

HOUSING AUTHORITY OF THE CITY OF PASSAIC

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2017

**WITH
REPORT OF INDEPENDENT AUDITORS**

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Page</u>
Report of Independent Auditors	1-3
Management's Discussion and Analysis	4-14
Financial Statements:	
Statement of Net Position	15-16
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18-19
Notes to Financial Statements	20-40
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 <i>Government Auditing Standards</i>	41-42
Independent Auditors' Report on Compliance for Each Major Program and Internal Control Over Compliance Required by the Uniform Guidance and the State of New Jersey OMB Circular 15-08	43-44
Supplementary Information:	
Schedule of Expenditures of Federal Awards	45
Notes to Schedule of Expenditures of Federal Awards	46-47
Schedule of Findings and Questioned Costs	48-49
Required Pension Information	50
Financial Data Schedule	51-55



REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the discretely presented component unit of the Housing Authority of the City of Passaic (the "Authority") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The financial statements of the discretely presented component unit was not audited in accordance with *Government Auditing Standards*. 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.



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Auditors' Responsibility (continued)

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 net position of the business-type activities (primary government) and the discretely presented component unit of the Housing Authority of the City of Passaic as of December 31, 2017, and the changes in their net position and, where applicable, their cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension information 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 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 September 4, 2018 on our consideration of the Housing Authority of the City of Passaic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Passaic's internal control over financial reporting and compliance.

Novogradac & Company LLP

September 4, 2018
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2017. The following discussion and analysis provides an overview of the primary government's financial activities. 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 converted Vreeland Village and Chestnut Gardens (AMP Two) to Rental Assistance Demonstration ("RAD") program on July 12, 2017. The Authority secured a Modernization and Rehabilitation mortgage of \$2,075,000.00 from Lakeland Bank for (20) years at an interest rate of 3.50%. The outstanding mortgage at December 31, 2017 was \$2,062,053.
- 2 - The Authority entered into a Property Leasing and Management agreement with the Passaic Affordable Housing Coalition, Inc. (PAHC) a New Jersey not-for-profit corporation. The PAHC will act as the HAP Owner as the U.S. Department of Housing and Urban Development (HUD) allows the Authority to contract with a HUD approved public or private entity to lease and manage the project. The annual compensation is seven percent (7%) of gross effective income.
- 3 – The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$18,810,939 (net position) as opposed to \$18,798,149 from the prior fiscal year. The increase of \$12,790 is attributable primarily from operating activities for the financial year.
- 4 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported an ending Restricted Net Position and Unrestricted Net Position of \$517,961 and \$11,442,066, respectively.
- 5 – The Authority's cash and cash equivalent balance (excluding restricted cash) at December 31, 2017 was \$7,640,328 representing a decrease of \$1,219,031 from the prior fiscal year.
- 6 – The Authority had Total Operating Revenues of \$24,509,706 and Total Operating Expenses of \$24,654,045 including \$1,219,503 for depreciation for the year ended December 31, 2017.
- 7 – The Authority's capital outlays for the fiscal year were \$390,547 of which \$132,900 was funded from the Authority's Capital Fund Program.
- 8 – The Authority's Expenditures of Federal Awards amounted to \$21,050,923 for the fiscal year.

B – Using the Annual Report

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements (Primary Government). 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.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

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, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

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

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

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

The 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 15 through 19.

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 by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule of Expenditures of Federal Awards can be found on page 45 of this report.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

C – Summary of Programs Administered

1 – Conventional Public Housing

Under the Conventional Public and Indian Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

2 – Section 8 Housing Choice Vouchers Program

Under the Section 8 Housing Choice Vouchers Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an ACC with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

3 – Rental Assistance Demonstration (RAD) Program

The RAD program was created in order to give PHA's a powerful tool to preserve and improve public housing properties and address the backlog of deferred maintenance. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in the public housing stock. In RAD, units move to a Section 8 platform with a long-term contract that, by law, must be renewed. Residents continue to pay 30% of their income towards rent and maintain the same basic rights as they possess in the public housing program.

D – The Authority (Primary Government) as a Whole

The Authority's Net Position increased during the fiscal year by \$12,790. The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level.

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

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

D – The Authority (Primary Government) as a Whole (continued)

A summary of the Authority's Statement of Net Position as of December 31, 2017 and 2016 is as follows:

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>Net Change</u>
<u>Net Position:</u>			
Cash & Other Current Assets	\$ 9,002,901	\$ 9,567,266	\$ (564,365)
Other Assets	10,898,733	8,642,640	2,256,093
Capital Assets, Net	8,912,965	9,741,921	(828,956)
Deferred Outflows of Resources	<u>1,620,080</u>	<u>2,342,346</u>	<u>(722,266)</u>
 Total Assets and Deferred Outflows	 <u>\$ 30,434,679</u>	 <u>\$ 30,294,173</u>	 <u>\$ 140,506</u>
 Current Liabilities	\$ 890,816	\$ 727,456	\$ 163,360
Non-Current Liabilities	9,221,618	8,980,526	241,092
Deferred Inflows of Resources	<u>1,511,306</u>	<u>1,788,042</u>	<u>(276,736)</u>
 Total Liabilities and Deferred Inflows	 <u>\$ 11,623,740</u>	 <u>\$ 11,496,024</u>	 <u>\$ 127,716</u>
 Net Investment in Capital Assets	\$ 6,850,912	\$ 9,741,921	\$ (2,891,009)
Restricted Net Position	8,798,466	8,493,464	305,002
Unrestricted Net Position	<u>3,161,561</u>	<u>562,764</u>	<u>2,598,797</u>
 Total Net Position	 <u>\$ 18,810,939</u>	 <u>\$ 18,798,149</u>	 <u>\$ 12,790</u>

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

D – The Authority (Primary Government) as a Whole (continued)

A summary of the Authority's Statement of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2017 and 2016 is as follows:

	For the years ended:		
	12/31/2017	12/31/2016	Net Change
<u>Operating Revenues:</u>			
Tenant Revenues	\$ 2,931,805	\$ 2,862,176	\$ 69,629
HUD Grants	21,404,836	21,662,882	(258,046)
Other Revenues	173,065	163,236	9,829
Total Operating Revenues	24,509,706	24,688,294	(178,588)
<u>Operating Expenses:</u>			
Administrative	\$ 2,528,594	\$ 2,841,122	\$ (312,528)
Tenant Services	241,055	245,548	(4,493)
Utilities	1,348,653	1,342,415	6,238
Ordinary Maintenance & Operations	1,966,197	1,775,780	190,417
Protective Services	360,694	375,025	(14,331)
Insurance & General Expenses	567,727	1,090,706	(522,979)
Housing Assistance Payments	16,421,622	15,650,928	770,694
Depreciation	1,219,503	1,258,500	(38,997)
Total Operating Expenses	24,654,045	24,580,024	74,021
Operating Income (Loss)	\$ (144,339)	\$ 108,270	\$ (252,609)
<u>Non-Operating Revenues (Expenses):</u>			
Investment Income	48,789	20,117	28,672
Interest expense	(24,560)	-	(24,560)
Gain on Sale of Capital Assets	-	6,817,307	(6,817,307)
Capital Grants	132,900	300,828	(167,928)
Total Non-Operating Revenues	\$ 157,129	\$ 7,138,252	\$ (6,981,213)
Change in Net Position	\$ 12,790	\$ 7,246,522	\$ (7,233,732)
Net Position, Beginning of the Year	18,798,149	11,551,627	7,246,522
Change in Accounting Principle			
Adopt GASB 68	-	-	-
Net Position, End of the Year	\$ 18,810,939	\$ 18,798,149	\$ 12,790

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

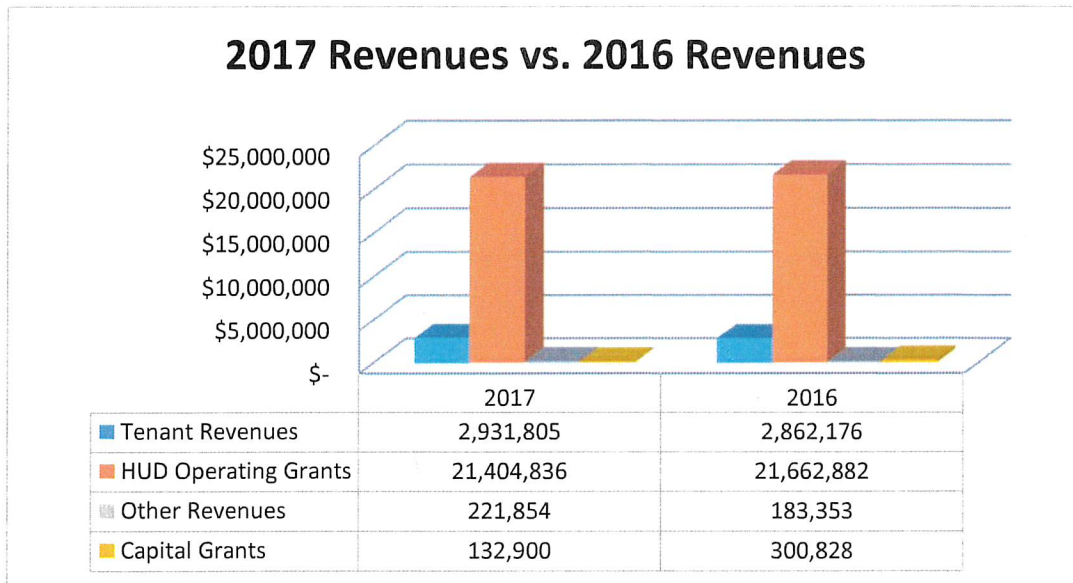
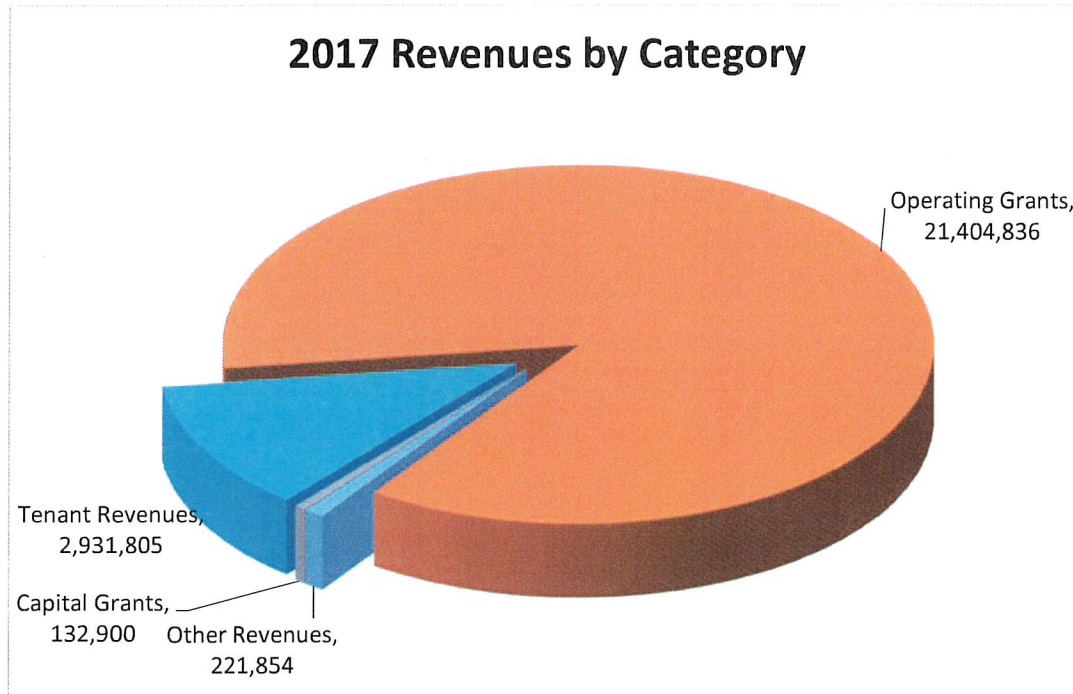
D – The Authority (Primary Government) as a Whole (continued)

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>Net Change</u>
<u>Assets:</u>			
Cash & Other Current Assets	\$ 9,002,901	\$ 9,567,266	\$ (564,365)
Other Assets	10,898,733	8,642,640	2,256,093
Capital Assets, Net	<u>8,912,965</u>	<u>9,741,921</u>	<u>(828,956)</u>
 Total Assets	 <u>\$ 28,814,599</u>	 <u>\$ 27,951,827</u>	 <u>\$ 862,772</u>
<u>Liabilities:</u>			
Current Liabilities	\$ 890,816	\$ 727,456	\$ 163,360
Non-Current Liabilities	<u>9,221,618</u>	<u>8,980,526</u>	<u>241,092</u>
 Total Liabilities	 <u>\$ 10,112,434</u>	 <u>\$ 9,707,982</u>	 <u>\$ 404,452</u>
<u>Net Position</u>			
Net Investment in Capital Assets	\$ 6,850,912	\$ 9,741,921	\$ (2,891,009)
Restricted Net Position	517,961	212,959	305,002
Unrestricted Net Position	<u>11,442,066</u>	<u>8,843,269</u>	<u>2,598,797</u>
 Total Net Position	 <u>\$ 18,810,939</u>	 <u>\$ 18,798,149</u>	 <u>\$ 12,790</u>
<u>Operating Revenues:</u>			
Tenant Revenues	\$ 2,931,805	\$ 2,862,176	\$ 69,629
HUD Grants	21,404,836	21,662,882	(258,046)
Other Revenues	<u>173,065</u>	<u>163,236</u>	<u>9,829</u>
 Total Operating Revenues	 <u>\$ 24,509,706</u>	 <u>\$ 24,688,294</u>	 <u>\$ (178,588)</u>

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

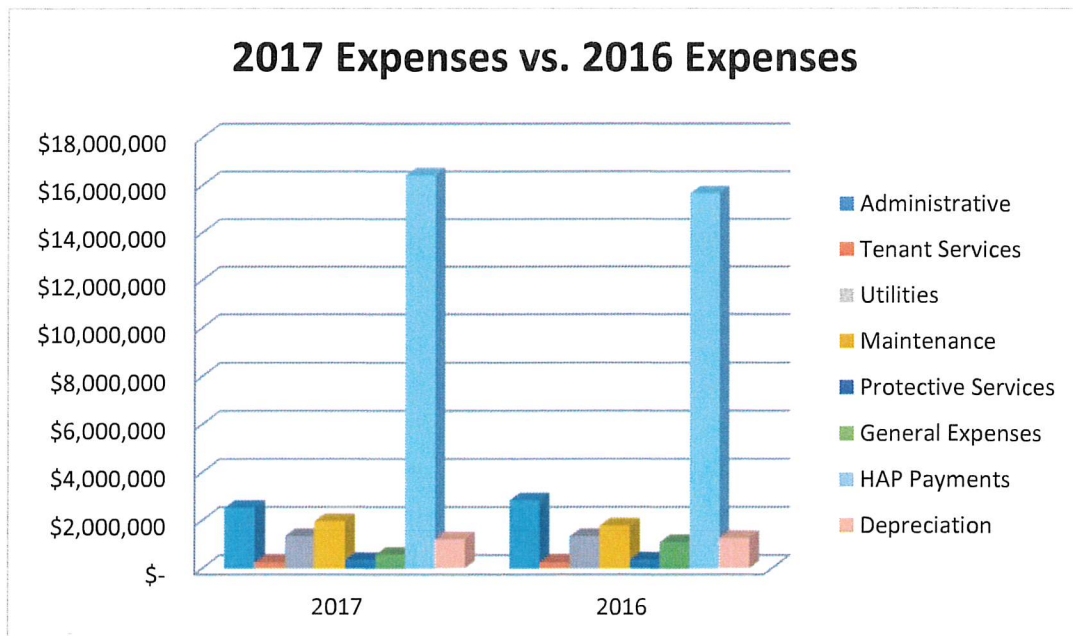
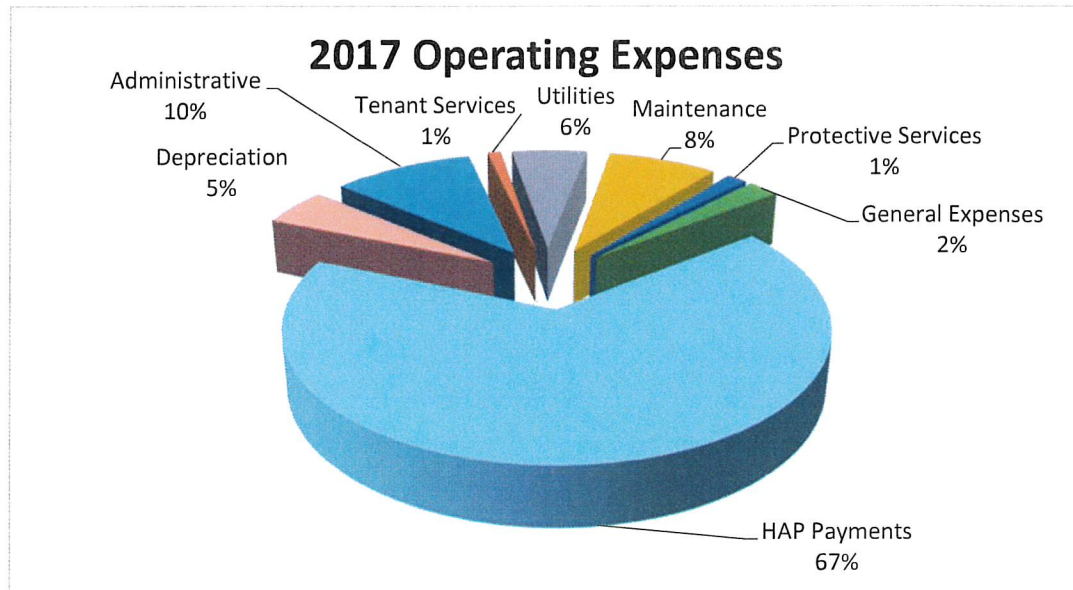
D – The Authority (Primary Government) as a Whole (continued)

The following charts illustrate the Authority's financial activity on the previous page.



**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

D – The Authority (Primary Government) as a Whole (continued)



**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

E – Budgetary Highlights

For the year ended December 31, 2017, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

Below is the Low Rent Public Housing Consolidated Budget to Actual Comparison.

	Budget	Actual	Net Change
<u>Operating Revenues:</u>			
Tenant Revenues	\$ 2,837,069	\$ 2,478,619	\$ 358,450
HUD Grants	2,795,805	3,104,338	(308,533)
Other Revenues	102,685	99,003	3,682
Interest Income	2,095	3,139	(1,044)
Total Operating Revenues	\$ 5,737,654	\$ 5,685,099	\$ 52,555
<u>Operating Expenses:</u>			
Administrative	\$ 1,237,171	\$ 1,228,379	\$ 8,792
Tenant Services	238,129	202,717	35,412
Utilities	1,514,834	1,161,374	353,460
Ordinary Maintenance & Operations	1,725,286	1,629,267	96,019
Protective Services	365,012	316,257	48,755
Insurance & General Expenses	435,240	376,821	58,419
Total Operating Expenses	\$ 5,515,672	\$ 4,914,815	\$ 600,857
Residual Receipts	\$ 221,982	\$ 770,284	\$ (548,302)

Note: Depreciation expense, capital grants and gain on disposition of assets are excluded for budgetary purposes.

F – Summary of Significant Changes from Fiscal Year December 31, 2016 to 2017:

- 1 – The Authority was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68 which requires that the Authority record its unfunded pension obligation as of January 1, 2015. As of December 31, 2017, 2016 and 2015, the adoption of GASB 68 resulted in a net pension liability of \$6,258,252, \$7,976,785 and \$5,347,496, deferred inflows of resources of \$1,511,306, \$320,911 and \$318,682 and deferred outflows of resources of \$1,620,080, \$2,342,346 and \$482,867, respectively.
- 2 – Cash and cash equivalents (including restricted cash) increased \$1,113,368 primarily as a result of the Authority borrowings on the RAD conversion.
- 3 – Restricted cash increased \$2,332,399 due to increased HUD funding of the Authority in the Section 8 Housing Choice Vouchers program in the amount of \$305,002 and the outstanding balance of the Lakeland Bank mortgage loan proceeds utilized to fund RAD reserves.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

F – Summary of Significant Changes from Fiscal Year December 31, 2016 to 2017 (continued):

- 4 – Capital asset decreased \$828,956 as depreciation expense of \$1,219,503 and transfers of \$346,925 exceeded capital additions of \$390,547.
- 5 – The Authority's operating grants decreased by \$258,046 as follows:
 - Low Rent Public Housing Operating subsidies decreased \$718,799
 - Housing Choice Voucher Subsidies increased \$997,615
 - Capital Fund Operating grants decreased \$536,862
- 6 – The Authority's HAP payments increased by \$770,694 from 2016 to 2017 that is attributable to Passaic Senior Housing, LLC 1,543 Project Based Vouchers unit months under lease during the fiscal year.
- 7 – The decrease of \$312,528 in Administrative expenses for fiscal year 2017 is as a result of the reduction of salaries and benefits costs derived from termination of staff and the selection of lower tier health coverage.
- 8 – The Authority's Ordinary Maintenance & Operations expenses increased by \$190,417 from 2016 to 2017. The major reason is the increase of maintenance wages and benefits costs of \$225,465 for unit turnaround by staff represented by Local 55. Conversely, maintenance contract costs reflected a reduction of \$60,434.
- 9 – Insurance and general expenses decreased \$522,979 as the Authority expensed certain one-time costs with the RAD conversion.
- 10 – The Authority's Gain on Sale of Capital Assets decreased by \$6,814,307 from 2016 to 2017 as there were no disposal of assets.

G – Capital Assets and Debt Administration

1 – Capital Assets

As of December 31, 2017, the Authority's investment in capital assets for its Proprietary Fund was \$8,912,965 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Additional informational on the Authority's capital assets can be found in Note 6 to the Financial Statements which is included in this Report.

2 – Long Term Debt

As of December 31, 2017, the Authority has interest and no interest bearing long-term debt as discussed in notes 10 and 14, respectively of the financial statements. The Authority has an original mortgage loan of \$2,075,000 at an annual interest rate of 3.50% secured by the Vreeland Village and Chestnut Gardens properties that were converted to Project Based Vouchers under the RAD program.

The Authority entered into a repayment agreement with HUD for an original amount of \$590,042. The repayment agreement commenced in 2007, with an annual payment of \$19,668 through 2036. The amount is interest free and unsecured. As of December 31, 2017, \$373,693 remains payable.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2017**

H – 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 December 31, 2017:

- 1 – State of New Jersey economy including the impact on tenant income. Local inflationary, and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- 2 – Converting Public and Indian Housing Program rental units into RAD subsidy units.
- 3 – Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- 4 – Inflationary pressure on utility rates, supplies and other cost.
- 5 – Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- 6 – Even if HUD was to fully fund both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of record deficits and competing funding needs.

I – 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 Vincent Wynter, Director of Finance and Operations, Housing Authority of the City of Passaic, 52 Aspen Place, Passaic, NJ 07055

FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017**

ASSETS

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Current assets:			
Cash and cash equivalents	\$ 7,456,248	\$ 145,183	\$ 7,601,431
Tenant security deposits	184,080	33,669	217,749
Accounts receivable, net	460,377	460	460,837
Notes receivable, current portion	9,579	-	9,579
Due from component unit	630,056	-	630,056
Prepaid expenses	<u>262,561</u>	<u>14,370</u>	<u>276,931</u>
Total current assets	<u>9,002,901</u>	<u>193,682</u>	<u>9,196,583</u>
Non-current assets:			
Restricted cash	2,545,358	396,458	2,941,816
Notes receivable, non-current	8,348,060	-	8,348,060
Capital assets, net	8,912,965	15,546,687	24,459,652
Other assets	<u>5,315</u>	<u>61,056</u>	<u>66,371</u>
Total non-current assets	<u>19,811,698</u>	<u>16,004,201</u>	<u>35,815,899</u>
Total assets	<u>28,814,599</u>	<u>16,197,883</u>	<u>45,012,482</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>1,620,080</u>	<u>-</u>	<u>1,620,080</u>
Total assets and deferred outflows of resources	<u>\$ 30,434,679</u>	<u>\$ 16,197,883</u>	<u>\$ 46,632,562</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF NET POSITION (continued)
AS OF DECEMBER 31, 2017

LIABILITIES

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Current liabilities:			
Accounts payable, net	332,168	444,257	776,425
Accrued expenses	113,206	512,653	625,859
HUD liability - current portion	19,668	-	19,668
Accrued compensated absences, current	37,728	-	37,728
Tenant security deposits	184,080	33,669	217,749
Unearned revenue	10,758	1,700	12,458
Current portion of loans payable	39,997	20,613	60,610
Other accrued liabilities	153,211	1,351,453	1,504,664
Due to the Authority	-	630,056	630,056
	<u>890,816</u>	<u>2,994,401</u>	<u>3,885,217</u>
Total current liabilities			
Non-current liabilities:			
Accrued compensated absences, net of current	587,285	-	587,285
Loans payable, net of current portion	2,022,056	14,674,421	16,696,477
Net pension liability	6,258,252	-	6,258,252
HUD liability, net of current portion	354,025	-	354,025
	<u>9,221,618</u>	<u>14,674,421</u>	<u>23,896,039</u>
Total non-current liabilities			
Total liabilities	<u>10,112,434</u>	<u>17,668,822</u>	<u>27,781,256</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources:			
State of New Jersey P.E.R.S.	<u>1,511,306</u>	<u>-</u>	<u>1,511,306</u>
Total deferred inflows of resources	<u>1,511,306</u>	<u>-</u>	<u>1,511,306</u>

NET POSITION

Net position:			
Net investment in capital assets	6,850,912	-	6,850,912
Restricted	517,961	-	517,961
Unrestricted	<u>11,442,066</u>	<u>(1,470,939)</u>	<u>9,971,127</u>
Total net position	<u>18,810,939</u>	<u>(1,470,939)</u>	<u>17,340,000</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 30,434,679</u>	<u>\$ 16,197,883</u>	<u>\$ 46,632,562</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Operating revenues:			
Tenant revenue	\$ 2,931,805	\$ 1,126,488	\$ 4,058,293
HUD operating grants	21,404,836	-	21,404,836
Fraud recovery revenue	24,288	-	24,288
Other revenues	<u>148,777</u>	<u>5,478</u>	<u>154,255</u>
Total operating revenues	<u>24,509,706</u>	<u>1,131,966</u>	<u>25,641,672</u>
Operating expenses:			
Administrative	2,528,594	258,410	2,787,004
Tenant services	241,055	2,297	243,352
Utilities	1,348,653	268,967	1,617,620
Ordinary maintenance and operations	1,966,197	411,145	2,377,342
Protective services	360,694	64,191	424,885
Insurance	326,484	76,458	402,942
General	241,243	49,771	291,014
Housing assistance payments	16,421,622	-	16,421,622
Depreciation	<u>1,219,503</u>	<u>414,351</u>	<u>1,633,854</u>
Total operating expenses	<u>24,654,045</u>	<u>1,545,590</u>	<u>26,199,635</u>
Operating loss	<u>(144,339)</u>	<u>(413,624)</u>	<u>(557,963)</u>
Non-operating revenues (expenses):			
Investment income	48,789	298	49,087
Interest expense	<u>(24,560)</u>	<u>(427,794)</u>	<u>(452,354)</u>
Net non-operating revenues (expenses)	<u>24,229</u>	<u>(427,496)</u>	<u>(403,267)</u>
Loss before capital grants and specialty items	(120,110)	(841,120)	(961,230)
Capital grants	132,900	-	132,900
Specialty items - syndication costs	<u>-</u>	<u>(11,702)</u>	<u>(11,702)</u>
Change in net position	12,790	(852,822)	(840,032)
Net position (deficit), beginning of year	<u>18,798,149</u>	<u>(618,117)</u>	<u>18,180,032</u>
Net position (deficit), end of year	<u>\$ 18,810,939</u>	<u>\$ (1,470,939)</u>	<u>\$ 17,340,000</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Primary Government</u>
Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 3,098,939
Cash received from grantors	19,937,705
Cash paid to vendors	(20,505,298)
Cash paid to employees	<u>(2,710,205)</u>
Net cash flows used in operating activities	<u>(178,859)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(390,547)
Proceeds from the issuance of loan payable	2,075,000
Loan to component unit	(630,340)
Capital grants	132,900
Interest paid on loan payable	(24,560)
Principal payments on loan payable	<u>(12,947)</u>
Net cash flows provided by capital and related financing activities	<u>1,149,506</u>
Cash Flows from Investing Activities:	
Repayment on note receivable	93,932
Investment income	<u>48,789</u>
Net cash flows provided by investing activities	<u>142,721</u>
Net increase in cash and cash equivalents	1,113,368
Cash and cash equivalents, beginning of year	<u>9,072,318</u>
Cash and cash equivalents, end of year	<u>\$ 10,185,686</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Primary Government</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (144,339)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,219,503
Bad debts	22,809
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	(30,975)
Prepaid expenses	(28,471)
Other assets	(5,315)
Deferred outflows of resources	722,266
Accounts payable	57,956
Accounts payable - HUD	(19,668)
Accrued expenses	17,124
Accrued compensated absences	(61,055)
Tenant security deposits	2,235
Prepaid tenant rent	(7,627)
Other current liabilities	71,967
Net pension liability	(1,718,533)
Deferred inflows of resources	<u>(276,736)</u>
Net cash used in operating activities	<u>\$ (178,859)</u>
A reconciliation of cash and cash equivalents to Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 7,456,248
Tenant security deposits	184,080
Restricted cash	<u>2,545,358</u>
	<u>\$ 10,185,686</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

B. Basis of Accounting

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended ("GASB 34"). GASB 34 requires the 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 Required Supplementary Information.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

The programs of the Authority are organized on a fund basis. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

The Authority has also adopted GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions* ("GASB 33"). GASB 33 establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grants and subsidies revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

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 position, with the associated assets being reported on the FDS as unrestricted.

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

In accordance with 2 CFR 200.305(b)(9), any investment income earned up to \$500 on these funds may be retained by the Authority. Amounts in excess of \$500 must be remitted annually to the Department of Health and Human Services, Payment Management System.

The Authority adopted GASB 68 *"Accounting and Financial Reporting for Pensions"* ("GASB 68"). GASB 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans of State and Local Governments. For defined benefit pensions, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, GASB 68 details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, the Authority's basic financial statements include those of the Housing Authority of the City of Passaic and any component units. Component units are legally separate 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.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

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 on the application of the above criteria, this report includes all programs and activities operated by the Authority, including the following component unit:

Discretely Presented Component Unit:

Passaic Senior Housing, LLC

Passaic Senior Housing, LLC (the "Project" or "Company") was formed as a New Jersey limited liability company on April 29, 2014. The purpose of the Company is to acquire, construct and/or rehabilitate as applicable, own, develop, operate, maintain, manage and lease a multifamily complex consisting of one hundred thirty (130) units contained in three (3) buildings for rental to persons of low to moderate income. The property is located in Passaic, New Jersey and operates under the name of Murphy Hecht Ascension Apartments.

The Project has one managing member (Passaic RAD, LLC) and two investment members (PNC Bank National Association and Columbia Housing SLP Corporation). Company ownership interests are as follows:

Managing member	.01%
Investment members	<u>99.99%</u>
	<u>100.00%</u>

D. 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. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Section 8 Housing Choice Vouchers Program

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

Public Housing Capital Fund Program

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

Rental Assistance Demonstration Program

The Rental Assistance Demonstration Program ("RAD") was created in order to give public housing authorities ("PHA") a powerful tool to preserve and improve public housing properties. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continued to pay 30% of their income towards rent.

E. Cash and cash equivalents

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with GUDPA.

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

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

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

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, accounts receivable balances primarily consist of rents past due and vacated tenants. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the allowance and a credit to accounts receivable.

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

G. Allowance for Doubtful Accounts

Management evaluates the collectability of outstanding receivables on a regular basis and establishes an allowance for doubtful accounts based on its assessment of outstanding accounts.

H. Prepaid Expenses

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

I. Capital Assets, Net

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

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

•	Buildings	40 Years
•	Leasehold improvements	15 Years
•	Furniture and equipment	5 Years
•	Computers	3 Years

The Authority has established a capitalization threshold of \$2,000.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. For the year ended December 31, 2017 there were no assets considered to be impaired.

K. Notes Receivable

The Authority has utilized funds in accordance with HUD guidelines to assist in the construction and redevelopment of numerous public housing developments through the issuance of mortgage notes. When preparing financial statements in accordance with GAAP, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property, the property's ability to generate positive cash flow; and current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectable amounts during an accounting period.

L. Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Employees may be compensated for sick leave at retirement or termination at the current salary to a maximum of \$15,000.

M. Unearned Revenue

The Authority's unearned revenue consists of the payment of rent by residents that is applicable to future periods.

N. Inter-program Receivables and Payables

Inter-program receivables and payables are all classified as either current assets or current liabilities, and are the result of the use of a concentrated account depository as the common paymaster for most of the programs of the Authority. Cash settlements are made monthly. All inter-program balances are reconciled, and inter-program receivables and payables balances net to zero. In accordance with GASB 34, interprogram receivables and payables are eliminated for financial statement purposes. Detail balances by program are found in the Financial Data Schedule of this report.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Taxes

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

P. Operating Revenues and Expenses

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

Q. Use of Management Estimates

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

R. Equity Classifications

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

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

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

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

S. Economic Dependency

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

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Budgets and Budgetary Accounting

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

All appropriations lapse at HUD's program year end or at the end of grant periods.

NOTE 2. CASH ON DEPOSIT

As of December 31, 2017, the Authority had funds on deposit in checking and money market accounts.

As of December 31, 2017, the carrying amount of the Authority's cash deposits was \$10,760,996 and the bank balances approximated \$11,063,887. Cash on deposit consists of the following:

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity</u>
Unrestricted	\$ 7,456,248	\$ 145,183	\$ 7,601,431
Tenant security deposits	184,080	33,669	217,749
Restricted	<u>2,545,358</u>	<u>396,458</u>	<u>2,941,816</u>
	<u>\$ 10,185,686</u>	<u>\$ 575,310</u>	<u>\$ 10,760,996</u>

Of the Authority's bank balances, \$879,266 was covered by federal depository insurance and the remaining \$10,184,621 was collateralized with the pledging financial institution as of December 31, 2017.

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 December 31, 2017, the Authority's bank balances were not exposed to custodial credit risk.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable, net consists of the following at December 31, 2017:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity</u>
Accounts receivable - tenants, net	\$ 28,114	\$ 460	\$ 28,574
Accounts receivable - PHA Projects	346,025	-	346,025
Accounts receivable - miscellaneous	<u>86,238</u>	<u>-</u>	<u>86,238</u>
Total accounts receivable, net	<u>\$ 460,377</u>	<u>\$ 460</u>	<u>\$ 460,837</u>

A. Accounts receivable - tenants, net

Accounts receivable - tenants, net are shown net of an allowance for doubtful accounts of \$38,293 as of December 31, 2017.

B. Accounts receivable - PHA Projects

Accounts receivable - PHA Projects consists of unreimbursed expenditures from the Authority's conversion to the Rental Assistance Demonstration Program. The Authority expects to fully collect these receivables.

C. Accounts receivable - miscellaneous

Accounts receivable - miscellaneous consists of amounts due from the Public Housing Authorities Joint Insurance Fund for insurance claims as a result of damages caused by Hurricane Irene in 2011. The amounts are shown net of an allowance for doubtful accounts of \$40,050.

NOTE 4. PREPAID EXPENSES

The Authority contributed funds to the Housing Authority Risk Retention Group at inception. Amounts are held as prepaid insurance expenses as amounts will be used to supplement insurance as needed.

NOTE 5. NOTES RECEIVABLE

Notes receivable of the primary government consists of the following at December 31, 2017:

The Authority issued a note receivable dated November 26, 2014 to the Passaic Affordable Housing Coalition in the original amount of \$363,539 to facilitate the development of affordable housing in Passaic, NJ. The note bears an annual interest rate of 3.25% with monthly principal and interest payments of \$3,552.47, beginning in June, 2015. The loan is unsecured and matures in March, 2035.

\$ 77,134

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 5. NOTES RECEIVABLE (continued)

The Authority issued a subordinated mortgage receivable in the amount of \$1,640,000, dated January 21, 2016, to Passaic Senior Housing, LLC for the acquisition of three buildings and the related improvements on leased real property. Monthly interest accrues at a rate of 3.15%. The outstanding loan amount and any accrued interest shall be due and payable on January 21, 2056, the maturity date.

1,640,000

The Authority issued a subordinated mortgage receivable in the amount of \$730,505, dated January 21, 2016, to Passaic Senior Housing, LLC for the acquisition of three buildings and the related improvements on leased real property. The original amount of the note was \$730,505. Monthly interest accrues at a rate of 3.15%. The outstanding loan amount and any accrued interest shall be due and payable on January 21, 2056, the maturity date.

730,505

The Authority issued a subordinated mortgage receivable in the amount of \$5,910,000, dated January 21, 2016, to Passaic Senior Housing, LLC for the acquisition of three buildings and the related improvements on leased real property. Monthly interest accrues at a rate of 3.15%. The outstanding loan amount and any accrued interest shall be due and payable on January 21, 2056, the maturity date.

5,910,000

Total notes receivable

8,357,639

Less: current portion

9,579

Note receivable, excluding current portion

\$ 8,348,060

NOTE 6. CAPITAL ASSETS, NET

The following is a summary of the primary government's changes in capital assets for the year ended December 31, 2017:

Description	December 31, 2016	Additions	Disposals	Transfers	December 31, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,946,351	\$ -	\$ -	\$ -	\$ 1,946,351
Construction in progress	<u>657,962</u>	<u>346,254</u>	<u>-</u>	<u>(494,690)</u>	<u>509,526</u>
Total	<u>2,604,313</u>	<u>346,254</u>	<u>-</u>	<u>(494,690)</u>	<u>2,455,877</u>
<u>Depreciable capital assets:</u>					
Buildings and improvements	54,221,996	-	-	409,007	54,631,003
Leasehold improvements	2,555,306	-	-	12,495	2,567,801
Furniture and equipment	<u>2,017,293</u>	<u>44,293</u>	<u>-</u>	<u>73,188</u>	<u>2,134,774</u>
Total	<u>58,794,595</u>	<u>44,293</u>	<u>-</u>	<u>494,690</u>	<u>59,333,578</u>
Less: accumulated depreciation	<u>51,656,987</u>	<u>1,219,503</u>	<u>-</u>	<u>-</u>	<u>52,876,490</u>
Net capital assets	<u>\$ 9,741,921</u>	<u>\$ (828,956)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,912,965</u>

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6. CAPITAL ASSETS, NET(continued)

The Authority's discretely presented component unit's capital assets activity for the year ended December 31, 2017 was as follows:

Description	December 31, 2016	Additions	Disposals	Transfers	December 31, 2017
<u>Depreciable capital assets:</u>					
Buildings and improvements	\$ 14,399,607	\$ 1,733,774	\$ -	\$ -	\$ 16,133,381
Leasehold improvements	-	-	-	-	-
Furniture and equipment	<u>42,001</u>	<u>2,450</u>	<u>-</u>	<u>-</u>	<u>44,451</u>
Total	<u>14,441,608</u>	<u>1,736,224</u>	<u>-</u>	<u>-</u>	<u>16,177,832</u>
Less: accumulated depreciation	<u>216,794</u>	<u>414,351</u>	<u>-</u>	<u>-</u>	<u>631,145</u>
Net capital assets	<u>\$ 14,224,814</u>	<u>\$ 1,321,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,546,687</u>

NOTE 7. RESTRICTED DEPOSITS

Restricted deposits consist of the following as of December 31, 2017:

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity</u>
Housing assistance payment reserves	\$ 517,961	\$ -	\$ 517,961
Tenant security deposits	184,080	33,669	217,749
Working capital escrow	-	42,000	42,000
Title escrow	-	272,926	272,926
Cost of issuance fund	-	850	850
Negative arbitrage account	-	37,238	37,238
Project construction fund	-	21,809	21,809
Taxes and insurance	-	15,135	15,135
Replacement reserve	1,452,039	6,500	1,458,539
Rehabilitation escrow	540,309	-	540,309
Environmental rehabilitation	<u>35,049</u>	<u>-</u>	<u>35,049</u>
	<u>\$ 2,729,438</u>	<u>\$ 430,127</u>	<u>\$ 3,159,565</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for tenant rents.

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.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 7. RESTRICTED DEPOSITS (continued)

The Authority funded replacement, rehabilitation and environmental rehabilitation reserve accounts as part of their conversion of Vreeland Village and Chestnut Gardens to HUD's Rental Assistance Demonstration Program. The reserve accounts will be used for various construction related expenditures.

Under the terms of the second amended restated company agreement, Passaic Senior Housing, LLC is required to set aside \$140,000 from the investment member's second installment of equity into a replacement reserve account. Additionally, the Company will deposit monthly, \$35.16 per unit into reserve accounts for the replacement of property. The amounts will be held in separate accounts in trust and generally are not available for operating purposes.

NOTE 8. ACCRUED COMPENSATED ABSENCES

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued for which payment is probable.

As of December 31, 2017, accrued compensated absences amounted to \$168,543 and consisted of the following activity:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity</u>
Beginning compensated absences	\$ 686,069	\$ -	\$ 686,069
Compensated absences expense	268,744	-	268,744
Compensated absences redeemed	<u>(329,800)</u>	<u>-</u>	<u>(329,800)</u>
Ending compensated absences	625,013	-	625,013
Less: current portion	<u>16,854</u>	<u>-</u>	<u>16,854</u>
Compensated absences, net of current portion	<u>\$ 608,159</u>	<u>\$ -</u>	<u>\$ 608,159</u>

NOTE 9. PAYMENTS IN LIEU OF TAXES

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA owned program in accordance with the provisions of its Cooperation Agreement with the City. Under the Cooperation Agreement, the Authority must pay the City the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended December 31, 2017, PILOT expense of the primary government and the discretely presented component unit amounted to \$120,420 and \$12,130, respectively.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10. LOANS PAYABLE

Loan payable of the Primary Government consisted of the following as of December 31, 2017:

<u>Description</u>	<u>Amount</u>
Mortgage Loan payable to Lakeland Bank in connection with the Vreeland Village and Chestnut Gardens projects conversion to HUD's Rental Assistance Demonstration program. The loan with the original amount of \$2,075,000 carries an annual interest rate of 3.50% which matures on August 1, 2047 and is secured by a 1st mortgage on the properties.	\$ <u>2,062,053</u>
Less: current portion	<u>39,997</u>
Loans payable, excluding current portion	\$ <u><u>2,022,056</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>
2018	\$ 39,997	\$ 72,525	\$ 112,522
2019	41,440	71,082	112,522
2020	42,737	69,785	112,522
2021	44,476	68,046	112,522
2022	46,080	66,442	112,522
2023-2027	256,364	306,246	562,610
2028-2032	305,940	256,670	562,610
2033-2037	365,448	196,762	562,210
2038-2042	436,314	126,296	562,610
2043-2047	<u>483,257</u>	<u>23,093</u>	<u>506,350</u>
	\$ <u><u>2,062,053</u></u>	\$ <u><u>1,256,947</u></u>	\$ <u><u>3,319,000</u></u>

Debt activity for the primary government for the year ended December 31, 2017 consisted of the following:

<u>Description</u>	<u>December 31 2016</u>	<u>Advances</u>	<u>Principal Reductions</u>	<u>December 31, 2017</u>
Loan payable	\$ <u>-</u>	\$ <u>2,075,000</u>	\$ <u>(12,947)</u>	\$ <u><u>2,062,053</u></u>

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10. LOANS PAYABLE (continued)

Loans payable of the discretely presented component unit consisted of the following as of December 31, 2017:

<u>Description</u>	<u>Amount</u>
The Company has three subordinated mortgage loans with the Authority dated January 21, 2016 for the acquisition of three buildings and the related improvements on leased real property. The original amount of the loans totaled \$8,280,505. Monthly interests accrues at 3.15% and principal and interest are due only from surplus cash as provided in the Company's operating agreement. The loan matures on January 21, 2056.	\$ 8,280,505
The Company received a bridge loan dated January 21, 2016 from PNC Bank in an amount not to exceed \$4,659,495. Interest is due monthly at a rate which is at all times equal to the daily LIBOR rate plus two hundred fifty basis points. At December 31, 2016, the estimated interest rate was 3.188% with an estimated effective interest rate of 3.883%. The loan matures on July 21, 2018.	4,488,972
The Company received a Federal Housing Administration mortgage loan through PNC Bank dated January 21, 2016 in the amount of \$2,100,000. Interest only payments at 4.24% are due monthly to October 1, 2017, at which time monthly principal and interest payments of \$9,093 begin on November 1, 2017. The loan matures on October 1, 2057.	<u>2,095,553</u>
Total loans payable	14,865,030
Less: unamortized debt issuance costs	<u>169,996</u>
Total loans payable, excluding unamortized debt issuance costs	<u>\$ 14,695,034</u>

Estimated annual maturities of the above mortgages are as follows:

2018	\$ 20,613
2019	4,510,476
2020	22,433
2021	23,403
2022	24,415
Thereafter	<u>10,263,690</u>
	<u>\$ 14,865,030</u>

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11. NON-CURRENT LIABILITIES:

Non-current liabilities of the primary government consisted of the following as of December 31, 2017:

Description	December 31, 2016	Additions	Deletions	December 31, 2017	Due within one year
Accrued compensated absences	\$ 686,069	\$ 268,744	\$ (329,800)	\$ 625,013	\$ 37,728
Due to HUD	393,361	-	(19,668)	373,693	19,668
Net pension liability	<u>7,976,785</u>	<u>-</u>	<u>(1,718,533)</u>	<u>6,258,252</u>	<u>-</u>
Total	<u>\$ 9,056,215</u>	<u>\$ 268,744</u>	<u>\$ (2,068,001)</u>	<u>\$ 7,256,958</u>	<u>\$ 57,396</u>

NOTE 12. PENSION PLAN

A. Plan Description

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

B. Benefits

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 12. PENSION PLAN (continued)

B. Benefits (continued)

Early retirement benefits are available to tiers 1 and 2 before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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 full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

C. Contributions

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

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

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

At December 31, 2017, the Authority reported a liability of \$6,258,252 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and rolled forward to June 30, 2017.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12. PENSION PLAN (continued)

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

For the year ended December 31, 2017, the Authority recognized pension expense of \$249,055. At December 31, 2017 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	\$ 1,260,822	\$ (1,256,200)
Changes in Proportion	169,284	(255,106)
Differences between expected and actual experience	147,360	-
Net differences between actual and projected earnings on pension plan investments	<u>42,614</u>	<u>-</u>
Total	<u>\$ 1,620,080</u>	<u>\$ (1,511,306)</u>

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

Year ending December 31:	<u>Amount</u>
2018	\$ 82,350
2019	124,269
2020	75,301
2021	(100,150)
2022	<u>(72,996)</u>
	<u>\$ 108,774</u>

E. Actuarial Assumptions

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation is based on the following assumptions:

Inflation Rate	2.25%
Salary increases:	
Through 2026	1.65 - 4.15%, based on age
Thereafter	2.65 - 5.15%, based on age
Investment rate of return	7.00%

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 12. PENSION PLAN (continued)

E. Actuarial Assumptions (continued)

Preretirement 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. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 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).

F. Long-term expected rate of return

The long-term expected rate of return on plan investments 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 12. PENSION PLAN (continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 5.00 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 (4.00 percent) or 1 percentage point higher (6.00 percent) than the current rate.

	1% Decrease (4.00%)	Discount Rate (5.00%)	1% Increase (6.00%)
Authority's proportionate share of the net pension liability	\$ <u>7,763,787</u>	\$ <u>6,258,252</u>	\$ <u>5,003,955</u>

NOTE 13. POST-RETIREMENT BENEFITS

The Authority participates in New Jersey State Health Benefits Program (the "SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 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.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 13. POST-RETIREMENT BENEFITS (continued)

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. The following were the required contributions:

<u>Year</u>	<u>Amount</u>
2015	\$ <u>211,110</u>
2016	\$ <u>200,594</u>
2017	\$ <u>194,706</u>

NOTE 14. HUD OFFICE OF INSPECTOR GENERAL AUDIT

In 2006, HUD's Office of Inspector General ("OIG") concluded an audit of the Authority's operations. Results of the audit, which impacted the financial statements of the Authority, are as follows:

- 1) The OIG found that the Authority made an ineligible transfer of funds in the amount of \$1,000,000 from the Section 8 Program to the Low Rent Public Housing Program in fiscal year 2002. Accordingly, the 2005 financial statements and supplemental information reflect a \$1,000,000 equity transfer from the Low Rent Public Housing Program to the Section 8 Program in order to repay Section 8 program funds.
- 2) As a result of finding #1 above and according to Section 8 Program regulations, \$590,042 was not available for recapture by HUD. Therefore OIG has determined that this amount is owed back to HUD. The Authority has committed to repay HUD \$19,668 per annum, through 2036 from the Housing Choice Voucher Program. As of December 31, 2017, \$373,693 remains payable, of which \$19,668 is due currently.
- 3) The OIG also found that in fiscal year 2005, the Authority made an ineligible transfer of Capital Funds to the Section 8 Program. As a result, \$401,046 is owed back to the Capital Fund Program from the Section 8 Program. The Authority has agreed to charge \$13,368 per annum through 2036, to the Housing Choice Voucher Program for protective services. Protective service expenses are normally funded by the capital fund program. Included in protective services expense in 2017 is \$13,368 for this transaction.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15. RESTRICTED NET POSITION

As of December 31, 2017, restricted net position consisted of housing assistance payment reserves (\$517,961) which are restricted for rent payments to landlords as part of the Housing Choice Voucher Program.

NOTE 16. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of December 31, 2017, the Authority estimates that no material liabilities will result from such audits.

NOTE 17. RISK MANAGEMENT

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

The Authority has also purchased flood insurance with the Selective Insurance Company for certain properties included in flood zones.

NOTE 18. 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 September 4, 2018 (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.



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

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

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 business type activities (primary government) and the discretely presented component unit of the Housing Authority of the City of Passaic (the "Authority") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated September 4, 2018. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of noncompliance associated with the discretely presented component unit.

Internal Control Over Financial Reporting

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

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

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



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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

September 4, 2018
Toms River, New Jersey



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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Passaic (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of New Jersey OMB Circular that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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) and the State of New Jersey OMB Circular 15-08. 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.



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Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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.

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

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

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

Novogradac & Company LLP

September 4, 2018
Toms River, New Jersey

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-through Number</u>	<u>Grant Period</u> <u>From / To</u>		<u>Grant Award</u>	<u>Fiscal Year Expenditures</u>	<u>Cumulative Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>							
Low Rent Public Housing	14.850	N/A	1/1/17	12/31/17	\$ 2,360,863	\$ 2,360,863	\$ 2,360,863
Section 8 Housing Choice Voucher Program	14.871	N/A	1/1/17	12/31/17	18,300,498	17,813,685	17,813,685
Public Housing Capital Fund Program	14.872	N/A	6/9/16	6/8/19	<u>2,131,649</u>	<u>876,375</u>	<u>1,588,176</u>
Total expenditures of federal awards					<u>\$ 22,793,010</u>	<u>\$ 21,050,923</u>	<u>\$ 21,762,724</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the Housing Authority of the City of Passaic under programs of the federal government for the year ended December 31, 2017. 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) and the State of New Jersey OMB Circular 15-08. Because the Schedule presents only a selected portion of operations of the Housing Authority of the City of Passaic, it is not intended to and does not present the financial position, changes in net position or cash flows of the Housing Authority of the City of Passaic. 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.

NOTE 3. INDIRECT COST RATE

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

HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4. SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

The total amount of Capital Fund Program Costs and Advances incurred and earned by the Housing Authority of the City of Passaic as of and for the year ended December 31, 2017 are provided herein.

	<u>501-16</u>	<u>501-17</u>	<u>Totals</u>
Budget	\$ <u>1,134,388</u>	\$ <u>997,261</u>	\$ <u>2,131,649</u>
<u>Advances:</u>			
Cumulative through 12/31/2016	\$ 711,801	\$ -	\$ 711,801
Current year	<u>327,685</u>	<u>548,690</u>	<u>876,375</u>
Cumulative through 12/31/2017	<u>1,039,486</u>	<u>548,690</u>	<u>1,588,176</u>
<u>Costs:</u>			
Cumulative through 12/31/2016	711,801	-	711,801
Current year	<u>327,685</u>	<u>548,690</u>	<u>876,375</u>
Cumulative through 12/31/2017	<u>1,039,486</u>	<u>548,690</u>	<u>1,588,176</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017**

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? | No |

Federal Awards

- | | | | | | | |
|--------------------|---|--------------------|--------------------------------|--------|-----------------------------------|--|
| 1. | Internal control over compliance: | | | | | |
| a. | Material weakness(es) identified? | No | | | | |
| b. | Significant deficiency(ies) identified? | No | | | | |
| 2. | Type of auditors' report on compliance for major programs: | Unmodified | | | | |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No | | | | |
| 4. | Identification of major programs: | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: center;"><u>CFDA Number</u></td> <td style="text-align: center;"><u>Name of Federal Program</u></td> </tr> <tr> <td style="text-align: center;">14.871</td> <td style="text-align: center;">Section 8 Housing Choice Vouchers</td> </tr> </table> | <u>CFDA Number</u> | <u>Name of Federal Program</u> | 14.871 | Section 8 Housing Choice Vouchers | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> | | | | | |
| 14.871 | Section 8 Housing Choice Vouchers | | | | | |
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 | | | | |
| 6. | Auditee qualified as low-risk Auditee? | No | | | | |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
DECEMBER 31, 2017**

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

There were no findings or questions costs relating to federal awards.

IV. Summary of Prior Audit Findings

None reported.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
REQUIRED PENSION INFORMATION
DECEMBER 31, 2017**

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

	December 31, <u>2014</u>	December 31, <u>2015</u>	December 31, <u>2016</u>	December 31, <u>2017</u>
Contractually required contribution	\$ 209,330	\$ 235,457	\$ 239,269	\$ 249,055
Contributions in relation to the contractually required contribution	<u>209,330</u>	<u>235,457</u>	<u>239,269</u>	<u>249,055</u>
(Over) / under funded	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Authority's covered-employee payroll	\$ <u>2,568,176</u>	\$ <u>2,339,335</u>	\$ <u>2,517,314</u>	\$ <u>2,328,756</u>
Contributions as a percentage of covered-employee payroll	<u>8.15 %</u>	<u>10.07 %</u>	<u>9.50 %</u>	<u>10.69 %</u>

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

	December 31, <u>2014</u>	December 31, <u>2015</u>	December 31, <u>2016</u>	December 31, <u>2017</u>
Authority's proportion of the net pension liability	<u>0.0286 %</u>	<u>0.0289 %</u>	<u>0.0269 %</u>	<u>0.0269 %</u>
Authority's proportionate share of the net pension liability	\$ <u>5,347,497</u>	\$ <u>6,480,460</u>	\$ <u>7,976,785</u>	\$ <u>6,258,252</u>
Authority's covered-employee payroll	\$ <u>2,568,176</u>	\$ <u>2,339,335</u>	\$ <u>2,517,314</u>	\$ <u>2,328,756</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	<u>208.22 %</u>	<u>277.02 %</u>	<u>316.88 %</u>	<u>268.74 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.08 %</u>	<u>47.93 %</u>	<u>43.35 %</u>	<u>48.10 %</u>

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

Passaic Housing Authority								
NJ013								
Financial Data Schedule (FDS)								
December 31, 2017								
Line Item #	Account Description	PROJECTS	6.1 COMPONENT UNIT DISCRETELY PRESENTED	BUSINESS ACTIVITIES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
ASSETS:								
CURRENT ASSETS:								
Cash:								
111	Cash - unrestricted	\$ 2,077,345	\$ 145,183	\$ 508,992	\$ 2,763,115	\$ 2,106,796	-	\$ 7,601,431
112	Cash - restricted - modernization and development	-	374,823	2,027,397	-	-	-	2,402,220
113	Cash - other restricted	-	21,635	-	517,961	-	-	539,596
114	Cash - tenant security deposits	113,860	33,669	70,220	-	-	-	217,749
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-	-
100	Total cash	2,191,205	575,310	2,606,609	3,281,076	2,106,796	-	10,760,996
Accounts and notes receivables:								
121	Accounts receivable - PHA projects	-	-	-	-	346,025	-	346,025
122	Accounts receivable - HUD other projects	-	-	-	-	-	-	-
124	Accounts receivable - other government	-	-	-	1,019	-	-	1,019
125	Accounts receivable - miscellaneous	-	-	119,834	-	5,435	-	125,269
126	Accounts receivable- tenants	28,311	460	38,096	-	-	-	66,867
126.1	Allowance for doubtful accounts - tenants	(19,122)	-	(19,171)	-	-	-	(38,293)
126.2	Allowance for doubtful accounts - other	-	-	(40,050)	-	-	-	(40,050)
127	Notes, loans, & mortgages receivable- current	-	-	-	-	9,579	-	9,579
128	Fraud recovery	-	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	9,189	460	98,709	1,019	361,039	-	470,416
Current investments								
131	Investments - unrestricted	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	14,370	4,417	-	258,144	-	276,931
143	Inventories	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	630,056	(630,056)	-
145	Assets held for sale	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	2,200,394	590,140	2,709,735	3,282,095	3,356,035	(630,056)	11,508,343
NONCURRENT ASSETS:								
Fixed assets:								
161	Land	805,922	-	1,140,429	-	-	-	1,946,351
162	Buildings	33,524,443	16,133,381	21,106,560	-	-	-	70,764,384
163	Furniture, equipment & machinery - dwellings	383,107	42,001	100,798	-	-	-	525,906
164	Furniture, equipment & machinery - administration	749,514	2,450	333,950	184,637	382,768	-	1,653,319
165	Leasehold improvements	1,262,416	-	1,305,385	-	-	-	2,567,801
166	Accumulated depreciation	(33,117,908)	(631,145)	(19,309,056)	(67,940)	(381,586)	-	(53,507,635)
167	Construction in Progress	323,037	-	186,489	-	-	-	509,526
168	Infrastructure	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	3,930,531	15,546,687	4,864,555	116,697	1,182	-	24,459,652
Other non-current assets:								
171	Notes, loans and mortgages receivable - non-current	-	-	8,280,505	-	67,555	-	8,348,060
172	Notes, loans and mortgages receivable-non-current - past due	-	-	-	-	-	-	-
173	Grants receivable - non-current	-	-	-	-	-	-	-
174	Other assets	5,315	61,056	-	-	-	-	66,371
176	Investment in joint ventures	-	-	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	3,935,846	15,607,743	13,145,060	116,697	68,737	-	32,874,083
200	Deferred Outflow of Resources	559,440	-	347,209	305,218	408,213	-	1,620,080
190	TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 6,695,680	\$ 16,197,883	\$ 16,202,004	\$ 3,704,010	\$ 3,832,985	\$ (630,056)	\$ 46,002,506

Passaic Housing Authority									
NJ013									
Financial Data Schedule (FDS)									
December 31, 2017									
				6.1 COMPONENT UNIT DISCRETELY PRESENTED	BUSINESS ACTIVITIES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
Line Item #	Account Description	PROJECTS							
LIABILITIES AND EQUITY									
Liabilities:									
Current Liabilities:									
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable ≤ 90 days	97,668	432,127	37,561	27,160	13,569	-	-	608,085
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	40,423	12,717	26,899	18,761	27,123	-	-	125,923
322	Accrued compensated absences - current portion	16,854	-	10,328	10,546	-	-	-	37,728
324	Accrued contingency liability	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	499,936	-	-	-	-	-	499,936
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-
333	Accounts payable - other government	100,036	12,130	56,174	-	-	-	-	168,340
341	Tenant security deposits	113,860	33,669	70,220	-	-	-	-	217,749
342	Unearned revenue	4,412	1,700	6,346	-	-	-	-	12,458
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-	-	-
344	Current portion of L-T debt - operating borrowings	-	20,613	39,997	-	-	-	-	60,610
345	Other current liabilities	-	-	-	19,668	-	-	-	19,668
346	Accrued liabilities - other	117,155	1,351,453	36,056	-	-	-	-	1,504,664
347	Interprogram - due to	-	630,056	-	-	-	-	(630,056)	-
310	TOTAL CURRENT LIABILITIES	490,408	2,994,401	283,581	76,135	40,692	-	(630,056)	3,255,161
NONCURRENT LIABILITIES:									
351	Long-term debt, net of current - capital projects/mortgage	-	-	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	2,022,056	-	-	-	-	2,022,056
353	Non-current liabilities- other	-	-	-	354,025	-	-	-	354,025
354	Accrued compensated absences - noncurrent	151,689	-	92,955	94,919	247,722	-	-	587,285
355	Loan Liability - Non Current	-	14,674,421	-	-	-	-	-	14,674,421
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	2,064,600	-	1,327,323	1,092,009	1,774,320	-	-	6,258,252
350	TOTAL NONCURRENT LIABILITIES	2,216,289	14,674,421	3,442,334	1,540,953	2,022,042	-	-	23,896,039
300	TOTAL LIABILITIES	2,706,697	17,668,822	3,725,915	1,617,088	2,062,734	-	(630,056)	27,151,200
400	Deferred Inflow of Resources	568,395	-	325,561	263,367	353,983	-	-	1,511,306
EQUITY:									
508.4	Net Investment in Capital Assets	3,930,531	-	2,802,502	116,697	1,182	-	-	6,850,912
511.4	Restricted Net Position	-	-	-	517,961	-	-	-	517,961
512.4	Unrestricted Net Position	(509,943)	(1,470,939)	9,348,026	1,188,897	1,415,086	-	-	9,971,127
515	TOTAL EQUITY	3,420,588	(1,470,939)	12,150,528	1,823,555	1,416,268	-	-	17,340,000
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 6,695,680	\$ 16,197,883	\$ 16,202,004	\$ 3,704,010	\$ 3,832,985	\$ (630,056)	\$	46,002,506
Proof of concept									
		-	-	-	-	-	-	-	-

Passaic Housing Authority									
NJ013									
Financial Data Schedule (FDS)									
December 31, 2017									
Line Item #	Account Description	OPERATING	CAPITAL	6.1 COMPONENT UNIT - DISCRETELY PRESENTED	BUSINESS ACTIVITIES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
REVENUE:									
70300	Net tenant rental revenue	\$ 2,388,336	\$ -	\$ 1,117,052	\$ 443,691	\$ -	\$ -	\$ -	\$ 3,949,079
70400	Tenant revenue - other	90,283	-	9,436	9,495	-	-	-	109,214
70500	Total tenant revenue	2,478,619	-	1,126,488	453,186	-	-	-	4,058,293
70600	HUD PHA grants	2,360,863	743,475	-	-	18,300,498	-	-	21,404,836
70610	Capital grants	-	132,900	-	-	-	-	-	132,900
70710	Management fee	-	-	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	876,441	(876,441)	-
70730	Book keeping fee	-	-	-	-	-	45,960	(45,960)	-
70750	Other fees	-	-	-	-	-	197,790	(197,790)	-
70800	Other government grants	-	-	-	-	-	-	-	-
71100	Investment income - unrestricted	3,139	-	298	268	5,343	36,902	-	45,950
71200	Mortgage interest income	-	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	24,288	-	-	24,288
71500	Other revenue	99,003	-	5,478	2,674	14,169	32,951	-	154,255
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	2,847	290	-	-	3,137
70000	TOTAL REVENUE	4,941,624	876,375	1,132,264	458,975	18,344,588	1,190,024	(1,120,191)	25,823,659
EXPENSES:									
Administrative									
91100	Administrative salaries	261,315	-	79,609	16,076	397,469	545,072	-	1,299,541
91200	Auditing fees	9,202	-	9,000	-	4,296	3,602	-	26,100
91300	Outside management fees	399,750	99,726	119,146	62,777	235,212	-	(876,441)	40,170
91310	Book-keeping fee	43,890	-	-	6,893	147,007	-	(197,790)	-
91400	Advertising and marketing	-	-	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	233,989	-	17,737	52,806	316,766	272,106	-	893,404
91600	Office expenses	43,570	-	12,247	6,966	54,669	43,072	-	160,524
91700	Legal expenses	7,008	-	1,789	641	22,792	54,259	-	86,489
91800	Travel	1,070	-	1,596	-	8,016	12,315	-	22,997
91810	Allocated overhead	-	-	-	-	-	-	-	-
91900	Other	38,445	44,454	17,286	7	70,633	86,954	-	257,779
92000	Asset Management Fee	45,960	-	-	-	-	-	(45,960)	-
Tenant services									
92100	Tenant services - salaries	131,169	-	-	13,663	-	-	-	144,832
92200	Relocation costs	-	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	39,748	-	-	6,907	-	-	-	46,655
92400	Tenant services - other	31,800	-	2,297	17,768	-	-	-	51,865

Passaic Housing Authority									
NJ013									
Financial Data Schedule (FDS)									
December 31, 2017									
Line Item #	Account Description	OPERATING	CAPITAL	6.1 COMPONENT UNIT - DISCRETELY PRESENTED	BUSINESS ACTIVITIES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
	Utilities								
93100	Water	124,614	-	27,646	30,911	-	-	-	183,171
93200	Electricity	538,195	-	61,646	52,569	-	-	-	652,410
93300	Gas	238,270	-	67,726	30,463	-	-	-	336,459
93400	Fuel	-	-	-	-	-	-	-	-
93500	Labor	100,985	-	53,811	36,487	-	-	-	191,283
93600	Sewer	74,056	-	12,270	16,605	-	-	-	102,931
93700	Employee benefit contributions- utilities	73,105	-	37,292	20,244	-	-	-	130,641
93800	Other utilities expense	12,149	-	8,576	-	-	-	-	20,725
	Ordinary maintenance & operation								
94100	Ordinary maintenance and operations - labor	722,595	-	168,855	157,098	-	902	-	1,049,450
94200	Ordinary maintenance and operations - materials & other	143,620	40,331	38,882	30,116	-	-	-	252,949
94300	Ordinary maintenance and operations - contract costs	341,272	-	133,843	86,577	-	-	-	561,692
94500	Employee benefit contributions- ordinary maintenance	381,449	-	69,565	62,237	-	-	-	513,251
	Protective services								
95100	Protective services - labor	57,449	-	15,361	3,549	-	-	-	76,359
95200	Protective services- other contract costs	236,854	-	43,266	26,869	13,368	-	-	320,357
95300	Protective services - other	-	-	-	-	-	-	-	-
95500	Employee benefit contributions- protective services	21,954	-	5,564	651	-	-	-	28,169
	General expenses								
96100	Insurance premiums	233,355	-	76,458	57,546	18,337	17,246	-	402,942
96200	Other general expenses	-	-	37,520	-	48,659	-	-	86,179
96210	Compensated absences	3,019	-	-	-	10,546	-	-	13,565
96300	Payments in lieu of taxes	132,550	-	12,130	23,660	-	-	-	168,340
96400	Bad debt - tenant rents	7,897	-	121	14,912	-	-	-	22,930
96500	Bad debt- mortgages	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-	-
96700	Interest expense	-	-	423,128	24,560	-	-	-	447,688
96710	Amortization of bond issue costs	-	-	4,666	-	-	-	-	4,666
96800	Severance expense	-	-	-	-	-	-	-	-
96900	TOTAL OPERATING EXPENSES	4,730,304	184,511	1,559,033	859,558	1,347,770	1,035,528	(1,120,191)	8,596,513
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	211,320	691,864	(426,769)	(400,583)	16,996,818	154,496	-	17,227,146
97100	Extraordinary maintenance	-	-	-	-	-	-	-	-
97200	Casualty losses - non capitalizac	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	-	16,408,260	-	-	16,408,260
97350	HAP Portability - in	-	-	-	-	13,362	-	-	13,362
97400	Depreciation expense	617,096	-	414,351	583,633	15,645	3,129	-	1,633,854
97500	Fraud losses	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-
90000	TOTAL EXPENSES	5,347,400	184,511	1,973,384	1,443,191	17,785,037	1,038,657	(1,120,191)	26,651,989

Passaic Housing Authority									
NJ013									
Financial Data Schedule (FDS)									
December 31, 2017									
Line Item #	Account Description	OPERATING	CAPITAL	6.1 COMPONENT UNIT - DISCRETELY PRESENTED	BUSINESS ACTIVITIES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
OTHER FINANCING SOURCES (USES)									
10010	Operating transfers in	(558,964)	-	-	-	-	-	558,964	-
10020	Operating transfers out	-	558,964	-	-	-	-	(558,964)	-
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)	-	-	(11,702)	-	-	-	-	(11,702)
10091	Inter Project excess cash transfer in	-	-	-	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	(558,964)	558,964	(11,702)	-	-	-	-	(11,702)
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(964,740)	1,250,828	(852,822)	(984,216)	559,551	151,367	-	(840,032)
MEMO ACCOUNT INFORMATION:									
11020	Required annual debt principal payments	-	-	-	12,947	-	-	-	12,947
11030	Beginning equity	16,269,244	-	(618,117)	-	1,264,004	1,264,901	-	18,180,032
11040	Prior period adjustments and equity transfers	(13,134,744)	-	-	13,134,744	-	-	-	-
11170	Administrative fee equity	-	-	-	-	1,338,727	-	-	1,338,727
11180	Housing assistance payments equity	-	-	-	-	517,961	-	-	517,961
11190	Unit months available	5,898	-	-	-	1,856,688	-	-	1,856,688
11210	Number of unit months leased	5,852	-	-	-	23,496	-	-	29,394
						19,601			25,453
Equity Roll Forward Test:									
	Calculation from R/E Statement	\$ 3,420,588	\$ -	\$ (1,470,939)	\$ 12,150,528	\$ 1,823,555	\$ 1,416,268	\$ -	\$ 17,340,000
	B/S Line 513	3,420,588	-	(1,470,939)	12,150,528	1,823,555	1,416,268	-	17,340,000
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -