount of \$5,809,320. Total current liabilities decreased during the fiscal year by \$153,742 or 6% percent, leaving noncurrent liabilities for an increase of \$5,528,765 or 75% percent as compared to the previous fiscal year.

Total current liabilities decreased from the previous fiscal year by \$153,742 or 6% percent. Accounts payable and accrued expenses decreased by \$188,986, the current portion of long term debt increased by \$30,000, tenant security deposit payable increased by \$1,721, and other current liabilities increased \$3,523.

Total noncurrent liabilities increased by \$5,528,765 or 75% percent. The increase was primarily due to the Authority being required to adopt GASB 68 and recording a net pension liability of \$6,142,763 at September 30, 2015. Other noncurrent liability accounts reported reductions in amounts such as; Long-term capital bonds which decreased by \$505,000 for an ending balance of \$6,110,000, capital lease borrowing decreased by \$147,812 and accrued compensated absences – long term with no offsetting assets, increased \$38,814 from the prior fiscal year for an ending balance of \$254,977.

The Authority had total operating revenue of \$15,499,900 as compared to \$15,306,958 from the prior fiscal year for an increase of \$192,942 or 1% percent. The Authority had total operating expenses of \$17,646,678 as compared to \$18,637,841 from the previous fiscal year for a decrease of \$991,163 or 5% percent, resulting in Operating Loss in the amount of \$2,146,778 for the current fiscal year as compared to an Operating Loss of \$3,330,883 from the prior fiscal year.

Total capital contributions from HUD were \$634,942 as compared to \$725,000 from the previous fiscal year for a decrease of \$90,058 or 12% percent.

The Authority's Expenditures of Federal Awards amounted to \$10,007,214 for the fiscal year as compared to \$10,160,688 for the previous year.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**USING THIS ANNUAL REPORT**

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

1. Low Rent Public Housing
2. Housing Choice Vouchers
3. Public Housing Capital Fund Program

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

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

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

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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations.

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED**

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

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

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

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

The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED**

2. **Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of Hoboken are those which equal or exceeded \$300,216 in expenditures for the fiscal year ended September 30, 2015. Type B programs for the Housing Authority of the City of Hoboken are those which are over \$100,000 but less than \$300,216 in expenditures for the fiscal year ended September 30, 2015.

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Position between September 30, 2015 and September 30, 2014:

	Year Ended		Increase (Decrease)
	September-15	September-14	
Cash - Unrestricted	\$ 4,803,517	\$ 4,965,863	\$ (162,346)
Other Current Assets	541,550	342,801	198,749
Capital Assets - Net	20,894,541	23,516,090	(2,621,549)
Cash - Restricted	60,344	7,110	53,234
Deferred Outflows of Resources	857,620	-	857,620
Total Assets and Deferred Outflows of Resources	<u>27,157,572</u>	<u>28,831,864</u>	<u>(1,674,292)</u>
Less: Current Liabilities	2,408,042	2,561,784	(153,742)
Less: Non Current Liabilities	12,890,933	7,362,168	5,528,765
Less: Deferred Inflows of Resources	434,297	-	434,297
Total Liabilities and Deferred Inflows of Resources	<u>15,733,272</u>	<u>9,923,952</u>	<u>5,809,320</u>
Net Position	<u>\$ 11,424,300</u>	<u>\$ 18,907,912</u>	<u>\$ (7,483,612)</u>
Net Investment in Capital Assets	\$ 13,748,536	\$ 15,750,300	\$ (2,001,764)
Restricted Net Position	60,344	7,110	53,234
Unrestricted Net Position	<u>(2,384,580)</u>	<u>3,150,502</u>	<u>(5,535,082)</u>
	<u>\$ 11,424,300</u>	<u>\$ 18,907,912</u>	<u>\$ (7,483,612)</u>

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Cash – Unrestricted decreased by \$162,346 or 5% percent. Net cash provided by operating activities was \$1,304,153, net cash used by capital and related financing activities was \$1,415,516 and net cash provided by investing activities was \$2,250. The full detail of this amount can be found in the Statement of Cash Flows of the audit report.

Other current assets increased \$198,749 or 58% percent. The Authority's accounts receivable increased \$195,067. Prepaid expenses increased in the amount of \$3,682 or 2% and was attributed primarily to an increase in prepaid insurance amounts.

Capital assets report a decrease in the net book value of the capital assets in the amount of \$2,621,549 or 11% percent. The major factor contributing to the decrease was the recording of depreciation expense in the amount of \$3,729,067. A full detail of capital outlays can be found in the Notes to the Financial Statements.

Total current liabilities decreased from the previous fiscal year by \$153,742 or 6% percent. Accounts payable and accrued expenses decreased by \$188,986, the current portion of long term debt increased by \$30,000, tenant security deposit payable increased by \$1,721, and other current liabilities increased \$3,523.

Total noncurrent liabilities increased by \$5,528,765 or 75% percent. The increase was primarily due to the Authority being required to adopt GASB 68 and recording a net pension liability of \$6,142,763 at September 30, 2015. Other noncurrent liability accounts reported reductions in amounts such as; long-term capital bonds which decreased by \$505,000 for an ending balance of \$6,110,000, capital lease borrowing decreased by \$147,812 and accrued compensated absences – long term with no offsetting assets, increased \$38,814 from the prior fiscal year for an ending balance of \$254,977.

The Authority's reported net position of \$11,424,300 is made up of three categories. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The schedule below reflects the activity in this account for the current fiscal year:

Balance September 30, 2014	\$	15,750,300
Acquisition in Fixed Assets		1,107,518
Capital Lease Principal Payments		144,785
Depreciation Expense		(3,729,067)
Principal Payment on Debt		475,000
Balance September 30, 2015	\$	<u>13,748,536</u>

The Housing Authority of the City of Hoboken operating results for September 30, 2015 reported a decrease in unrestricted net position of \$5,535,082 for an ending balance of \$(2,384,580). The Authority reported restricted net position in the amount of \$60,344 which was an increase of \$53,234 from the previous year. A full detail of these accounts can be found in the Notes to the Financial Statements.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following summarizes the changes in net position between September 30, 2015 and September 30, 2014:

	Year Ended		Increase (Decrease)
	September-15	September-14	
<u>Revenues</u>			
Tenant Revenues	\$ 5,680,338	\$ 5,628,919	\$ 51,419
HUD Subsidies	9,438,851	9,487,804	(48,953)
Other Revenues	380,711	190,235	190,476
Total Operating Revenue	<u>15,499,900</u>	<u>15,306,958</u>	192,942
<u>Expenses</u>			
Operating Expenses	13,917,611	15,386,729	(1,469,118)
Depreciation Expense	3,729,067	3,251,112	477,955
Total Operating Expenses	<u>17,646,678</u>	<u>18,637,841</u>	(991,163)
Operating Income (Loss)			
Before Capital Grants	(2,146,778)	(3,330,883)	1,184,105
Interest Income	2,250	4,276	(2,026)
Interest Expense	(323,154)	(337,519)	14,365
Casualty loss	-	(14,865)	14,865
Abandonment of Redevelopment	-	(234,572)	234,572
HUD Capital Grants	634,942	725,000	(90,058)
Decrease in Net Position	<u>(1,832,740)</u>	<u>(3,188,563)</u>	1,355,823
Net Position, Beginning of Year	18,907,912	22,096,475	(3,188,563)
Change in Accounting Principal - Adoption of GASB 68	(5,650,872)	-	(5,650,872)
Net Position, End of Year	<u>\$ 11,424,300</u>	<u>\$ 18,907,912</u>	<u>\$ (1,832,740)</u>

Approximately 62% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 37% percent resulted from tenant revenue, and 1% percent resulted from other revenue.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The Housing Authority of the City of Hoboken received from the capital fund program \$634,942 in grant money for capital expenditures, a decrease of \$90,058 or 12% percent from the prior fiscal year.

The Authority operating expenses cover a range of expenses. The largest expense was for utilities expenses representing 25% percent of total operating expenses, housing assistance payments accounted for 13% percent, administrative expenses accounted for 13% percent, tenant services accounted for 1% percent, maintenance accounted for 24% percent, protective services accounted for 2% percent, other operating expenses and depreciation accounted for the remaining 22% of the total operating expenses.

The Authority operated at an operating loss of \$2,146,778, as compared to an operating loss of \$3,330,883 for a decrease in deficit of \$1,184,105. The key elements of this increase in operating revenue and decrease in operating expenses are as follows:

- The Authority experienced an increase in HUD operating subsidy in the amount of \$692,007.
- Below are the expenses that decreased for fiscal year ended September 30, 2015:
  - Administrative Expenses decreased \$70,622.
  - General Expenses decreased \$157,251.
  - Ordinary repairs and maintenance decreased \$610,638.
- The Authority experienced a decrease in protective services in the amount of \$405,691.

Total net cash provided by operating activities during the year was \$1,304,153. Full detail of this amount can be found on the Statement of Cash Flows.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following are financial highlights of significant items for a four year period of time ending on September 30, 2014.

	September-14	September-13	September-12	September-11
<b>Significant Income</b>				
Total Tenant Revenue	\$ 5,628,919	\$ 5,779,747	\$ 5,750,109	\$ 5,627,168
HUD Operating Grants	9,487,804	8,795,797	10,704,740	10,364,452
HUD Capital Grants	725,000	1,150,698	1,501,058	1,349,630
Investment Income	4,276	6,171	5,781	9,241
Other Income	190,235	548,809	712,850	294,733
<b>Total</b>	<b>16,036,234</b>	<b>16,281,222</b>	<b>18,674,538</b>	<b>17,645,224</b>
<b>Payroll Expense</b>				
Administrative Salaries	1,003,905	1,258,258	814,688	984,015
Tenant Services Salaries	18,652	31,564	54,811	33,679
Utilities Labor	93,818	267,897	117,112	117,507
Maintenance Labor	1,412,237	1,267,663	1,404,346	1,453,320
Employee Benefits Expense	1,956,956	1,964,079	2,113,427	1,744,668
<b>Total Payroll Expense</b>	<b>4,485,568</b>	<b>4,789,461</b>	<b>4,504,384</b>	<b>4,333,189</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	636,302	594,838	798,837	685,404
Utilities Expense	4,520,536	4,464,823	4,739,989	4,682,704
Maintenance Supplies	601,255	736,189	929,052	370,661
Maintenance Contract Cost	1,257,750	1,469,174	961,884	634,786
Protective Services	437,288	554,216	764,011	217,601
Insurance Premiums	564,925	648,491	740,160	557,605
Housing Assistance Payments	2,451,943	2,412,884	2,265,121	2,122,324
<b>Total</b>	<b>10,469,999</b>	<b>10,880,615</b>	<b>11,199,054</b>	<b>9,271,085</b>
<b>Total Operating Expenses</b>	<b>18,637,841</b>	<b>21,903,252</b>	<b>16,521,538</b>	<b>14,913,979</b>

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**BUDGETARY HIGHLIGHTS**

For the year ended September 30, 2015, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles.

The budget for the Housing Choice Voucher Program was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs.

**NEW INITIATIVES**

For the year 2015 and carrying over to 2016 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 60% percent of its revenue from the Department of Housing and Urban Development, the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy. The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of Hoboken all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

For 2015 due to budget cuts once again by Congress, HUD prorated everyone's eligibility for operating funds at 85.4%. For calendar year 2015 the Authority was eligible for \$7,505,276, after the proration the Authority was only able to receive \$6,406,504, which is a decrease in funding of \$1,098,772.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**THE AUTHORITY AS A WHOLE**

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses excluding depreciation expense. The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

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

**THE HOUSING AUTHORITY OF THE CITY OF HOBOKEN PROGRAMS**

Public Housing Program

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

Housing Choice Voucher Program

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**THE HOUSING AUTHORITY OF THE CITY OF HOBOKEN PROGRAMS (CONTINUED)**

Capital Fund Program

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 - Capital Assets

As of September 30, 2015, the Authority's investment in capital assets was \$20,894,541 (net of accumulated depreciation) reflected in the following schedule which represents a decrease of \$2,621,549 from the previous year. This investment in capital assets includes land, buildings, equipment, and construction in progress. Major capital expenditures of \$1,107,518 were made during the fiscal year.

Major capital assets events during the fiscal year included the following:

- Computer and video equipment
- Building Renovations
- Site Improvements
- 

	September-15	September-14	Increase (Decrease)
Land	\$ 1,527,036	\$ 1,527,036	\$ -
Building	60,386,443	58,874,498	1,511,945
Furniture, Equipment - Dwelling	11,722,167	11,645,968	76,199
Furniture, Equipment - Administration	2,137,518	2,778,086	(640,568)
Construction in Process	424,942	265,000	159,942
Total Fixed Assets	76,198,106	75,090,588	1,107,518
Accumulated Depreciation	(55,303,565)	(51,574,498)	(3,729,067)
Net Book Value	\$ 20,894,541	\$ 23,516,090	\$ (2,621,549)

Additional information on the Authority's capital assets can be found in the Notes to the financial statements which is included in the Audit Report.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED**

2 – Long Term Debt

The Authority has participated in the New Jersey pooled leveraging program for the year ending September 30, 2015. Through this, financing of majority capital projects will be completed on an expedited basis. As of September 30, 2015 the Capital Project Bond payable of \$6,615,000 was the only outstanding bond for the Authority.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority of City of Hoboken is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

The capital budgets for the 2016 year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the year ending September 30, 2016:

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2015**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - CONTINUED**

- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Mark Recko, Executive Director, Housing Authority of the City of Hoboken, 400 Harrison Street, Hoboken, NJ 07030 or call (201) 798-0370.

## **FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2015**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,803,517
Accounts receivable, net	322,449
Prepaid expenses	<u>219,101</u>
Total current assets	<u>5,345,067</u>
Non-current assets:	
Restricted cash	60,344
Capital assets, net	<u>20,894,541</u>
Total non-current assets	<u>20,954,885</u>
Total assets	<u>26,299,952</u>
DEFERRED OUTFLOWS OF RESOURCES	
State of New Jersey P.E.R.S.	<u>857,620</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	1,310,258
Accrued compensated absences	49,685
Tenant security deposits	359,224
Prepaid tenant rents	36,063
Current portion of bonds payable	505,000
Current portion of capital leases payable	<u>147,812</u>
Total current liabilities	<u>2,408,042</u>
Non-current liabilities:	
Bonds payable, excluding current portion	6,110,000
Accrued compensated absences, net of current portion	254,977
Capital leases payable, excluding current portion	383,193
Accrued pension liability	<u>6,142,763</u>
Total non-current liabilities	<u>12,890,933</u>
Total liabilities	<u>15,298,975</u>
DEFERRED INFLOWS OF RESOURCES	
State of New Jersey P.E.R.S.	<u>434,297</u>
NET POSITION	
Net position:	
Net investment in capital assets	13,748,536
Restricted	60,344
Unrestricted	<u>(2,384,580)</u>
Total net position	<u>\$ 11,424,300</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Operating revenues:	
Tenant revenue	\$ 5,680,338
HUD grants	9,438,851
Other revenues	<u>380,711</u>
Total operating revenue	<u>15,499,900</u>
Operating expenses:	
Administrative	2,306,045
Tenant services	80,635
Utilities	4,459,041
Ordinary maintenance and operations	3,799,029
Protective services	31,597
Insurance expense	701,709
General expenses	214,239
Housing assistance payments	2,325,316
Depreciation	<u>3,729,067</u>
Total operating expenses	<u>17,646,678</u>
Operating loss	<u>(2,146,778)</u>
Non-operating revenues:	
Investment income	2,250
Interest expense	<u>(323,154)</u>
Net non-operating revenues (expense)	<u>(320,904)</u>
Loss before capital grants	(2,467,682)
Capital grants	<u>634,942</u>
Change in net position	(1,832,740)
Net position, beginning of year (as restated)	<u>13,257,040</u>
Net position, end of year	<u>\$ 11,424,300</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Cash Flows from Operating Activities:	
Cash received from grantors	\$ 9,228,498
Cash received from tenants and others	6,040,523
Cash paid to employees	(2,138,281)
Cash paid to suppliers	<u>(11,826,587)</u>
Net cash flows provided by operating activities	<u>1,304,153</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(1,107,518)
Interest paid on capital debt	(323,154)
Principal paid on capital debt	(619,785)
Capital grants	<u>634,942</u>
Net cash flows used by capital and related financing activities	<u>(1,415,515)</u>
Cash Flows from Investing Activities:	
Investment income	<u>2,250</u>
Net cash flows provided by investing activities	<u>2,250</u>
Net decrease in cash	(109,112)
Cash and cash equivalents, beginning of year	<u>4,972,973</u>
Cash and cash equivalents, end of year	<u>\$ 4,863,861</u>
A reconciliation of cash and cash equivalents to Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 4,803,517
Restricted cash	<u>60,344</u>
	<u>\$ 4,863,861</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**STATEMENT OF CASH FLOWS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (2,146,778)
Items which did not use cash:	
Depreciation	3,729,067
Bad debts	34,091
Changes in assets and liabilities:	
Accounts receivable - HUD	(210,353)
Accounts receivable - tenants	(47,208)
Accounts receivable - miscellaneous	28,403
Prepaid expenses	(3,682)
Accounts payable	(113,385)
Accrued expenses	(68,404)
Accrued compensated absences	31,617
Tenant security deposits	(1,721)
Prepaid tenant rents	3,938
Deferred inflows of resources	434,297
Deferred outflows of resources	(857,620)
Other current liabilities	<u>491,891</u>
Net cash provided by operating activities	<u>\$ 1,304,153</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Housing Authority of the City of Hoboken ("Hoboken Housing Authority") or ("the Authority") is a public body corporate and politic of the State of New Jersey ("the State") created by the City of Hoboken ("the City") under Local Redevelopment and Housing Law (N.J.S.A 40A:12A-1, et seq) of the State. The Authority is responsible for operating low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

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

**B. Description of Programs**

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

Low Income Public Housing Program

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

Housing Choice Vouchers Program

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

Public Housing Capital Fund Program

The capital fund program provides funds annually, via a formula, to public housing agencies for capital and management activities including modernization and development of public housing units.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Reporting Entity**

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

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

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

**D. Basis of Accounting**

The Authority’s financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, (“GASB 34”), as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. GASB 34 also requires the Authority to include Management’s Discussion and Analysis as part of the Required Supplemental Information.

The Authority’s primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

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

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

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, the aforementioned funds are treated as restricted cash and cash equivalents on the Authority's Statements of Net Position and Cash Flows.

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

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

**New Accounting Standards Adopted**

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Use of Management Estimates**

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

**F. Operating Revenues and Expenses**

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

**G. Cash and Cash Equivalents**

New Jersey Authorities are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of securities that may be purchased by New Jersey Authorities.

The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. No governmental unit under GUDPA has ever lost protected deposits.

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

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Accounts Receivable**

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

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

**I. Prepaid Expenses**

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

**J. Capital Assets, Net**

Development costs which are comprised of initial development costs, (acquisition costs, modernization costs, and the costs of urban renewal property), site preparation and property betterments, land, structures and equipment are recorded at historical cost. The costs of demolition expenses are capitalized as land improvements.

Depreciation is computed using the straight-line method based on the estimated useful lives of the following asset groups:

• Dwelling Equipment	5 Years
• Office Improvements	7 Years
• Site Improvements	15 Years
• Building Components	15 Years
• Buildings	40 Years

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

Maintenance and repairs expenditures are charged to operations when incurred. Expenditures determined to represent additions or betterments are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are removed from the books, and any gain or loss is included in operations.

**K. Compensated Absences**

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Compensated Absences (continued)**

Employees may be compensated for accrued vacation leave in the event of retirement or separation from the Authority. In the event of retirement, an employee is compensated for one half of their daily rate, times the number of unused sick days up to a maximum of \$15,000 under the Authority's current personnel policy. Generally, unused vacation may be carried over for a one year period. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

**L. Prepaid Tenant Rents**

Prepaid tenant rents primarily consists of prepayment of rent by tenants applicable to future periods.

**M. Taxes**

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

**N. Equity Classifications**

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

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

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

Unrestricted — All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**O. Inter-program Receivables and Payables**

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically and all inter-program balances net to zero. In accordance with GASB Statement No. 34, interprogram receivables and payables are eliminated for financial statement purposes, however they are reflected in the Authority's financial data schedule as required by HUD.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. Economic Dependency**

The Low Income Public Housing and Housing Choice Voucher programs of the Authority are economically dependent on operating grants and subsidies from HUD.

**NOTE 2. CASH AND CASH EQUIVALENTS**

For the fiscal year ended September 30, 2015, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$4,863,861 and the bank balance was \$5,113,997.

Of the bank balance, \$251,458 was covered by federal depository insurance and the remaining \$4,862,539 was collateralized with the pledging financial institution as of September 30, 2015.

<u>Cash Account</u>	<u>Amount</u>
Insured:	
FDIC	\$ 251,458
Collateralized:	
Collateralized amount held by pledging financial institution	<u>4,862,539</u>
	<u>\$ 5,113,997</u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

All bank deposits as of the balance sheet date are covered by the Government Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable, net consisted of the following at September 30, 2015:

<u>Description</u>	<u>Amount</u>
Accounts receivable - HUD	\$ 210,353
Accounts receivable - tenants	<u>112,096</u>
Total accounts receivable, net	<u>\$ 322,449</u>

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 3. ACCOUNTS RECEIVABLE (continued)**

Accounts receivable - HUD

Accounts receivable - HUD represents amounts due to the Authority under the Capital Fund Program for expenditures in excess of reimbursements, and from the Operating Fund for funds earned and not yet received. The Authority considers these amounts fully collectible and accordingly, have made no allowance for doubtful accounts.

Accounts receivable - tenants

As of September 30, 2015, Accounts receivable - tenants, net consisted of amounts due from tenants for rent as part of the Authority's Low Income Public Housing Program. The amounts are shown net of an allowance for doubtful accounts of \$81,563.

**NOTE 4. CAPITAL ASSETS, NET**

A summary of the changes in capital assets during the year ended September 30, 2015 were as follows:

Description	September 30, 2014	Additions	Disposals	Transfers	September 30, 2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,527,036	\$ -	\$ -	\$ -	\$ 1,527,036
Construction in Progress	<u>265,000</u>	<u>159,942</u>	<u>-</u>	<u>-</u>	<u>424,942</u>
Total	<u>1,792,036</u>	<u>159,942</u>	<u>-</u>	<u>-</u>	<u>1,951,978</u>
<u>Depreciable capital assets:</u>					
Buildings and Improvements	58,874,498	846,645	-	665,300	60,386,443
Furniture and Equipment	<u>14,424,054</u>	<u>100,931</u>	<u>-</u>	<u>(665,300)</u>	<u>13,859,685</u>
Total	<u>73,298,552</u>	<u>947,576</u>	<u>-</u>	<u>-</u>	<u>74,246,128</u>
Less: accumulated depreciation	<u>51,574,498</u>	<u>3,729,067</u>	<u>-</u>	<u>-</u>	<u>55,303,565</u>
Net capital assets	<u>\$ 23,516,090</u>	<u>\$ (2,621,549)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,894,541</u>

Depreciation expense for the fiscal year ended September 30, 2015 amounted to \$3,729,067.

**NOTE 5. RESTRICTED CASH AND RESTRICTED NET POSITION**

Restricted cash and restricted net position consisted of the following as of September 30, 2015:

<u>Description</u>	<u>Amount</u>
Housing Choice Voucher HAP Equity	\$ 58,886
Capital Fund Revenue Bond Proceeds	<u>1,458</u>
	<u>\$ 60,344</u>

Housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Program for future housing assistance payments.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 5. RESTRICTED CASH AND RESTRICTED NET POSITION (continued)**

Capital Fund Program Revenue Bonds proceeds consist of unspent proceeds from the 2004 Series A Capital Fund Program Revenue Bonds and are restricted for certain capital improvements in accordance with the Authority's approved annual plan.

**NOTE 6. COMPENSATED ABSENCES**

Accrued compensated absences represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy.

Compensated absences activity for the year ended September 30, 2015 consisted of the following:

Beginning compensated absences	\$	273,045
Compensated absences earned		246,146
Compensated absences redeemed		<u>(214,529)</u>
Ending compensated absences		304,662
Less: current portion		<u>49,685</u>
Compensated absences, net of current portion	\$	<u>254,977</u>

**NOTE 7. BONDS PAYABLE**

A summary of the Authority's outstanding bonds payable as of September 30, 2015 is as follows:

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A on December 23, 2004. The Authority's share of the funds from the bond issue pool amounted to \$10,550,000. Interest accrues at 4.63% and is payable semi-annually with principal on May 1st and November 1st. Repayment of the funds shall be paid solely from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development.

	\$	6,615,000
Less: current portion		<u>505,000</u>
Bonds payable, excluding current portion	\$	<u>6,110,000</u>

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7. BONDS PAYABLE (continued)**

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

Year	Principal	Interest	Total
2016	\$ 505,000	\$ 297,490	\$ 802,490
2017	525,000	275,178	800,178
2018	545,000	251,990	796,990
2019	575,000	227,818	802,818
2020	600,000	202,443	802,443
2021-2024	2,710,000	511,847	3,221,847
2025-2026	<u>1,155,000</u>	<u>54,754</u>	<u>1,209,754</u>
	<u>\$ 6,615,000</u>	<u>\$ 1,821,520</u>	<u>\$ 8,436,520</u>

Debt activity for the year ended September 30, 2015 consisted of the following:

Description	September 30, 2014	Advances	Principal Payments	September 30, 2015
Bonds Payable	<u>\$ 7,090,000</u>	<u>\$ -</u>	<u>\$ (475,000)</u>	<u>\$ 6,615,000</u>

Interest expense for the year ended September 30, 2015 totaled \$323,154.

**NOTE 8. CAPITAL LEASE**

On November 19, 2013, the Authority financed the acquisition and installation of computer and video equipment through a capital lease purchase agreement. The equipment acquired totaled \$887,067, with the Authority providing a down payment of \$140,000, resulting in an amount financed of \$747,067. The lease is payable over five (5) years in semi-annual installments of \$79,046 including interest at 2.08%. The outstanding balance at September 30, 2015 totaled \$531,005.

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

Year	Principal	Interest	Total
2016	\$ 147,812	\$ 10,280	\$ 158,092
2017	150,903	7,190	158,093
2018	154,057	4,035	158,092
2019	<u>78,233</u>	<u>814</u>	<u>79,047</u>
	<u>\$ 531,005</u>	<u>\$ 22,319</u>	<u>\$ 553,324</u>

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 8. CAPITAL LEASE (continued)**

Debt activity for the year ended September 30, 2015 consisted of the following:

Description	September 30, 2014	Advances	Principal Payments	September 30, 2015
Capital Lease Payable	\$ <u>675,790</u>	\$ <u>-</u>	\$ <u>(144,785)</u>	\$ <u>531,005</u>

**NOTE 9. PENSION PLAN**

**A. Plan Description**

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

**B. Benefits**

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

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

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9. PENSION PLAN (continued)**

**C. Contributions**

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

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

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

At September 30, 2015, the Authority reported a liability of \$6,142,763 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, 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 a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating local employers, actuarially determined. At June 30, 2015 the Authority's proportion was .0286 percent which was a decrease of (.0016) percent from its proportion measured at July 1, 2014.

For the year ended September 30, 2015 the Authority recognized pension expense of \$389,209. At September 30, 2015 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>
Changes of Assumptions	\$ 690,030	\$ -
Changes in Proportion	-	330,990

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9. PENSION PLAN (continued)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	153,286	-
Net differences between actual and projected earnings on pension plan investments	-	103,307
Net differences between Proportionate Share and actual Contribution	<u>14,304</u>	<u>-</u>
Total	<u>\$ 857,620</u>	<u>\$ 434,297</u>

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

Year ended September 30:	
2014	\$ (93,583)
2015	63,583
2016	63,583
2017	63,583
2018	63,582
2019	147,773
2020	84,802
Thereafter	<u>423,323</u>
	<u>\$ 816,646</u>

**E. Actuarial Assumptions**

The total pension liability calculated utilizing a June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability calculated utilizing a June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9. PENSION PLAN (continued)**

**E. Actuarial Assumptions (continued)**

Inflation Rate	3.04%
Salary Increases 2012-2021	2.15-4.40%, based on age
Thereafter	3.15-5.40%, based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**F. Long-term expected rate of return**

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class includes the PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9. PENSION PLAN (continued)**

**G. Discount Rate**

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. The single blended discount rate was based on the long-term expected rate of return on the pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 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.

	1% Decrease <u>(3.90%)</u>	Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Authority's proportionate share of the net pension liability	<u>\$ 7,985,913</u>	<u>\$ 6,425,341</u>	<u>\$ 5,116,969</u>

**NOTE 10. POST-RETIREMENT BENEFITS**

The Authority participates in the New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

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

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 10. POST-RETIREMENT BENEFITS (continued)**

**A. Contribution Requirements – SHBP**

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

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

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

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

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. At September 30, 2015, the Authority had approximately 52 active and 22 retired participants in the system. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions to the SHBP:

<u>Year</u>	<u>Amount</u>
2015	\$ <u><u>264,675</u></u>
2014	\$ <u><u>330,109</u></u>
2013	\$ <u><u>320,232</u></u>

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 11. CHANGE IN ACCOUNTING PRINCIPLE**

The Authority adopted the provisions of GASB Statement 68, *"Accounting and Financial Reporting for Pensions"*. The provisions were effective for periods beginning after June 15, 2014. As of September 30, 2014, the Authority's net position has been reduced by \$5,599,046 to reflect a net pension liability of \$5,828,845 and deferred outflows of resources of \$229,799.

**NOTE 12. RISK MANAGEMENT**

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the New Jersey Public Housing Authority Joint Insurance Fund (NJPHA –JIF), which was established in 1998 by several Housing Authority's as a means of reducing the cost of general liability insurance. The NJ-PHA JIF is a public entity risk pool currently operating as a common risk management and insurance program for the member Authorities. The main purpose of the Consortium is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit. Settlement amounts have not exceeded insurance coverage except for deductibles for the years ended September 30, 2015, 2014, and 2013.

**NOTE 13. ECONOMIC DEPENDENCY**

The Housing Choice Voucher and the Low Income Public Housing programs are economically dependent on annual grants from HUD.

**NOTE 14. CONTINGENCIES**

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of September 30, 2015 and 2014, the Authority cannot reasonably estimate if material liabilities will result from such audits.

**NOTE 15. SUBSEQUENT EVENTS**

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through May 4, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**INDEPENDENT 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**

To the Board of Commissioners  
Housing Authority of the City of Hoboken:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the City of Hoboken ("the Authority") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Hoboken's basic financial statements, and have issued our report thereon dated May 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Housing Authority of the City of Hoboken'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 Housing Authority of the City of Hoboken's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Hoboken's internal control.

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

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

**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 (continued)**

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

*Fallon & Larsen LLP*

May 4, 2016  
Toms River, New Jersey



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
NEW JERSEY CIRCULAR OMB 04-04**

To the Board of Commissioners  
Housing Authority of the City of Hoboken:

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Housing Authority of the City of Hoboken ("the Authority"), with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Hoboken's major federal programs for the year ended September 30, 2015. Housing Authority of the City of Hoboken'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Hoboken's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of Hoboken's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
NEW JERSEY OMB CIRCULAR 04-04 (continued)**

**Basis for Qualified Opinion**

**Low Income Public Housing Program**

As described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-003, the Housing Authority of the City of Hoboken did not comply with the bid awarding processes related to procurement regulations and the proper reporting of units occupied by PHA employees, police officers, or other security personnel who are not otherwise eligible for public housing, as required by the Low Rent Public Housing Program (CFDA #14.850). Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of Hoboken to comply with the requirements of that program.

**Housing Choice Voucher Program**

As described in the accompanying schedule of findings and questioned costs as item 2015-002, the Housing Authority of the City of Hoboken did not comply with the eligibility compliance requirements of OMB Circular A-133 regarding signed leases, HUD 9886 consent to release information forms, social security cards, and annual inspection reports, as required by the Housing Choice Voucher Program (CFDA #14.871). Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of Hoboken to comply with the requirements of that program.

**Qualified Opinion on Low Income Public Housing and Housing Choice Voucher Program**

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraphs, the Housing Authority of the City of Hoboken complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low Income Public Housing and Housing Choice Voucher programs.

**Report on Internal Control Over Compliance**

Management of Housing Authority of the City of Hoboken is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the City of Hoboken'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Hoboken's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
NEW JERSEY OMB CIRCULAR 04-04 (continued)**

**Report on Internal Control Over Compliance (continued)**

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003 to be material weaknesses.

The Housing Authority of the City of Hoboken's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Hoboken's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Fallon & Larsen LLP*

May 4, 2016  
Toms River, New Jersey

**SUPPLEMENTAL INFORMATION**

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Program Title	Federal CFDA Number	State Pass- through Number	Grant Period From / To		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
<u>U.S. Department of Housing and Urban Development</u>								
Low Income Public Housing:								
NJ015-00000114D	14.850	N/A	1/1/14	12/31/14	\$ 3,085,682	\$ 780,568	\$ 780,568	\$ 3,085,682
NJ015-00000115D	14.850	N/A	1/1/15	12/31/15	3,591,679	2,693,759	2,693,759	2,693,759
NJ015-00000214D	14.850	N/A	1/1/14	12/31/14	322,123	79,971	79,971	322,123
NJ015-00000215D	14.850	N/A	1/1/15	12/31/15	359,923	269,942	269,942	269,942
NJ015-00000314D	14.850	N/A	1/1/14	12/31/14	1,293,433	321,111	321,111	1,293,433
NJ015-00000315D	14.850	N/A	1/1/15	12/31/15	1,016,328	762,246	762,246	762,246
NJ015-00000414D	14.850	N/A	1/1/14	12/31/14	847,985	210,523	210,523	847,985
NJ015-00000415D	14.850	N/A	1/1/15	12/31/15	794,187	595,640	595,640	595,640
NJ015-00000514D	14.850	N/A	1/1/14	12/31/14	669,273	166,156	166,156	669,273
NJ015-00000515D	14.850	N/A	1/1/15	12/31/15	<u>644,387</u>	<u>483,290</u>	<u>483,290</u>	<u>483,290</u>
Grant subtotal					<u>12,625,000</u>	<u>6,363,206</u>	<u>6,363,206</u>	<u>11,023,373</u>
Housing Choice Voucher Program:								
NJ015-2FPH-2014	14.871	N/A	10/1/14	09/30/15	<u>2,528,107</u>	<u>2,528,107</u>	<u>2,461,528</u>	<u>2,461,528</u>
Public Housing Capital Fund Program:								
NJ39P015501-13	14.872	N/A	9/9/13	9/8/17	1,595,954	468,385	468,385	1,447,155
NJ39P015501-14	14.872	N/A	5/13/14	5/12/18	<u>1,969,424</u>	<u>714,095</u>	<u>714,095</u>	<u>714,095</u>
Grant subtotal					<u>3,565,378</u>	<u>1,182,480</u>	<u>1,182,480</u>	<u>2,161,250</u>
Total Dept. of Housing and Urban Development					<u>\$ 18,718,485</u>	<u>\$ 10,073,793</u>	<u>\$ 10,007,214</u>	<u>\$ 15,646,151</u>

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the City of Hoboken under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Hoboken Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Hoboken Housing Authority.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribes, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE 3. SUBRECIPIENTS**

The Authority did not pass-through any federal awards to subrecipients.

**NOTE 4. NON-CASH FEDERAL ASSISTANCE**

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2015.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 5. STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS AND ADVANCES**

	<u>501-13</u>	<u>501-14</u>	<u>Total</u>
Budget	\$ <u>1,595,954</u>	\$ <u>2,006,599</u>	\$ <u>3,602,553</u>
<u>Advances:</u>			
Cumulative through 09/30/2014	\$ 978,770	\$ -	\$ 978,770
Current year	<u>468,385</u>	<u>554,153</u>	<u>1,022,538</u>
Cumulative through 09/30/2015	<u>1,447,155</u>	<u>554,153</u>	<u>2,001,308</u>
<u>Costs:</u>			
Cumulative through 09/30/2014	978,770	-	978,770
Current year	<u>468,385</u>	<u>714,095</u>	<u>1,182,480</u>
Cumulative through 09/30/2015	<u>1,447,155</u>	<u>714,095</u>	<u>2,161,250</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>(159,942)</u>	\$ <u>(159,942)</u>

**NOTES TO STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS AND ADVANCES**

1) The total amount of Capital Fund Program Costs and Advances incurred and earned by the Housing Authority of the City of Hoboken as of and for the year ended September 30, 2015 are provided herein.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2015**

I. Summary of Auditor's Results

Financial Statement Section

- |    |   |            |
|----|---|------------|
| 1. | Type of auditor's report issued:  | Unmodified |
| 2. | Internal control over financial reporting   |            |
|    | a. Material Weakness(es) identified?  | No         |
|    | b. Were significant deficiencies identified not considered to be material weaknesses? | No         |
| 3. | Noncompliance material to the financial statements?                                   | No         |

Federal Awards Section

- |    |  |           |
|----|--|-----------|
| 1. | Dollar threshold used to distinguish between type and A and type B programs:   | \$300,216 |
| 2. | Auditee qualified as low-risk Auditee?   | No        |
| 3. | Type of auditor's report on compliance for major programs:   | Qualified |
| 4. | Internal Control over compliance:  |           |
|    | a. Material weakness(es) identified?   | Yes       |
|    | b. Were significant deficiencies identified not considered to be material weaknesses?                                    | No        |
|    | c. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) | Yes       |
| 5. | Identification of major programs:  |           |

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**SEPTEMBER 30, 2015**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with government auditing standards generally accepted in the United States of America.

III. Federal Award Findings and Questioned Costs

**Finding 2015-001**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program Titles: Low Income Public Housing Housing Program  
CFDA Number: 14.850  
Material Noncompliance  
Material Weakness in Internal Control over Compliance

Criteria: N.J.S.A. 40A:11-3(a) requires that all contracts that in the aggregate are greater than \$17,500, be subject to the sealed bid process. 24 CFR Part 85:36(c) also requires that all contracts that in aggregate are greater than \$100,000 be awarded via a sealed bid process.

Condition: Two (2) vendors were paid in excess of the \$17,500 bid threshold without the contracts being awarded through the competitive purchasing process.

Known Questioned Costs: \$46,267

Context: During our review of the vendor history report, we noted that there were two (2) vendors that were paid in excess of the bid threshold. Upon examination and through discussions with management it was determined that those contracts were awarded without consideration of the competitive purchasing process. This finding is consistent with Finding 2014-001 in the previous years schedule of findings and questioned costs.

Cause: Management has not properly evaluated and implemented the requirements of state and federal procurement laws and regulations.

Effect: The Authority is not in compliance with state and federal procurement laws and regulations.

Recommendation: The Authority should put into place internal controls to insure that all state and federal laws and regulations are properly evaluated and implemented.

Views of responsible officials and planned corrective action: The Board of Commissioners became aware of deficiencies in the procurement process during the last fiscal audit and has made significant changes to Authority personnel and policies to assure future compliance. However, since changes were made during the current fiscal year, instances of non-compliance still existed for the period under audit.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**SEPTEMBER 30, 2015**

III. Federal Award Findings and Questioned Costs (continued)

**Finding 2015-002**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program Titles: Housing Choice Vouchers Program  
Federal Catalog Numbers: 14.871  
Material Noncompliance  
Material Weakness in Internal Control over Compliance

Criteria: Entities receiving Federal Funds under OMB Section A-133 are required to comply with certain conditions of the grant agreement and are required to have in place an internal control system that reasonably assures compliance with the requirement of Federal Awards such as Housing Choice Vouchers.

Condition: Tenant files for the Housing Choice Voucher Program are materially incomplete.

Context: During inspection of twelve (12) Housing Choice Voucher program tenant files, we noted the following exceptions:

- Five (5) files did not include an annual inspection report
- One (1) file did not include the tenant's social security card
- One (1) file did not include an original signed lease
- One (1) file did not include HUD Form 9886
- One (1) file did not include required lease amendments

Also, upon being provided with a list of failed inspections for the year, two (2) out of two (2) failed inspections did not pass re-inspection within thirty days, and the Authority failed to abate HAP payments for the failed units. The Authority administered approximately 187 vouchers for the year ended September 30, 2015. This finding was consistent with finding 2014-002 in the previous years schedule of findings and questioned costs.

Known Questioned Costs: Cannot be determined

Effect: The Housing Authority is not in compliance with certain regulations regarding the Housing Choice Voucher program.

Recommendation: We recommend the Authority design and implement internal control procedures that will reasonably assure compliance with OMB Circular A-133.

Views of responsible officials and planned corrective action: The Board of Commissioners became aware of deficiencies in the maintenance of tenant files during the last fiscal audit and has made significant changes to Authority personnel and policies to assure future compliance. However, since changes were made during the current fiscal year, instances of non-compliance still existed for the period under audit.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**SEPTEMBER 30, 2015**

III. Federal Award Findings and Questioned Costs (continued)

**Finding 2015-003**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program Titles: Low Income Public Housing Housing Program  
CFDA Number: 14.850  
Material Noncompliance  
Material Weakness in Internal Control over Compliance

Criteria: The Authority is required to report the number of low income public housing units occupied by PHA employees, police officers, and/or other security personnel who are not otherwise eligible for public housing.

Condition: During the period of audit, four (4) police officers occupied dwelling rental units. The Authority did not remove the units from their annual subsidy calculation. As a result, the Authority received subsidy on the units for which it was ineligible to receive.

Context: As part of following up on the prior year's audit finding, we learned that the PHA received permission from HUD to continue the "Men in Blue" program. However the PHA did not properly report these units as "off-line" and continued to receive subsidy for low income public housing units for which it was not entitled.

Known Questioned Costs: Approximately \$16,000 for the year ended September 30, 2015.

Cause: Management has not properly designed and implemented an internal control that will assume that tenants that should be reported as "off-line" in the subsidy calculation are in fact reported as "off-line."

Effect: The Authority received approximately \$16,000 of subsidy during the year for low income public housing units for which it was not entitled.

Auditor's Recommendation: The Authority should put into place internal controls to insure that all federal laws and regulations are properly implemented.

View of Responsible Officials and Corrective Actions: Management will properly report the units to HUD as "off-line" on the next annual subsidy calculation.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**SEPTEMBER 30, 2015**

IV. Schedule of Prior Year Audit Findings

**Finding 2014-001**

Condition: Thirteen (13) vendors were paid in excess of the \$26,000 bid threshold without the contracts being awarded through the competitive purchasing process.

Status: The finding remains open. See finding 2015-001.

**Finding 2014-002:**

Condition: Tenant files for the Housing Choice Voucher Program are materially incomplete.

Status: The finding remains partially open. See finding 2015-002.

**Finding 2014-003:**

Condition: During the period of audit, four (4) police officers occupied dwelling rental units. The Authority did not remove the units from their annual subsidy calculation. As a result, the Authority received subsidy on the units for which it was ineligible to receive.

Status: The finding remains partially open. See finding 2015-003.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN  
REQUIRED PENSION INFORMATION  
SEPTEMBER 30, 2015**

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

	September 30, <u>2013</u>	September 30, <u>2014</u>	September 30, <u>2015</u>
Contractually required contribution	\$ 229,799	\$ 248,815	\$ 246,083
Contributions in relation to the contractually required contribution	<u>229,799</u>	<u>248,815</u>	<u>246,083</u>
(Over) / under funded	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 2,715,658</u>	<u>\$ 2,580,716</u>	<u>\$ 2,138,281</u>
Contributions as a percentage of covered-employee payroll	<u>8.46 %</u>	<u>9.64 %</u>	<u>11.51 %</u>

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

	September 30, <u>2013</u>	September 30, <u>2014</u>	September 30, <u>2015</u>
Authority's proportion of the net pension liability	<u>0.0305 %</u>	<u>0.0302 %</u>	<u>0.0286 %</u>
Authority's proportionate share of the net pension liability	<u>\$ 5,828,845</u>	<u>\$ 5,650,872</u>	<u>\$ 6,425,341</u>
Authority's covered-employee payroll	<u>\$ 2,715,658</u>	<u>\$ 2,580,716</u>	<u>\$ 2,138,281</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>214.64 %</u>	<u>218.97 %</u>	<u>300.49 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.72 %</u>	<u>52.08 %</u>	<u>47.93 %</u>

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

Hoboken Housing Authority						
NJ015						
Financial Data Schedule (FDS)						
September 30, 2015						
Line Item #	Account Description	Project Total	14,871 Housing Choice Vouchers	COCC	ELIM	TOTAL
<b>ASSETS:</b>						
CURRENT ASSETS:						
Cash:						
111	Cash - unrestricted	\$ 4,262,992	\$ 181,301	\$ -	\$ -	\$ 4,444,293
112	Cash - restricted - modernization and developmen	-	-	-	-	-
113	Cash - other restricted	1,458	58,886	-	-	60,344
114	Cash - tenant security deposits	359,224	-	-	-	359,224
115	Cash - restricted for payment of current liabilitie	-	-	-	-	-
100	Total cash	4,623,674	240,187	-	-	4,863,861
Accounts and notes receivables						
121	Accounts receivable - PHA projects	-	-	-	-	-
122	Accounts receivable - HUD other project:	210,353	-	-	-	210,353
124	Accounts receivable - other governmen	-	-	-	-	-
125	Accounts receivable - miscellaneou:	-	-	-	-	-
126	Accounts receivable- tenant:	193,659	-	-	-	193,659
126	Allowance for doubtful accounts - tenant	(81,563)	-	-	-	(81,563)
126	Allowance for doubtful accounts - othe	-	-	-	-	-
127	Notes and mortgages receivable- curren	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-
128	Allowance for doubtful accounts - fraud	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-
120	Total receivables, net of allowances for doubtful account	322,449	-	-	-	322,449
Current investments						
131	Investments - unrestricted	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-
135	Investments - restricted for payment of current liabilit	-	-	-	-	-
142	Prepaid expenses and other assets	215,351	-	3,750	-	219,101
143	Inventories	-	-	-	-	-
143	Allowance for obsolete inventorie	-	-	-	-	-
144	Interprogram - due from	197,213	-	-	(197,213)	-
145	Assets held for sale	-	-	-	-	-
150	TOTAL CURRENT ASSETS	5,358,687	240,187	3,750	(197,213)	5,405,411
NONCURRENT ASSETS:						
Fixed assets:						
161	Land	1,527,036	-	-	-	1,527,036
162	Buildings	60,386,443	-	-	-	60,386,443
163	Furniture, equipment & machinery - dwelling	11,722,167	-	-	-	11,722,167
164	Furniture, equipment & machinery - administratio	1,872,466	-	265,052	-	2,137,518
165	Leasehold improvements	-	-	-	-	-
166	Accumulated depreciator	(55,171,574)	-	(131,991)	-	(55,303,565)
167	Construction in Progress	424,942	-	-	-	424,942
168	Infrastructure	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciatio	20,761,480	-	133,061	-	20,894,541
Other non-current assets:						
171	Notes and mortgages receivable - non-curren	-	-	-	-	-
172	Notes and mortgages receivable-non-current - past du	-	-	-	-	-
173	Grants Receivable Non Current	-	-	-	-	-
174	Other assets	-	-	-	-	-
175	Undistributed debits	-	-	-	-	-
176	Investment in joint venture:	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	20,761,480	-	133,061	-	20,894,541
200	Deferred Outflows of Resources	643,966	11,780	201,874	-	857,620
190	TOTAL ASSETS	\$ 26,764,133	\$ 251,967	\$ 338,685	\$ (197,213)	\$ 27,157,572

Hoboken Housing Authority												
NJ015												
Financial Data Schedule (FDS)												
September 30, 2015												
Line Item #		Account Description	Project Total	14,871 Housing Choice Vouchers	COCC	ELIM	TOTAL					
<b>LIABILITIES AND EQUITY:</b>												
<b>Liabilities:</b>												
<b>Current Liabilities</b>												
311		Bank overdraft	\$ -		\$ -	\$ -	\$ -					
312		Accounts payable ≤ 90 days	534,279	-	14,397		548,676					
313		Accounts payable > 90 days past due					-					
321		Accrued wage/payroll taxes payable	28,357	347	6,228		34,932					
322		Accrued compensated absences - current portior	24,105	242	25,338		49,685					
324		Accrued contingency liability					-					
325		Accrued interest payable	126,233				126,233					
331		Accounts payable - HUD PHA programs					-					
332		Accounts payable - PHA project:					-					
333		Accounts payable - other governmen	443,400				443,400					
341		Tenant security deposits:	359,224				359,224					
342		Unearned revenue	36,063				36,063					
343		Current portion of L-T debt - capital project	505,000				505,000					
344		Current portion of L-T debt - operating borrowing	110,859		36,953		147,812					
345		Other current liabilities:					-					
346		Accrued liabilities - othe	157,017				157,017					
347		Interprogram - due to	-	-	197,213	(197,213)	-					
348		Loan liability - Curren					-					
310		<b>TOTAL CURRENT LIABILITIES</b>	<b>2,324,537</b>	<b>589</b>	<b>280,129</b>	<b>(197,213)</b>	<b>2,408,042</b>					
<b>NONCURRENT LIABILITIES:</b>												
351		Long-term debt, net of current - capital project:	6,110,000				6,110,000					
352		Long-term debt, net of current - operating borrowing	287,394		95,799		383,193					
353		Non-current liabilities- othe					-					
354		Accrued compensated absences - noncurren	216,947	2,183	35,847		254,977					
355		Loan Liability - Non Curren					-					
356		FASB 5 Liabilities					-					
357		Accrued pension and OPEB liability:	4,612,455	84,375	1,445,933		6,142,763					
350		<b>TOTAL NONCURRENT LIABILITIES</b>	<b>11,226,796</b>	<b>86,558</b>	<b>1,577,579</b>	<b>-</b>	<b>12,890,933</b>					
300		<b>TOTAL LIABILITIES</b>	<b>13,551,333</b>	<b>87,147</b>	<b>1,857,708</b>	<b>(197,213)</b>	<b>15,298,975</b>					
400		Deferred Inflows of Resources:	326,105	5,963	102,229		434,297					
<b>EQUITY:</b>												
508		Invested in Capital Assets, Net of Related Deb	13,748,227		309		13,748,536					
511		Restricted Net Assets	1,458	58,886			60,344					
512		Unrestricted Net Assets	(862,990)	99,971	(1,621,561)		(2,384,580)					
513		<b>TOTAL EQUITY</b>	<b>12,886,695</b>	<b>158,857</b>	<b>(1,621,252)</b>	<b>-</b>	<b>11,424,300</b>					
600		<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 26,764,133</b>	<b>\$ 251,967</b>	<b>\$ 338,685</b>	<b>\$ (197,213)</b>	<b>\$ 27,157,572</b>					
<b>Proof of concept</b>												
			-	-	-	-	-					

Hoboken Housing Authority							
NJ015							
Financial Data Schedule (FDS)							
September 30, 2015							
Line Item #	Account Description	OPERATING	CAPITAL	14.871 Housing Choice Vouchers	COCC	ELIM	TOTAL
<b>REVENUE:</b>							
70300	Net tenant rental revenue	\$ 5,595,912	\$ -	\$ -	\$ -	\$ -	\$ 5,595,912
70400	Tenant revenue - other	84,426	-	-	-	-	84,426
70500	Total tenant revenue	5,680,338	-	-	-	-	5,680,338
70600	HUD PHA grants	6,363,206	547,538	2,528,107	-	-	9,438,851
70610	Capital grants	-	634,942	-	-	-	634,942
70710	Management fee	-	-	-	1,166,274	(1,166,274)	-
70720	Asset management fee	-	-	-	96,720	(96,720)	-
70730	Book keeping fee	-	-	-	135,661	(135,661)	-
70740	Front line service fee	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-
71100	Investment income - unrestricted	1,526	-	130	594	-	2,250
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	-	-	10,328	-	-	10,328
71500	Other revenue	338,801	-	26,503	5,079	-	370,383
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-
70000	<b>TOTAL REVENUE</b>	<b>12,383,871</b>	<b>1,182,480</b>	<b>2,565,068</b>	<b>1,404,328</b>	<b>(1,398,655)</b>	<b>16,137,092</b>
<b>EXPENSES:</b>							
Administrative							
91100	Administrative salaries	239,579	-	29,011	497,180	-	765,770
91200	Auditing fees	6,283	-	5,000	3,438	-	14,721
91300	Outside management fees	1,065,461	65,000	35,813	-	(1,166,274)	-
91310	Book-keeping fee	118,861	-	16,800	-	(135,661)	-
91400	Advertising and marketing	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	299,020	-	22,945	503,864	-	825,829
91600	Office expenses	288,134	-	752	284,411	-	573,297
91700	Legal expenses	14,405	-	12,401	97,208	-	124,014
91800	Travel	214	-	-	2,200	-	2,414
91810	Allocated overhead	-	-	-	-	-	-
91900	Other	-	-	-	-	-	-
92000	Asset Management Fee	96,720	-	-	-	(96,720)	-
Tenant services							
92100	Tenant services - salaries	25,951	-	-	-	-	25,951
92200	Relocation costs	-	-	-	-	-	-
92300	Employee benefit contributions- tenant service	22,823	-	-	-	-	22,823
92400	Tenant services - other	31,861	-	-	-	-	31,861
Utilities							
93100	Water	700,227	-	-	228	-	700,455
93200	Electricity	1,454,994	-	-	4,065	-	1,459,059
93300	Gas	806,897	-	-	7,235	-	814,132
93400	Fuel	-	-	-	-	-	-
93500	Labor	90,656	-	-	-	-	90,656
93600	Sewer	1,291,357	-	-	-	-	1,291,357
93700	Employee benefit contributions- utilities	79,731	-	-	-	-	79,731
93800	Other utilities expense	-	-	-	23,651	-	23,651

<b>Hoboken Housing Authority</b>							
<b>NJ015</b>							
Financial Data Schedule (FDS)							
September 30, 2015							
Line Item #	Account Description	OPERATING	CAPITAL	14.871 Housing Choice Vouchers	COCC	ELIM	TOTAL
	Ordinary maintenance & operation	-	-	-	-	-	-
94100	Ordinary maintenance and operations - labor	1,229,794	-	-	-	-	1,229,794
94200	Ordinary maintenance and operations - materials & other	471,313	-	-	2,356	-	473,669
94300	Ordinary maintenance and operations - contract cost	1,013,095	-	-	1,665	-	1,014,760
94500	Employee benefit contributions- ordinary maintenance	1,080,806	-	-	-	-	1,080,806
	Protective services	-	-	-	-	-	-
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services- other contract cost	31,597	-	-	-	-	31,597
95300	Protective services - other	-	-	-	-	-	-
95500	Employee benefit contributions- protective service	-	-	-	-	-	-
	General expenses	-	-	-	-	-	-
96100	Insurance premiums	683,655	-	5,000	13,054	-	701,709
96200	Other general expenses	-	14,497	8,387	-	-	22,884
96210	Compensated absences	43,534	-	1,046	(12,963)	-	31,617
96300	Payments in lieu of taxes	125,648	-	-	-	-	125,648
96400	Bad debt - tenant rents	34,090	-	-	-	-	34,090
96500	Bad debt- mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-
96710	Interest of mortgage (or bonds) payable	-	319,827	-	3,327	-	323,154
96730	Amortization of bond issue costs	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
96900	<b>TOTAL OPERATING EXPENSES</b>	11,346,706	399,324	137,155	1,430,919	(1,398,655)	11,915,449
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	1,037,165	783,156	2,427,913	(26,591)	-	4,221,643
97100	Extraordinary maintenance	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	2,299,871	-	-	2,299,871
97350	HAP Portability - in	-	-	25,445	-	-	25,445
97400	Depreciation expense	3,684,714	-	-	44,353	-	3,729,067
97500	Fraud losses	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	<b>TOTAL EXPENSES</b>	15,031,420	399,324	2,462,471	1,475,272	(1,398,655)	17,969,832
	<b>OTHER FINANCING SOURCES (USES)</b>						
10010	Operating transfers in	158,193	-	-	-	(158,193)	-
10020	Operating transfers out	-	(158,193)	-	-	158,193	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-
10091	Inter Project excess cash transfer in	725,000	-	-	-	(725,000)	-
10092	Inter Project excess cash transfer out	(725,000)	-	-	-	725,000	-
10093	Transfers between program and project in	-	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-	-
10100	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	158,193	(158,193)	-	-	-	-
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(2,489,356)	624,963	102,597	(70,944)	-	(1,832,740)

Hoboken Housing Authority							
NJ015							
Financial Data Schedule (FDS)							
September 30, 2015							
Line Item #	Account Description	OPERATING	CAPITAL	14,871 Housing Choice Vouchers	COCC	ELIM	TOTAL
<b>MEMO ACCOUNT INFORMATION:</b>							
11020	Required annual debt principal payments	-	-		-		-
11030	Beginning equity	18,968,799	-	133,875	(194,762)		18,907,912
11040	Prior period adjustments and equity transfers	(4,217,711)	-	(77,615)	(1,355,546)		(5,650,872)
11170	Administrative fee equity	-	-	178,529			178,529
11180	Housing assistance payments equity	-	-	58,886			58,886
		-	-	237,415	-	-	237,415
11190	Unit months available	16,236	-	2,484			18,720
11210	Number of unit months leased	15,848	-	2,240			18,088
	Equity Roll Forward Test:						
	Calculation from R/E Statement	\$ 12,886,695		\$ 158,857	\$ (1,621,252)	\$ -	\$ 11,424,300
	B/S Line 513	\$ 12,886,695		\$ 158,857	\$ (1,621,252)	\$ -	\$ 11,424,300
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -