



**NOVOGRADAC  
& COMPANY** LLP®

CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2017

Ms. Sherry Sims  
Boonton Housing Authority  
125 Chestnut Street  
Boonton, NJ 07005

Re: 2016 Audited Financial Statements

Dear Ms. Sims:

Enclosed please find ten bound copies and one unbound copy of the audited financial statements for the Boonton Housing Authority for the year ended September 30, 2016.

A bound copy of the audited financial statements has been mailed to the US Department of Housing & Urban Development field office in Newark, New Jersey. In addition, a bound copy has been mailed to the Department of Community Affairs in Trenton, New Jersey, with the "Authority Audit Questionnaire".

Please feel free to contact me with any questions.

Sincerely,

*Richard M. Larsen*

Richard M. Larsen, CPA  
Partner

**BOONTON HOUSING AUTHORITY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2016**  
**WITH**  
**REPORT OF INDEPENDENT AUDITORS**

**BOONTON HOUSING AUTHORITY  
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YEAR ENDED SEPTEMBER 30, 2016**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners  
Boonton Housing Authority:

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

We have audited the accompanying financial statements of the Boonton Housing Authority as of and for the year ended September 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Boonton Housing Authority, as of September 30, 2016, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2017 on our consideration of the Boonton Housing Authority'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 Boonton Housing Authority's internal control over financial reporting and compliance.

*Novogradac & Company LLP*

June 27, 2017  
Toms River, New Jersey

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

BOONTON HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A. Financial Highlights

1. The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,672,153 (net position) as opposed to \$1,877,037 for the prior fiscal year.
2. As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position (Deficit) of (\$456,434).
3. The Authority's cash and cash equivalents, restricted cash and investment balance including tenant security deposits at September 30, 2016 was \$804,545, representing an increase of \$48,260 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$2,567,930 and Total Operating Expenses of \$2,777,132 for the year ended September 30, 2016.
5. The Authority's capital outlays for the fiscal year were \$80,081 all of which was funded by Authority reserves.
6. The Authority's Expenditures of Federal Awards amounted to \$2,002,990.
7. The Authority adopted GASB 68 "*Accounting and Financial Reporting for Pensions*" during the year ended September 30, 2015. As of September 30, 2016, the Authority had incurred a net pension liability of \$1,226,510, \$358,159 in deferred outflows of resources and \$7,956 of deferred inflows of resources.

B. Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

BOONTON HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

B. Using the Annual Report (continued)

2. Financial Statements

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

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

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

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

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 10 through 14.

3. Notes To Financial Statements

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

4. Supplemental Information

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

BOONTON HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

B. Using the Annual Report (continued)

5. Supplemental Information (continued)

The Schedule of Required Pension Information is presented for additional analysis as required by Governmental Accounting Standards Board Statement No. 68.

C. The Authority as a Whole

The Authority's Net Position decreased during the fiscal year. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were insufficient to cover all expenses during the fiscal year.

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

D. Budgetary Highlights

The Authority is required by New Jersey State law to adopt an annual, entity wide operating and capital budget and submit it to the State of New Jersey Department of Community Affairs at least ninety days prior to the start of its fiscal year.

The Public Housing Program prepares a budget annually. The Board of Commissioners adopts the budget through passage of a budget resolution and submits it to HUD at least ninety days prior to the beginning of the program year.

As indicated by the excess of expenses over revenues, the Authority's Net Position decreased during the fiscal year.

E. Capital Assets and Debt Administration

As of September 30, 2016, the Authority's net investment in capital assets was \$2,041,483. This investment in capital assets includes land, buildings, equipment and construction in progress and is reduced by accumulated depreciation and debt related to capital asset acquisitions.



BOONTON HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

E. Capital Assets and Debt Administration (continued)

Major capital assets purchased of \$80,081, during the fiscal year primarily pertained to expenditures made utilizing the Authority's reserves. Additional information on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this Report.

During the fiscal year ended September 30, 2007 the Authority entered into a Capital Fund Leveraging Pool. The New Jersey Housing and Mortgage and Finance Agency issued bonds and the funds were distributed to the Housing Authority. On July 24, 2007 the Authority received \$341,976 (\$355,000 bond, net of financing costs of \$13,024) to be used for capital improvements to its buildings. Further details can be found in Note 8 to the Financial Statements

F. Significant Changes From Prior Year

Capital assets, net decreased \$152,726 as depreciation expense of \$232,807 exceeded acquisitions of \$80,081 for the year ended September 30, 2016.

Restricted cash and restricted investments increased from \$100,688 in 2015 to \$200,066 in 2016 or \$99,378. The increase was primarily due to an increase of Housing Assistance Payment reserves and FSS escrow reserves in the Housing Choice Vouchers program.

Long term debt decreased by \$15,000 as HUD drawdowns under the Capital Fund Leveraging Program were used to make required debt service payments.

Operating grants increased by \$213,693 as the Authority received more subsidy in the Section 8 Housing Choice Vouchers Program in the amount of \$320,878, which was partially offset by a decrease in Capital Fund Program income in the amount \$76,959.

Utilities expense decreased by \$28,105, primarily as a result of reductions in gas and utility labor costs.

Ordinary maintenance and operations increased from \$105,846 in 2015 to \$153,696 in 2016 or \$47,850 primarily due to an increase in labor and ordinary maintenance materials.

General expenses increased \$5,785 primarily due to moderate increases in compensated absences, payment in lieu of taxes and bad debts.

Housing assistance payments expense increased by \$130,755 as the Authority had an increase of 96 unit months leased during 2016.

BOONTON HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2017:

1. The state of the economy, particularly in light of current world affairs.
2. The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.
3. The use of the Authority's program reserves to fund any shortfalls rising from a possible economic downturn and reduced subsidies and grants. The Authority's program reserves appear to be sufficient to cover any shortfall.

H. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the Town of Boonton, 125 Chestnut Street, Boonton, NJ 07005 or call (973) 335-0846.

I. Summarized Financial Data

Computation of Net Position are as follows:			
		As of	
		9/30/2016	9/30/2015
Cash and Other Assets		\$ 838,371	\$ 851,603
Capital Assets - Net		2,276,483	2,429,210
Deferred Outflows of Resources		358,159	136,380
Total Assets and Deferred Outflows		3,473,013	3,417,193
Less: Total Liabilities		1,792,904	1,524,812
Less: Deferred Inflows of Resources		7,956	15,344
Net Position		\$ 1,672,153	\$ 1,877,037
Net Investment in Capital Assets		\$ 2,041,483	\$ 2,179,210
Restricted Net Position		87,104	37,858
Unrestricted Net Position		(456,434)	(340,031)
Total Net Position		\$ 1,672,153	\$ 1,877,037

BOONTON HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

I. Summarized Financial Data (continued)

Computations of Changes in Net Assets are as follows:				
			<u>Year Ended</u>	
			<u>9/30/16</u>	<u>9/30/15</u>
<u>Revenues</u>				
Tenant Revenues			\$ 431,315	\$ 424,403
HUD Subsidies			1,961,695	1,748,002
Other Revenues			<u>174,920</u>	<u>74,126</u>
Total Operating Revenues			<u>2,567,930</u>	<u>2,246,531</u>
<u>Expenses</u>				
Other Operating Expenses			999,555	880,210
Housing Assistance Payments			1,544,770	1,414,015
Depreciation Expense			<u>232,807</u>	<u>184,615</u>
Total Operating Expenses			<u>2,777,132</u>	<u>2,478,840</u>
Operating (Loss)			<u>(209,202)</u>	<u>(232,309)</u>
<u>Non-Operating Income/(Expenses)</u>				
Interest Expense			(11,969)	(12,602)
Interest on Investments			<u>1,287</u>	<u>3,294</u>
Loss before capital grants			<u>(219,884)</u>	<u>(241,617)</u>
<u>Capital Grants</u>				
HUD Capital Grants			<u>15,000</u>	<u>15,000</u>
Change in Net Position			<u>(204,884)</u>	<u>(226,617)</u>
Net Position – Beginning of Year			<u>1,877,037</u>	<u>2,862,180</u>
Change in Accounting Principle - Adoption of GASB 68			<u>-</u>	<u>(758,526)</u>
Net Position – End of Year			<u>\$ 1,672,153</u>	<u>\$ 1,877,037</u>

## **FINANCIAL STATEMENTS**

**BOONTON HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2016**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 62,266
Investments	542,213
Accounts receivable, net	18,408
Other current assets	<u>15,418</u>
Total current assets	<u>638,305</u>
Non-current assets:	
Restricted cash	200,066
Capital assets, net	<u>2,276,483</u>
Total non-current assets	<u>2,476,549</u>
Total assets	<u>3,114,854</u>

**DEFERRED OUTFLOWS OF RESOURCES**

State of New Jersey P.E.R.S.	<u>358,159</u>
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See accompanying notes to financial statements.

**BOONTON HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION (continued)**  
**AS OF SEPTEMBER 30, 2016**

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 42,431
Accrued expenses	29,555
Accrued compensated absences	14,251
Tenant security deposits	46,542
Prepaid tenant rents	4,035
Current portion of bonds payable	<u>15,000</u>
Total current liabilities	<u>151,814</u>
Non-current liabilities:	
Bonds payable, excluding current portion	220,000
Accrued compensated absences, net of current portion	128,254
Family Self Sufficiency Program escrows	66,326
Net pension liability	<u>1,226,510</u>
Total non-current liabilities	<u>1,641,090</u>
Total liabilities	<u>1,792,904</u>

**DEFERRED INFLOWS OF RESOURCES**

State of New Jersey P.E.R.S.	<u>7,956</u>
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**NET POSITION**

Net position:	
Net investment in capital assets	2,041,483
Restricted	87,104
Unrestricted (deficit)	<u>(456,434)</u>
Total net position	<u>\$ 1,672,153</u>

See accompanying notes to financial statements.



**BOONTON HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Operating revenues:	
Tenant revenue	\$ 431,315
HUD grants	1,961,695
Other revenues	<u>174,920</u>
Total operating revenue	<u>2,567,930</u>
Operating expenses:	
Administrative	580,103
Utilities	199,205
Ordinary maintenance and operations	153,696
Insurance	31,041
General	35,510
Housing assistance payments	1,544,770
Depreciation	<u>232,807</u>
Total operating expenses	<u>2,777,132</u>
Operating loss	<u>(209,202)</u>
Non-operating revenues:	
Investment income	1,287
Interest expense	<u>(11,969)</u>
Net non-operating revenues (expense)	<u>(10,682)</u>
Loss before capital grants	(219,884)
Capital grants	<u>15,000</u>
Change in net position	(204,884)
Total net position, beginning of year	<u>1,877,037</u>
Net position, end of year	<u>\$ 1,672,153</u>

See accompanying notes to financial statements.

**BOONTON HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Cash Flows from Operating Activities:	
Cash received from grantors	\$ 2,015,993
Cash received from tenants	610,467
Cash paid to employees	(491,535)
Cash paid to suppliers	<u>(1,995,902)</u>
Net cash flows provided by operating activities	<u>139,023</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(80,081)
Interest paid on capital debt	(11,969)
Principal paid on capital debt	(15,000)
Capital grants	<u>15,000</u>
Net cash flows used by capital and related financing activities	<u>(92,050)</u>
Cash Flows from Investing Activities:	
Deposits into investments	(58,499)
Investment income	<u>1,287</u>
Net cash flows used by investing activities	<u>(57,212)</u>
Net decrease in cash and cash equivalents	(10,239)
Cash and cash equivalents, beginning of year	<u>272,571</u>
Cash and cash equivalents, end of year	<u><u>\$ 262,332</u></u>
A reconciliation of cash and cash equivalents to Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 62,266
Restricted cash	<u>200,066</u>
	<u><u>\$ 262,332</u></u>

See accompanying notes to financial statements.

**BOONTON HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Operating loss	\$ (209,202)
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Adjustments to reconcile operating loss to net cash  
used by operating activities:

Depreciation	232,808
Bad debts	926

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

Accounts receivable - HUD	54,298
Accounts receivable - tenants	726
Other current assets	5,542
Accounts payable	(51,570)
Accrued expenses	534
Accrued compensated absences	10,224
Tenant security deposits	(952)
Prepaid tenant rents	3,532
Other current liabilities	317,735
Deferred inflows of resources	(13,331)
Deferred outflows of resources	(215,836)
Other noncurrent liabilities	<u>3,589</u>

Net cash provided by operating activities	\$ <u>139,023</u>
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**BOONTON HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

**A. Organization**

The Boonton Housing Authority or (the "Authority") is a public body corporate and politic of the State of New Jersey (the "State") created by the Town of Boonton (the "Town") 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 Town 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 seven members 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:

Public and Indian Housing Program

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

Section 8 Housing Choice Vouchers

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.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**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 Boonton Housing Authority and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

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

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

**D. Basis of Accounting**

The Authority's financial statements are prepared in accordance with 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.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

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

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

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 expense / 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.

**E. Use of Management Estimates**

The preparation of financial statements in accordance 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.



**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

**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.

**H. Investments**

Investments are reported at fair value, which is determined by established market prices. Short-term investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at their estimated values.

**I. Accounts Receivable, Net**

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.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

**J. Prepaid Expenses**

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

**K. 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	3-7 Years
• Site Improvements	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.

**L. Compensated Absences**

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

Employees may be compensated for accrued vacation leave in the event of retirement or termination of service. Employees may be compensated for sick leave at retirement at the rate of three days for every five days accumulated, payable at the salary rate earned at the time of separation. Employees may only accumulate and carry over to the following year the prior year's unused vacation. The Authority's sick leave policy allows employees to carry over unused sick leave without penalty.

**M. Prepaid Tenant Rents**

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

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

**N. Taxes**

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

**O. Equity Classifications**

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

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

Restricted — 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.”

**P. 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.

**Q. Economic Dependency**

The Public and Indian Housing and Section 8 Housing Choice Voucher programs of the Authority are economically dependent on operating grants and subsidies from HUD.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 2. CASH AND CASH EQUIVALENTS**

As of September 30, 2016, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$262,332, and the bank balances approximated \$307,153.

Of the bank balances, \$254,098 was covered by federal depository insurance and the remaining \$53,055 was collateralized with the pledging financial institution as of September 30, 2016.

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. As of September 30, 2016, the Authority's bank balances were not exposed to 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. INVESTMENTS**

Investments, stated at fair value in accordance with GASB Statement No. 40, consisted of the following as of September 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of Deposit:		
Lakeland Bank	\$ 6,238	November 13, 2016
Lakeland Bank	97,256	November 30, 2016
ConnectOne Bank	102,217	November 17, 2016
ConnectOne Bank	60,875	October 26, 2017
Union Center National Bank	210,817	September 25, 2016
Bank of America	42,672	March 9, 2017
Bank of America	<u>22,138</u>	March 9, 2017
	<u>\$ 542,213</u>	

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - All investments are in financial instruments in accordance with HUD regulations. Treasury Bills and agency notes held by banks in the name of the Authority are fully guaranteed by the federal government. The Authority does not have an investment policy that would further limit investment choices and it places no limit on the amount that can be invested with one issuer.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 4. ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consists of the following at September 30, 2016:

<u>Description</u>	<u>Amount</u>
Accounts receivable - HUD	\$ 11,539
Accounts receivable - tenants	<u>6,869</u>
Total accounts receivable, net	<u>\$ 18,408</u>

Accounts receivable - HUD

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

Accounts receivable - tenants

Accounts receivable - tenants represents amounts due for tenant rents and are stated net of an allowance of \$4,652 at September 30, 2016.

**NOTE 5. CAPITAL ASSETS, NET**

The following is a summary of the changes in general fixed assets for the fiscal year ended September 30, 2016:

<u>Description</u>	<u>September 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>September 30, 2016</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 215,955	\$ -	\$ -	\$ -	\$ 215,955
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>215,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,955</u>
<u>Depreciable capital assets:</u>					
Buildings and Improvements	6,425,955	64,967	-	-	6,490,922
Furniture and Equipment	<u>300,880</u>	<u>15,114</u>	<u>-</u>	<u>-</u>	<u>315,994</u>
Total	<u>6,726,835</u>	<u>80,081</u>	<u>-</u>	<u>-</u>	<u>6,806,916</u>
Less: accumulated depreciation	<u>4,513,581</u>	<u>232,807</u>	<u>-</u>	<u>-</u>	<u>4,746,388</u>
Net capital assets	<u>\$ 2,429,209</u>	<u>\$(152,726)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,276,483</u>

Depreciation expense for the fiscal year ended September 30, 2016 amounted to \$232,807.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 6. RESTRICTED CASH**

As of September 30, 2016, restricted cash consisted of the following:

<u>Description</u>	<u>Amount</u>
Housing Assistance Payment Reserves	\$ 87,104
Family Self Sufficiency Deposits	66,326
Tenant security deposits	46,543
Capital Fund Revenue Bond Proceeds	<u>93</u>
	<u>\$ 200,066</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Voucher Program for future housing assistance payments.

Family Self Sufficiency ("FSS") Program escrows are restricted for use in the Section 8 Housing Choice Voucher and Public and Indian Housing Programs by FSS Program participants.

Tenant security deposits are held in trust and restricted for refund at the time the tenant vacates the apartment, provided the apartment's physical condition is satisfactory.

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 7. 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, 2016 consisted of the following:

<u>Description</u>	<u>Amount</u>
Beginning compensated absences	\$ 132,281
Compensated absences earned	48,326
Compensated absences redeemed	<u>(38,102)</u>
Ending compensated absences	142,505
Less: current portion	<u>14,251</u>
Compensated absences, net of current portion	<u>\$ 128,254</u>



**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 8. NON-CURRENT LIABILITIES**

A summary of the Authority's outstanding bonds payable is as follows:

<u>Description</u>	<u>Amount</u>
During 2007, 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, 2007 Series A on July 24, 2007. The Authority's share of the funds from the bond issue pool amounted to \$355,000. 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.	\$ <u>235,000</u>
Total bonds payable	235,000
Less: current portion	<u>15,000</u>
Bonds payable, excluding current portion	\$ <u><u>220,000</u></u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,000	\$ 11,600	\$ 26,600
2018	15,000	10,955	25,955
2019	20,000	10,205	30,205
2020	20,000	9,205	29,205
2021	20,000	8,205	28,205
2022-2026	115,000	25,290	140,290
2027	<u>30,000</u>	<u>1,485</u>	<u>31,485</u>
	\$ <u>235,000</u>	\$ <u>76,945</u>	\$ <u>311,945</u>

Debt service for the year ended September 30, 2016 consisted of the following:

<u>Description</u>	<u>September 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2016</u>	<u>Amounts due within one year</u>
FSS escrows	\$ 62,737	\$ 3,589	\$ -	\$ 66,326	\$ -
Accrued compensated absences	132,281	48,326	(38,102)	142,505	14,251
Net pension liability	908,775	317,735	-	1,226,510	-
Capital fund revenue bonds	<u>250,000</u>	<u>-</u>	<u>(15,000)</u>	<u>235,000</u>	<u>15,000</u>
	\$ <u>1,353,793</u>	\$ <u>369,650</u>	\$ <u>(53,102)</u>	\$ <u>1,670,341</u>	\$ <u>29,251</u>

Interest expense for the year ended September 30, 2016 totaled \$11,969.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**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  $1/55^{\text{th}}$  of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of  $1/60^{\text{th}}$  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.

**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.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

**C. Contributions (continued)**

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, 2016, the Authority reported a liability of \$1,226,510 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and rolled forward to June 30, 2016.

For the year ended September 30, 2016 the Authority recognized pension expense of \$88,568. At September 30, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of Assumptions	\$ 254,067	\$ -
Changes in Proportion	34,515	7,956
Differences between expected and actual experience	69,577	-
Total	\$ <u>358,159</u>	\$ <u>7,956</u>

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

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

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

Year ended September 30:	<u>Deferred Outflows of Resources</u>
2016	79,432
2017	79,431
2018	90,478
2019	76,314
2020	<u>24,548</u>
	<u>\$ 350,203</u>

**E. Actuarial Assumptions**

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

Inflation Rate	3.08%
Salary increases:	
Through 2026	1.65 - 4.15%, based on age
Thereafter	2.65 - 5.15%, based on age
Investment rate of return	7.65%

Pre-mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For state employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members and one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females). The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

**G. Discount Rate**

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on the pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

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

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

	1% Decrease (2.98%)	Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	\$ <u>1,502,945</u>	\$ <u>1,226,510</u>	\$ <u>998,289</u>

**NOTE 10. OTHER 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 labor agreements if they have twenty-five (25) or more years enrolled in the pension system.

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

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. For the past three years the Authority has not had any retirees collecting health benefits from the SHBP.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 11. RESTRICTED NET POSITION**

Restricted net position consists of the following at September 30, 2016:

Housing assistance payment reserves	\$ <u>87,104</u>
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Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Voucher Program for tenant rents.

**NOTE 12. ECONOMIC DEPENDENCY**

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

**NOTE 13. RISK MANAGEMENT**

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The Authority maintains commercial insurance coverage for property, liability and surety bonds. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the years ended September 30, 2016, 2015, and 2014.

**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.

The Authority received several compliance findings related to the administration of their Housing Choice Vouchers Program for the year ended September 30, 2016. Management anticipates that HUD will accept the Authority's corrective action plan and that a recapture of funds by HUD as a result of the findings is unlikely.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**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 June 27, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.





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

To the Board of Commissioners  
Boonton Housing Authority:

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 Boonton Housing Authority (the "Authority") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated June 27, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Novogradac & Company LLP*

June 27, 2017  
Toms River, New Jersey



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF  
NEW JERSEY OMB CIRCULAR 15-08**

To the Board of Commissioners  
Boonton Housing Authority:

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

We have audited Boonton Housing Authority's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2016. The Authority's major federal programs are identified in the summary of auditors' 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations and the State of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.



### **Basis for Qualified Opinion on Housing Choice Voucher Program**

As described in the accompanying schedule of findings and questioned costs in items 2016-001, 2016-002 and 2016-003, the Boonton Housing Authority did not comply with the eligibility and special tests and provisions compliance requirements of the Uniform Guidance regarding missing tenant file items, tracing new move-ins to the Authority's waiting list, and annual inspections as required by the Housing Choice Voucher Program (CFDA #14.871). Compliance with such requirements is necessary, in our opinion, for the Boonton Housing Authority to comply with the requirements of these programs.

### **Qualified Opinion on Housing Choice Voucher Program**

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, the Boonton Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Housing Choice Voucher program.

### **Other Matters**

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 and 2016-003 to be material weaknesses.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Boonton Housing Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Boonton Housing Authority'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Novogrudac & Company LLP*

June 27, 2017  
Toms River, New Jersey

## **SUPPLEMENTAL INFORMATION**

**BOONTON HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period		Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
			From	To			
<u>U.S. Department of Housing and Urban Development</u>							
Public and Indian Housing Program	14.850	N/A	1/1/15	12/31/16	\$ 301,160	\$ 146,473	\$ 266,842
Section 8 Housing Choice Voucher Program:	14.871	N/A	10/1/15	09/30/16	1,794,302	1,820,597	1,820,597
Public Housing Capital Fund Program	14.872	N/A	2/11/12	4/12/19	<u>286,912</u>	<u>35,920</u>	<u>184,843</u>
Total expenditures of federal awards					\$ 2,382,374	\$ 2,002,990	\$ 2,272,282

See accompanying notes to the schedule of expenditures of federal awards.

**BOONTON HOUSING AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Boonton Housing Authority under programs of the federal government for the year ended September 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Boonton Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Boonton Housing Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Passthrough entity identifying numbers are presented where available.

**NOTE 3. INDIRECT COST RATE**

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



**BOONTON HOUSING AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

	<u>501-12</u>	<u>501-13</u>	<u>501-14</u>	<u>501-15</u>	<u>Total</u>
Budget	\$ <u>70,841</u>	\$ <u>68,066</u>	\$ <u>70,629</u>	\$ <u>77,376</u>	\$ <u>286,912</u>
<u>Advances:</u>					
Cumulative through 10/01/2015	\$ 64,474	\$ 40,630	\$ 43,819	\$ -	\$ 148,923
Current year	<u>6,367</u>	<u>21,403</u>	<u>-</u>	<u>8,150</u>	<u>35,920</u>
Cumulative through 09/30/2016	<u>70,841</u>	<u>62,033</u>	<u>43,819</u>	<u>8,150</u>	<u>184,843</u>
<u>Costs:</u>					
Cumulative through 10/01/2015	64,474	40,630	43,819	-	148,923
Current year	<u>6,367</u>	<u>21,403</u>	<u>-</u>	<u>8,150</u>	<u>35,920</u>
Cumulative through 09/30/2016	<u>70,841</u>	<u>62,033</u>	<u>43,819</u>	<u>8,150</u>	<u>184,843</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

**NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES**

- 1) The total amount of Capital Fund Program Costs and Advances incurred and earned by the Boonton Housing Authority as of and for the year ended September 30, 2016 are provided herein.
- 2) Capital Fund Grant No. NJ39P05250112 with an approved funding of \$70,841 has been fully drawn down and expended as per Capital Fund Grant Regulations.

**BOONTON HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

**I. Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

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

CFDA Number

Name of Federal Program

14.871

Section 8 Housing Choice Vouchers

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

**BOONTON HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**SEPTEMBER 30, 2016**

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*.

III. Federal Award Findings and Questioned Costs

**Finding 2016-001**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Titles: Section 8 Housing Choice Vouchers Program

Federal Catalog Numbers: 14.871

Material Noncompliance – E. Eligibility – Tenant Files

Non Compliance Material to the Financial Statements: Yes

Material Weakness in Internal Control over Compliance for Eligibility

Criteria: Tenant Files. The PHA must do the following: As a condition of admission or continued occupancy, require the tenant and other family member to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516).

Condition: Based upon inspection of the Authority's files and on discussion with management there were a significant number of documents that were unavailable for examination at the time of audit.

Context: Of a sample size of 11 tenant files, the following information was unavailable for examination at the time of audit:

- The original application was missing in 3 files
- Citizenship declaration forms were missing in 5 files
- Consent to release forms were missing in 4 files
- A signed lease was missing in 2 files

Our sample size is statistically valid.

Known Questioned Costs: \$82,384

Likely Questioned Costs: \$1,029,800

Cause: There is a material weakness in internal controls over the compliance for the eligibility type of compliance related to the maintenance of tenant files. The Authority has not properly considered, designed, implemented, maintained and monitored a system of internal controls that reasonably assure the program is in compliance.

Effect: The Housing Choice Voucher Program is in material non-compliance with the eligibility type of compliance related to the maintenance of tenant files.

Recommendation: We recommend the Authority design and implement internal control procedures that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

**BOONTON HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**SEPTEMBER 30, 2016**

III. Federal Award Findings and Questioned Costs (continued)

**Finding 2016-001 (continued)**

Views of responsible officials and planned corrective action:

The Authority has recognized the deficiencies in the Section 8 department and has increased oversight from the executive director, and fee accountant and the Authority has hired a contractor to review all tenant files on a semi-annual basis.

**Finding 2016-002**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Titles: Section 8 Housing Choice Vouchers Program

Federal Catalog Numbers: 14.871

Material Noncompliance – N. Special Tests and Provisions – Waiting List

Non Compliance Material to the Financial Statements: No

Material Weakness in Internal Control over Compliance for Special Tests and Provisions

Criteria: Selections from the Waiting List. The PHA must have written policies in its HCVP administrative plan for selecting applicants from the waiting list and PHA documentation must show that the PHA follows these policies when selecting applicants from the waiting list. Except for as provided in 24 CFR section 982.203 (Special admission (non-waiting list), all families admitted to the program must be selected from the waiting list. “Selection” from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission (24CFR sections 5.410, 982.54(d), and 982.201 through 982.207).

Condition: Based upon inspection of the waiting list, new move-in list and discussions with management it could not be determined with any certainty that new move-ins were selected from the wait list in an order that is in accordance with the Authority’s policy.

Context: Of a sample size of 3 from the Authority's new move-in list, we were to trace the names of new move-ins to the Authority's waiting list in order to verify that the new move-ins were chosen in an order that was accordance with the Authority’s policy. Due to the condition of the records it could not be determined with any degree of certainty that new move-ins were chosen in the proper order. Our sample is statistically valid.

Known Questioned Costs: \$30,894

Likely Questioned Costs: \$30,894

Cause: There is a material weakness in internal controls over the compliance for the special tests and provision type of compliance. The Authority has not properly considered, designed, implemented, maintained and monitored a system of internal controls that reasonably assures program compliance.

Effect: The Housing Choice Voucher Program is in material non-compliance with the special tests and provisions type of compliance related to Selections from the waiting list.

Recommendation: We recommend the Authority design and implement internal control procedures that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

**BOONTON HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**SEPTEMBER 30, 2016**

III. Federal Award Findings and Questioned Costs (continued)

**Finding 2016-002 (continued)**

Views of responsible officials and planned corrective action: The Authority has recognized the deficiencies in the Section 8 department and has increased oversight from the executive director, and fee accountant and the Authority has hired a contractor to review all tenant files on a semi-annual basis.

**Finding 2016-003**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Titles: Section 8 Housing Choice Vouchers Program

Federal Catalog Numbers: 14.871

Material Noncompliance – N. Special Tests and Provisions – Housing Quality Standards

Non Compliance Material to the Financial Statements: No

Material Weakness in Internal Control over Compliance for Special Tests and Provisions

Criteria: Housing Quality Standards Inspections. The PHA must inspect the unit leased to a family at least annually to determine if the unit meets the Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)). For units that fail inspection the PHA must correct all life threatening HQS deficiencies with 24 hours and all other deficiencies within 30 days.

Condition: Based upon inspection of the Authority's files and on discussions with management, there were units that had not passed re-inspection within the required thirty day period and abatements had not been processed for those units. Furthermore, the Authority was unable to provide us with reliable supporting documentation for two (2) of the units selected for testing.

Context: Of a sample size of 8 units that had initially failed inspection, two (2) units did not pass re-inspection within 30 days. HAP abatements were not processed for those two (2) units. Furthermore, all related documentation was deemed unreliable for two (2) additional units due to conflicting dates between the failed inspection report listing and the unit's annual inspection reports. Known question costs for those two (2) units that did not pass re-inspection within 30 days are listed below. Questioned costs for the two (2) for which we could not determine compliance are unknown. Our sample size is statistically valid.

Known Questioned Costs: \$1,720

Likely Questioned Costs: \$1,720

Cause: There is a material weakness in internal controls over the compliance for the special tests and provision type of compliance related to HQS inspections. The Authority has not properly considered, designed, implemented, maintained and monitored a system of internal controls that reasonably assure the program is in compliance.

Effect: The Housing Choice Voucher Program is in material non-compliance with the special tests and provisions type of compliance related to HQS inspections.

**BOONTON HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**SEPTEMBER 30, 2016**

III. Federal Award Findings and Questioned Costs (continued)

**Finding 2016-003 (continued)**

Recommendation: We recommend the Authority design and implement internal control procedures that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

Views of responsible officials and planned corrective action: The Authority has recognized the deficiencies in the Section 8 department and has increased oversight from the executive director, and fee accountant and the Authority has hired a contractor to review all tenant files on a semi-annual basis.

IV. Summary of Prior Audit Findings

None reported.

**BOONTON HOUSING AUTHORITY  
REQUIRED PENSION INFORMATION  
SEPTEMBER 30, 2016**

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

	September 30, <u>2014</u>	September 30, <u>2015</u>	September 30, <u>2016</u>
Contractually required contribution	\$ 32,652	\$ 34,805	\$ 36,790
Contributions in relation to the contractually required contribution	<u>32,652</u>	<u>34,805</u>	<u>36,790</u>
(Over) / under funded	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Authority's covered-employee payroll	\$ <u>301,681</u>	\$ <u>323,988</u>	\$ <u>322,793</u>
Contributions as a percentage of covered- employee payroll	<u>10.82 %</u>	<u>10.74 %</u>	<u>11.40 %</u>

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

	September 30, <u>2014</u>	September 30, <u>2015</u>	September 30, <u>2016</u>
Authority's proportion of the net pension liability	<u>0.0040 %</u>	<u>0.0040 %</u>	<u>0.0041 %</u>
Authority's proportionate share of the net pension liability	\$ <u>741,564</u>	\$ <u>908,775</u>	\$ <u>1,226,510</u>
Authority's covered-employee payroll	\$ <u>301,681</u>	\$ <u>323,988</u>	\$ <u>322,793</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	<u>245.81 %</u>	<u>280.50 %</u>	<u>379.97 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.08 %</u>	<u>47.93 %</u>	<u>40.14 %</u>

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

See Report of Independent Auditors

Boonton Housing Authority (NJ052)									
BOONTON, NJ									
Financial Data Schedule (FDS)									
September 30, 2016									
Line Item #				Account Description	PROJECTS	SECTION 8 HCV	CDBG		TOTAL
				ASSETS:					
				CURRENT ASSETS:					
				Cash:					
111				Cash - unrestricted	\$ 58,257	\$ 4,009	\$ -		\$ 62,266
112				Cash - restricted - modernization and development	-	-	-		-
113				Cash - other restricted	93	87,104	-		87,197
114				Cash - tenant security deposits	46,543	-	-		46,543
115				Cash - restricted for payment of current liabilities	-	66,326	-		66,326
100				Total cash	104,893	157,439	-		262,332
				Accounts and notes receivables:					
121				Accounts receivable - PHA projects	-	-	-		-
122				Accounts receivable - HUD other projects	11,539	-	-		11,539
124				Accounts receivable - other government	-	-	-		-
125				Accounts receivable - miscellaneous	-	-	-		-
126				Accounts receivable - tenants	11,521	-	-		11,521
126.1				Allowance for doubtful accounts - tenants	(4,652)	-	-		(4,652)
126.2				Allowance for doubtful accounts - other	-	-	-		-
127				Notes and mortgages receivable - current	-	-	-		-
128				Fraud recovery	-	-	-		-
128.1				Allowance for doubtful accounts - fraud	-	-	-		-
129				Accrued interest receivable	120	182	-		302
120				Total receivables, net of allowances for doubtful accounts	18,528	182	-		18,710
131				Investments - unrestricted	459,200	83,013	-		542,213
132				Investments - restricted	-	-	-		-
135				Investments - restricted for payment of current liability	-	-	-		-
142				Prepaid expenses and other assets	15,116	-	-		15,116
143				Inventories	-	-	-		-
143.1				Allowance for obsolete inventories	-	-	-		-
144				Interprogram - due from	-	-	-		-
145				Assets held for sale	-	-	-		-
150				TOTAL CURRENT ASSETS	597,737	240,634	-		838,371
				NONCURRENT ASSETS:					
				Fixed assets:					
161				Land	215,955	-	-		215,955
162				Buildings	6,317,071	-	173,851		6,490,922
163				Furniture, equipment & machinery - dwellings	221,898	-	-		221,898
164				Furniture, equipment & machinery - administration	94,096	-	-		94,096
165				Leasehold improvements	-	-	-		-
166				Accumulated depreciation	(4,737,696)	-	(8,692)		(4,746,388)
167				Construction in Progress	-	-	-		-
168				Infrastructure	-	-	-		-
160				Total fixed assets, net of accumulated depreciation	2,111,324	-	165,159		2,276,483
				Other non-current assets:					
171				Notes and mortgages receivable - non-current	-	-	-		-
172				Notes and mortgages receivable-non-current - past due	-	-	-		-
174				Other assets	-	-	-		-
175				Undistributed debits	-	-	-		-
176				Investment in joint ventures	-	-	-		-
180				TOTAL NONCURRENT ASSETS	2,111,324	-	165,159		2,276,483
200				Deferred Outflows of Resources	204,122	154,037	-		358,159
290				TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,913,183	\$ 394,671	\$ 165,159	\$	3,473,013



<b>Boonton Housing Authority (NJ052)</b>									
<b>BOONTON, NJ</b>									
Financial Data Schedule (FDS)									
September 30, 2016									
Line Item #		Account Description	PROJECTS	SECTION 8 HCV	CDBG	TOTAL			
<b>LIABILITIES AND EQUITY:</b>									
<b>Liabilities:</b>									
<b>Current Liabilities:</b>									
311		Bank overdraft	\$ -	\$ -	\$ -	-			
312		Accounts payable ≤ 90 days	18,564	-	-	18,564			
313		Accounts payable > 90 days past due	-	-	-	-			
321		Accrued wage/payroll taxes payable	2,325	-	-	2,325			
322		Accrued compensated absences - current portion	7,716	6,535	-	14,251			
324		Accrued contingency liability	-	-	-	-			
325		Accrued interest payable	4,565	-	-	4,565			
331		Accounts payable - HUD PHA programs	-	656	-	656			
332		Accounts payable - PHA projects	-	-	-	-			
333		Accounts payable - other government	23,211	-	-	23,211			
341		Tenant security deposits	46,542	-	-	46,542			
342		Deferred revenue	4,035	-	-	4,035			
343		Current portion of L-T debt - capital projects	15,000	-	-	15,000			
344		Current portion of L-T debt - operating borrowings	-	-	-	-			
345		Other current liabilities	-	-	-	-			
346		Accrued liabilities - other	22,665	-	-	22,665			
347		Interprogram - due to	-	-	-	-			
310		<b>TOTAL CURRENT LIABILITIES</b>	<b>144,623</b>	<b>7,191</b>	<b>-</b>	<b>151,814</b>			
<b>NONCURRENT LIABILITIES:</b>									
351		Long-term debt, net of current - capital projects	220,000	-	-	220,000			
352		Long-term debt, net of current - operating borrowings	-	-	-	-			
353		Non-current liabilities- other	-	66,326	-	66,326			
354		Accrued compensated absences - noncurrent	69,442	58,812	-	128,254			
355		Loan Liability - Non Current	-	-	-	-			
356		FASB 5 Liabilities	-	-	-	-			
357		Accrued pension and OPEB liabilities	739,223	487,287	-	1,226,510			
350		<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,028,665</b>	<b>612,425</b>	<b>-</b>	<b>1,641,090</b>			
300		<b>TOTAL LIABILITIES</b>	<b>1,173,288</b>	<b>619,616</b>	<b>-</b>	<b>1,792,904</b>			
400		Deferred Inflows of Resources	2,120	5,836		7,956			
<b>EQUITY:</b>									
508.1		Invested in Capital Assets, Net of Related Debt	1,876,324	-	165,159	2,041,483			
511.1		Restricted Net Assets	-	87,104	-	87,104			
512.1		Unrestricted Net Assets	(138,549)	(317,885)	-	(456,434)			
513		<b>TOTAL EQUITY</b>	<b>1,737,775</b>	<b>(230,781)</b>	<b>165,159</b>	<b>1,672,153</b>			
600		<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,913,183</b>	<b>\$ 394,671</b>	<b>\$ 165,159</b>	<b>\$ 3,473,013</b>			
<b>Proof of concept</b>									
			-	-	-				

<b>Boonton Housing Authority (NJ052)</b>						
<b>BOONTON, NJ</b>						
Financial Data Schedule (FDS)						
September 30, 2016						
Line Item #	Account Description	OPERATING	CAPITAL	SECTION 8 HCV	CDBG	TOTAL
<b>REVENUE:</b>						
70300	Net tenant rental revenue	\$ 429,395	\$ -	\$ -	\$ -	\$ 429,395
70400	Tenant revenue - other	1,920	-	-	-	1,920
70500	Total tenant revenue	431,315	-	-	-	431,315
70600	HUD PHA grants	146,473	20,920	1,794,302	-	1,961,695
70610	Capital grants	-	15,000	-	-	15,000
70710	Management fee	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-
70730	Book keeping fee	-	-	-	-	-
70750	Other fees	-	-	-	-	-
70800	Other government grants	-	-	-	-	-
71100	Investment income - unrestricted	1,287	-	-	-	1,287
71200	Mortgage interest income	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-
71500	Other revenue	134,127	-	40,793	-	174,920
71600	Gain or loss on sale of fixed assets	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-
70000	<b>TOTAL REVENUE</b>	<b>713,202</b>	<b>35,920</b>	<b>1,835,095</b>	<b>-</b>	<b>2,584,217</b>
<b>EXPENSES:</b>						
<b>Administrative</b>						
91100	Administrative salaries	125,187	-	137,853	-	263,040
91200	Auditing fees	4,840	-	4,840	-	9,680
91300	Outside management fees	-	-	-	-	-
91310	Book-keeping fee	-	-	-	-	-
91400	Advertising and marketing	-	-	-	-	-
91500	Employee benefit contributions- administrative	100,722	-	81,861	-	182,583
91600	Office expenses	73,523	-	44,556	-	118,079
91700	Legal expenses	6,500	-	-	-	6,500
91800	Travel	221	-	-	-	221
91810	Allocated overhead	-	-	-	-	-
91900	Other	-	-	-	-	-
92000	Asset Management Fee	-	-	-	-	-
<b>Tenant services</b>						
92100	Tenant services - salaries	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-
92300	Employee benefit contributions- tenant service	-	-	-	-	-
92400	Tenant services - other	-	-	-	-	-
<b>Utilities</b>						
93100	Water	38,771	-	-	-	38,771
93200	Electricity	57,231	-	-	-	57,231
93300	Gas	44,664	-	-	-	44,664
93400	Fuel	-	-	-	-	-
93500	Labor	24,560	-	-	-	24,560
93600	Sewer	23,490	-	-	-	23,490
93700	Employee benefit contributions- utilities	10,489	-	-	-	10,489
93800	Other utilities expense	-	-	-	-	-
<b>Ordinary maintenance &amp; operations</b>						
94100	Ordinary maintenance and operations - labor	46,171	-	-	-	46,171
94200	Ordinary maintenance and operations - materials & other	28,620	-	-	-	28,620
94300	Ordinary maintenance and operations - contract cost	60,347	-	-	-	60,347
94500	Employee benefit contributions- ordinary maintenance	18,558	-	-	-	18,558
<b>Protective services</b>						
95100	Protective services - labor	-	-	-	-	-
95200	Protective services- other contract cost	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-
95500	Employee benefit contributions- protective service	-	-	-	-	-

<b>Boonton Housing Authority (NJ052)</b>						
<b>BOONTON, NJ</b>						
Financial Data Schedule (FDS)						
September 30, 2016						
Line Item #	Account Description	OPERATING	CAPITAL	SECTION 8 HCV	CDBG	TOTAL
	General expenses					
96100	Insurance premiums	-	-	-	-	-
96110	Property Insurance	14,618	-	-	-	14,618
96120	Liability Insurance	7,309	-	-	-	7,309
96130	Workmans Comp Insurance	7,309	-	1,805	-	9,114
96200	Other general expenses	-	532	619	-	1,151
96210	Compensated absences	5,929	-	4,293	-	10,222
96300	Payments in lieu of taxes	23,211	-	-	-	23,211
96400	Bad debt - tenant rents	926	-	-	-	926
96500	Bad debt - mortgages	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-
96700	Interest expense	-	-	-	-	-
96710	Interest of Mortgage (or Bonds) Payable	-	11,969	-	-	11,969
96730	Amortization of bond issue costs	-	-	-	-	-
96800	Severance expense	-	-	-	-	-
96900	<b>TOTAL OPERATING EXPENSES</b>	<b>723,196</b>	<b>12,501</b>	<b>275,827</b>	<b>-</b>	<b>1,011,524</b>
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>(9,994)</b>	<b>23,419</b>	<b>1,559,268</b>	<b>-</b>	<b>1,572,693</b>
97100	Extraordinary maintenance	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-
97300	Housing assistance payments	-	-	1,509,504	-	1,509,504
97350	HAP Portability - in	-	-	35,266	-	35,266
97400	Depreciation expense	228,461	-	-	4,346	232,807
97500	Fraud losses	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-
90000	<b>TOTAL EXPENSES</b>	<b>951,657</b>	<b>12,501</b>	<b>1,820,597</b>	<b>4,346</b>	<b>2,789,101</b>
	<b>OTHER FINANCING SOURCES (USES)</b>					
10010	Operating transfers in	8,150	-	-	-	8,150
10020	Operating transfers out	-	(8,150)	-	-	(8,150)
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	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-
10100	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,150</b>	<b>(8,150)</b>	<b>-</b>	<b>-</b>	<b>-</b>
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>(230,305)</b>	<b>15,269</b>	<b>14,498</b>	<b>(4,346)</b>	<b>(204,884)</b>
	<b>MEMO ACCOUNT INFORMATION:</b>					
11020	Required annual debt principal payments	-	15,000	-	-	15,000
11030	Beginning equity	1,952,811	-	(245,279)	169,505	1,877,037
11040	Prior period adjustments and equity transfers	-	-	-	-	-
11170	Administrative fee equity	-	-	(317,885)	-	(317,885)
11180	Housing assistance payments equity	-	-	87,104	-	87,104
11190	Unit months available	888	-	(230,781)	-	(230,781)
11210	Number of unit months leased	860	-	1,797	-	2,657
	<b>Equity Roll Forward Test:</b>					
	Calculation from R/E Statement	\$ 1,737,775		\$ (230,781)	\$ 165,159	\$ 1,672,153
	B/S Line 513	\$ 1,737,775		\$ (230,781)	\$ 165,159	\$ 1,672,153
		\$ -	\$ -	\$ -	\$ -	\$ -