

HOUSING AUTHORITY OF THE
TOWN OF PHILLIPSBURG
Phillipsburg, New Jersey

FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS
Housing Authority of the Town of Phillipsburg
June 30, 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 June 30, 2017. 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 assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$20,167,495 (net position) as opposed to \$20,074,502 for the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$6,021,925.

3 – As of the close of the current fiscal year, the Authority reported ending Restricted Net Position of \$926,552.

4 – The Authority's cash and cash equivalent balance, including tenant security deposits at June 30, 2017 was \$12,300,659 representing an increase of \$1,169,413 from the prior fiscal year.

5 – The Authority had Total Operating Revenues of \$5,516,375 and Total Operating Expenses of \$5,656,131 (including depreciation of \$863,219) for the year ended June 30, 2017.

6 – The Authority's capital outlays for the fiscal year were \$179,979 all of which was funded through the Authority's Capital Fund Program

7 – The Authority's Expenditures of Federal Awards amounted to \$2,640,092 for the fiscal year.

B – Using the Annual Report

1 – Management's Discussion and Analysis

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

2 – General Purpose 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 Comparative Statements of Net Position, Comparative Statements of Revenues, Expenses, and Changes in Net Position, and comparative Statements of Cash Flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

2 – General Purpose Financial Statements - Continued

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

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

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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Schedule of Expenditures of Federal Awards can be found on page 24 of this report.

C – The Authority as a Whole

The Authority's Net Position increased by \$92,993. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues of \$5,516,375 were sufficient to cover operating expenses of \$4,792,912, excluding depreciation of \$863,219 during the fiscal year.

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services. The Authority has restricted net position which represents a reserve for replacements being funded through the capital fund program.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

D – Budgetary Highlights

For the year ended June 30, 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.

E – Capital Assets and Debt Administration

As of June 30, 2017, the Authority's investment in capital assets for its Proprietary Fund was \$13,219,018 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$179,979 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Program. These activities are funded by grants from HUD.

Additional information on the Authority's capital assets can be found in Note 3 to the Financial Statements which is included in this Report.

2 – Long Term Debt

The Authority does not have any long-term debt at this time.

F – Significant Changes From Fiscal Year June 30, 2017 to June 30, 2016

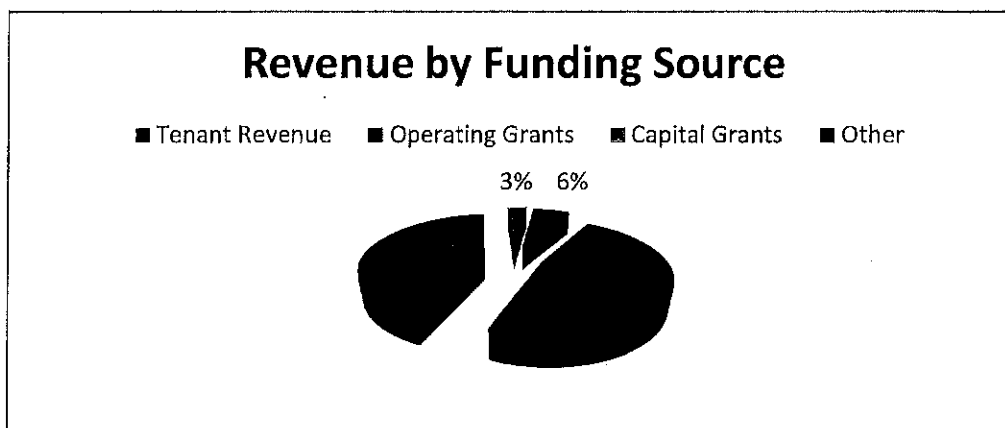
OPEB and Pension Liability increased by \$1,623,986 as a result of an adjustment for GASB 68 Accounting and Reporting for Pensions in accordance with the NJ State report.

Investment Income increased due to an increase in cash of approximately \$1.1 million as well as an increase in the interest rate.

Other Revenue decreased by \$60,929. This is primarily due to large tenant charges in the prior year relating to mold remediation and change in the method for air conditioning charges. There was also an energy rebate received in the prior year that the Authority did not receive in the current year.

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
Cash	\$ 12,300,659	\$ 11,131,246	\$ 1,169,413
Current Assets	200,941	184,764	16,177
Capital Assets	13,219,018	13,902,258	(683,240)
Deferred Outflow of Resources	<u>1,826,040</u>	<u>684,616</u>	<u>1,141,424</u>
Total Assets	<u>27,546,658</u>	<u>25,902,884</u>	<u>1,643,774</u>
Current Liabilities	528,582	462,463	66,119
Noncurrent Liabilities	<u>6,568,734</u>	<u>4,942,083</u>	<u>1,626,651</u>
Total Liabilities	<u>7,097,316</u>	<u>5,404,546</u>	<u>1,692,770</u>
Deferred Inflows of Resources	<u>281,847</u>	<u>423,836</u>	<u>(141,989)</u>
Net Assets in Capital Assets	13,219,018	13,902,258	(683,240)
Restricted	926,552	920,035	6,517
Unrestricted	<u>6,021,925</u>	<u>5,252,209</u>	<u>769,716</u>
Total Liabilities and Net Position	<u>\$ 27,546,658</u>	<u>\$ 25,902,884</u>	<u>\$ 92,993</u>



The following table summarizes the changes in Operating Income between fiscal years 2017 and 2016 for the Authority as a whole:

	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
Tenant Rental Revenue	\$ 2,746,725	\$ 2,740,095	\$ 6,630
HUD Operating Grants	2,460,113	2,374,003	86,110
Other Revenue	<u>309,537</u>	<u>370,466</u>	<u>(60,929)</u>
Total Operating Revenue	5,516,375	5,484,564	31,811
Operating Expenses:			
Administrative	1,495,144	1,191,639	303,505
Tenant Services	88,284	71,154	17,130
Utilities	1,202,800	1,092,481	110,319
Maintenance	1,500,880	1,679,427	(178,547)
General Expenses	505,804	516,980	(11,176)
Depreciation	<u>863,219</u>	<u>808,577</u>	<u>54,642</u>
Total Operating Expenses	5,656,131	5,360,258	295,873
Operating Revenue	(139,756)	124,306	(264,062)
Interest Income	52,770	36,615	16,155
Capital Grants	<u>179,979</u>	<u>488,999</u>	<u>(309,020)</u>
Net Income/(Loss)	<u>\$ 92,993</u>	<u>\$ 649,920</u>	<u>\$ (556,927)</u>



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Phillipsburg
Phillipsburg, New Jersey

Report on the Financial Statements

We have audited the accompanying Statements of Net Position of the Housing Authority of the Town of Phillipsburg, herein referred to as the Authority, as of June 30, 2017 and 2016 and the related Statements of Revenue, Expenses and Changes in Net Position and Cash Flows for the year then and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Phillipsburg, as of June 30, 2017 and 2016, and the changes in net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Schedules of Proportionate Share of Net Pension Liability and Authority Contributions to PERS on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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.

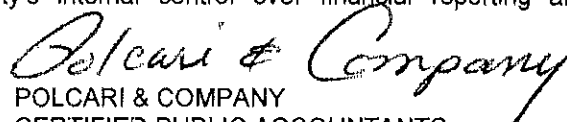
Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the Town of Phillipsburg. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The Statement and Certification of Completed Modernization Grants is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedule, schedule of expenditures of federal awards for the years ended June 30, 2017 and 2016 are the responsibility of management and were derived from and directly relate to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 general accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards 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 March 28, 2018 on our consideration of the Housing Authority of the Town of Phillipsburg'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 Authority's internal control over financial reporting and compliance.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 28, 2018

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
Phillipsburg, New Jersey
COMPARATIVE STATEMENT OF NET POSITION
At June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 11,309,575	\$ 10,144,787
Cash - Restricted	926,552	920,035
Cash - Tenant Security Deposits	64,532	66,424
Accounts Receivable - Tenants (Net of Allowance of \$13,973 & \$13,973)	61,102	62,837
Accounts Receivable- HUD	17,425	305
Prepaid Expenses	122,414	121,622
Total Current Assets	12,501,600	11,316,010
<u>FIXED ASSETS</u>		
Land	1,594,339	1,594,339
Buildings	20,578,190	19,452,887
Furniture, Equipment and Machinery - Dwelling	1,400,834	1,239,574
Furniture, Equipment and Machinery - Administration	822,392	643,444
Leasehold Improvements	1,320,759	1,320,759
Construction in Process	675,192	1,960,724
Total Fixed Assets	26,391,706	26,211,727
Less: Accumulated Depreciation	(13,172,688)	(12,309,469)
Net Fixed Assets	13,219,018	13,902,258
Deferred Outflow of Resources	1,826,040	684,616
Total Assets and Deferred Outflow of Resources	\$ 27,546,658	\$ 25,902,884
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 53,127	\$ 21,724
Wages & Payroll taxes Payable	63,443	48,540
Due to Tenants:		
Security Deposits	64,532	66,424
Accrued Liabilities:		
Compensated Absences	28,493	28,196
Payment in Lieu of Taxes	154,393	164,761
Other	111,702	84,386
Deferred Revenues:		
Tenant Prepaid Rents	52,892	48,432
Total Current Liabilities	528,582	462,463
<u>LONG TERM LIABILITIES</u>		
Compensated Absences	256,432	253,767
OPEB Liability & Pension	6,312,302	4,688,316
Total Long Term Liabilities	6,568,734	4,942,083
Total Liabilities	7,097,316	5,404,546
Deferred Inflows of Resources	281,847	423,836
<u>NET POSITION</u>		
Net Investment in Capital Assets	13,219,018	13,902,258
Restricted	926,552	920,035
Unrestricted	6,021,925	5,252,209
Total Net Position	\$ 20,167,495	\$ 20,074,502

See Notes to Financial Statements

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
Phillipsburg, New Jersey
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>REVENUES</u>		
Dwelling Rentals	\$ 2,746,725	\$ 2,740,095
HUD Operating Grants	2,460,113	2,374,003
Other Income	<u>309,537</u>	<u>370,466</u>
Total Revenues	<u>5,516,375</u>	<u>5,484,564</u>
<u>EXPENSES</u>		
Administration	1,495,144	1,191,639
Tenant Services	88,284	71,154
Utilities	1,202,800	1,092,481
Ordinary Maintenance & Operations	1,500,880	1,679,427
General Expense	505,804	516,980
Depreciation Expense	<u>863,219</u>	<u>808,577</u>
Total Operating Expenses	<u>5,656,131</u>	<u>5,360,258</u>
Operating Income/(Loss)	(139,756)	124,306
Non Operating Revenues/(Expenses):		
Interest Income	<u>52,770</u>	<u>36,615</u>
Net Operating Income/(Loss) Before Contributions and Transfers	(86,986)	160,921
Capital Grants	<u>179,979</u>	<u>488,999</u>
Net Income	92,993	649,920
Beginning Net Position	<u>20,074,502</u>	<u>19,424,582</u>
Ending Net Position	<u>\$ 20,167,495</u>	<u>\$ 20,074,502</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
Phillipsburg, New Jersey
COMPARATIVE STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Income	\$ 2,752,920	\$ 2,711,612
From Government Agencies for Operating Grants	2,442,993	3,377,919
From Other Operating Revenues	309,537	370,466
Cash Paid		
To Employees for Operations	(1,349,416)	(1,370,922)
To Suppliers for Operations	(3,037,499)	(3,169,608)
Net Cash Provided/ (Used) by Operating Activities	1,118,535	1,919,467
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	179,979	488,999
Purchase of Properties and Equipment	-	-
Construction in Process	(179,979)	(488,999)
Net Cash Provided/ (Used) by Capital & Related Financing Activities	-	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash Received (Paid for Security Deposits)	(1,892)	2,181
Investment Income	52,770	36,615
Net Cash Provided/ (Used) by Investing Activities	50,878	38,796
Net Increase (Decrease) in Cash & Cash Equivalents	1,169,413	1,958,263
Cash & Equivalents at Beginning of Period	11,131,246	9,172,983
Cash & Equivalents at End of Period	\$ 12,300,659	\$ 11,131,246
<u>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) IN OPERATIONS</u>		
Operating Income/(Loss)	\$ (139,756)	\$ 124,306
Adjustments to reconcile Operating Income/(Loss) to net Cash Provided/(Used) in Operating Activities:		
Depreciation	863,219	808,577
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants	1,735	(16,311)
Accounts Receivable - HUD	(17,120)	1,003,916
Prepaid Expenses	(792)	76
Deferred Outflow of Resources	(1,141,424)	(404,658)
Increase/(Decrease) in Liabilities		
Accounts Payable	31,403	1,297
Accrued Wages & Payroll Taxes Payable	14,903	(6,603)
Accrued Liabilities - Other	27,316	(25,589)
PILOT Payable	(10,368)	27,639
OPEB Liability	1,623,986	348,830
Compensated Absences	2,962	(47,751)
Deferred Inflow of Resources	(141,989)	117,910
Deferred Revenues	4,460	(12,172)
Net Cash Provided/ (Used) to Operating Activities	\$ 1,118,535	\$ 1,919,467

See Notes to Financial Statements

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies:

A. Organization – The Housing Authority of the Town of Phillipsburg (The Authority) is a governmental, public corporation created under the laws of the state of New Jersey to provide housing for qualified individuals in accordance with rules and regulations prescribed by the United States Department of Housing and Urban Development. The Authority is governed by a board of Commissioners which is essentially autonomous but is responsible to the N.J. Department of Community Affairs. An executive director is appointed by the Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the Town of Phillipsburg. Operating and modernization subsidies are provided to the Authority by the federal government.

B. Activities – The combined financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any Governmental "reporting entity" since its board members, while they are appointed primarily by the mayor, have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.

C. Significant Accounting Policies

a. Basis of Accounting – The accrual basis of accounting is used for measuring financial position and operating results of Proprietary Fund Types. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Proprietary Fund revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Thus, for example, proprietary funds recognized revenue in the period in which a service is provided, regardless of how long after the end of the period the revenue is expected to be collected.

Using the accrual basis of accounting is consistent with the proprietary fund focus on measuring all the costs of providing goods or services for the period and matching those costs with the revenues earned during the period by providing the goods or services.

b. Report Presentation – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority also implemented GASB Statement No. 61 "Financial Reporting of Deferred Outflows of Resources, deferred Inflows of Resources and Net Position." This Statement requires the classification of net assets into three components - Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. These classifications are defined as follows:

Net Investment in Capital Assets – This component consists of land, construction in progress and depreciable assets, net of accumulated depreciation and net of the related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of Invested in Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies (Continued):

Restricted Net Position – This component includes net assets subject to restrictions placed on net asset use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by the law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net assets that do not meet the definition of Restricted Net Position or Invested in Net Investment in Capital Assets.

The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 and 61 have no significant effect on the basic financial statements, except for the classification of net assets in accordance with Statement No. 61.

Significant Accounting Policies are as follows:

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash, certificates of deposit, and other investments with original maturities of less than three months from the date of purchase.

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

6 – Operating subsidies received from HUD are recorded as income when earned.

7 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

8 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower of cost or market.

10 - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

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

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017
 (Continued)

Significant Accounting Policies - Continued

12 – The Authority does not have any infrastructure assets for its Proprietary Fund.

13 – Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which the transactions are executed.

c. Accounting for Impairment or Disposal of Long Lived Assets

The Authority reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. As of December 31, 2017 and 2016, the Partnership had not recognized any impairment loss.

d. Budgetary Policy Control – The housing authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

NOTE 2 – Cash and Cash Equivalents

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Depository Protection Act of the State of New Jersey, which requires the institution to purchase securities as collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name. Additionally, the Authority maintains depository agreements with its financial institutions in accordance with HUD's policy.

HUD's Financial Management Handbook (Number 7475.1) authorizes public housing authorities to invest in US obligations, US agencies, money market funds limited to US obligations, certificates of deposit, savings accounts, and repurchase agreements fully collateralized by US obligations (with certain restrictions).

Cash and Cash Equivalents of \$12,300,659 at June 30, 2017 and \$11,131,246 at June 30, 2016, consisted of the following:

	<u>2017</u>		<u>2016</u>
Checking Accounts; Interest Bearing	\$ 11,309,025		\$ 10,144,237
Restricted Cash	926,552		920,035
Tenant Security Deposits	64,532		66,424
Petty Cash	550		550
	\$ 12,300,659		\$ 11,131,246

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 2 – Cash and Cash Equivalents - Continued

The carrying amount of the Authority's cash and cash equivalents on deposit as of June 30, 2017 was \$12,300,659 and the bank balances were \$12,407,310. Of the bank balances, \$500,000 was covered by FDIC insurance and \$11,907,310 was covered by a collateral pool maintained by the banks as required by New Jersey statutes. Cash equivalents, except petty cash are held in the Authority's name. The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above, \$11,907,310 of the authority's deposits exceeded FDIC insurance and were covered under New Jersey's Governmental Unit Deposit Protection Act (GUDPA) which collateralizes securities held by the pledging institutions trust department but are not in the Authority's name. In addition to the collateral pool, the Authority's cash and investments are collateralized directly by Team Capital for funds held in excess of the FDIC requirements

NOTE 3 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost less accumulated depreciation. The following is a summary of the changes in fixed assets for the year ended June 30, 2017 and 2016.

	<u>7/1/2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Other</u>	<u>6/30/2017</u>
Land	\$ 1,594,339	\$ -	\$ -	\$ -	\$ 1,594,339
Buildings & Improvements	19,452,887	-	-	1,125,303	20,578,190
Furniture & Equipment - Dwelling	1,239,574	-	-	161,260	1,400,834
Furniture & Equipment - Admin	643,444	-	-	178,948	822,392
Leashold Improvements	1,320,759	-	-	-	1,320,759
Construction in Progress	1,960,724	179,979	-	(1,465,511)	675,192
Total Fixed Assets	<u>26,211,727</u>	<u>179,979</u>	<u>-</u>	<u>-</u>	<u>26,391,706</u>
Accumulated Depreciation	<u>(12,309,469)</u>	<u>(863,219)</u>	<u>-</u>	<u>-</u>	<u>(13,172,688)</u>
Net Fixed Assets	<u>\$ 13,902,258</u>	<u>\$ (683,240)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,219,018</u>
	<u>7/1/2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Other</u>	<u>6/30/2016</u>
Land	\$ 1,594,339	\$ -	\$ -	\$ -	\$ 1,594,339
Buildings & Improvements	19,452,887	-	-	-	19,452,887
Furniture & Equipment - Dwelling	1,239,574	-	-	-	1,239,574
Furniture & Equipment - Admin	643,444	-	-	-	643,444
Leashold Improvements	1,320,759	-	-	-	1,320,759
Construction in Progress	1,471,724	489,000	-	-	1,960,724
Total Fixed Assets	<u>25,722,727</u>	<u>489,000</u>	<u>-</u>	<u>-</u>	<u>26,211,727</u>
Accumulated Depreciation	<u>(11,500,892)</u>	<u>(808,577)</u>	<u>-</u>	<u>-</u>	<u>(12,309,469)</u>
Net Fixed Assets	<u>\$ 14,221,835</u>	<u>\$ (319,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,902,258</u>

The Authority recorded depreciation expense for the fiscal years ended June 30, 2017 and 2016 in the amount of \$863,219 and \$808,577 respectively.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017
 (Continued)

NOTE 3 - Fixed Assets (Continued)

Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

	<u>Years</u>
Buildings	40
Components	20
Site Improvements	15
Furniture	5
Equipment	5
Vehicles	5
Computers	3

NOTE 4 – Payment in Lieu of Taxes (PILOT)

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 Town of Phillipsburg. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended June 30, 2017 and June 30, 2016, Accrued PILOT Payable was \$154,393 and \$164,761 respectively.

NOTE 5– Accrued Compensated Absences

Accrued compensated absences of \$284,925 at June 30, 2017 and \$281,963 at June 30, 2016 represents 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 in accordance with New Jersey Administrative Code Title 4A, Personnel Chapter 1-End. The current portion was \$28,493 at June 30, 2017 and \$28,196 at June 30, 2016.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 6 – Pension Plan

General Information about the Pension Plan

Plan Description. The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at www.state.nj.us/terasury/pensions/annrpts.shtml.

Benefits Provided - 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:

Tier 1 – Members who were enrolled by July 1, 2007.

Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.

Tier 3 – Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.

Tier 4 – Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.

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

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by state of New Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. The employee rate was increased from 6.5% to 7.0% of base salary effective July 1, 2012 plus an additional 1% phased in over 7 years beginning in fiscal year 2013. The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The actuarially determined contribution includes funding for cost of living adjustments and a noncontributory death benefit. The employer contribution rate was 6.92% - 7.06% and 6.78% - 6.92% in fiscal years 2016 and 2015, respectively. Chapter 9, 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 2009. Such employers will be credited with the 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. The 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 assets.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 6 – Pension Plan (Continued)

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

At June 30, 2017 and June 30, 2016, the Authority reported \$5,635,847 and \$4,037,904, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2016 and June 30, 2015 were 0.01903% and 0.01798%, respectively.

For the year ended June 30, 2017, the Authority recognized pension expense of \$169,205. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016 Deferred Outflows of Resources	2016 Deferred Inflows of Resources	2015 Deferred Outflows of Resources	2015 Deferred Inflows of Resources
Changes of assumptions	\$ 1,167,446	\$ -	\$ 433,639	\$ -
Differences between expected and actual experience	104,810	-	96,330	-
Net differences between projected and actual earnings on plan investments	214,900	-	-	64,923
Changes in proportion	169,679	281,946	-	358,913
Subtotal	<u>\$ 1,656,835</u>	<u>\$ 281,946</u>	<u>\$ 529,969</u>	<u>\$ 423,836</u>
Authority's contributions subsequent to the measurement date	169,205	-	154,647	-
Total	<u>\$ 1,826,040</u>	<u>\$ 281,946</u>	<u>\$ 684,616</u>	<u>\$ 423,836</u>

\$169,205 reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date and \$281,946 reported as deferred inflows related to the housing authority's change in proportion will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 411,116
2017	411,116
2018	476,292
2019	400,155
2020	127,360
Total	<u>\$ 1,826,040</u>

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017
 (Continued)

NOTE 6 – Pension Plan (Continued)

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

Inflation rate	3.08%
Salary Increases	
through 2026	1.65%-4.15%
	based on age
Thereafter	2.65% - 5.15%
	based on age
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer after consultation with the Director of the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target allocation as of June 30, 2015 are summarized in the following table:

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

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

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

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate;

	At 1% decrease (4.39%)	discount rate (5.39%)	At 1% increase (6.39%)
2015	\$ 5,016,440	\$ 4,036,150	\$ 3,214,281
2014	\$ 4,666,307	\$ 3,709,206	\$ 2,905,484

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 7 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the year ended June 30, 2017, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

NOTE 8 – Construction Commitments

At June 30, 2017 and June 30, 2016, the Authority's outstanding construction commitments pertaining to its capital fund were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 9 – Economic Dependency

For the year ended June 30, 2017 and June 30, 2016, a substantial portion of the Authority's revenues were received from the U.S. Dept. of Housing & Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

NOTE 10 - Restricted Net Position

At June 30, 2017, the Authority had \$926,552 classified as restricted net position. This amount consists of funds received under the Authority's Capital Fund Program. These funds were drawn down under the reserve for replacement line item and must be used for capital improvements to the Authority's public housing units.

NOTE 11 – Board Designated Funds

The Authority's Board has designated \$336,021 in Unrestricted Net Position to be used to fund the future costs of retiree health insurance.

Note 12 – Other Revenue

During the fiscal year ended June 30, 2014, the Authority entered into two 15 year contracts with both Sprint Spectrum L.P and New Cingular Wireless PCS, LLC for rooftop rental space for the purpose of installing two cellular towers on the roof of Heckman House. Both contracts include two automatic five year renewals. Additionally, in August of 1999 the Authority entered into a five year contract with four additional terms of five years with sprint Spectrum L.P. for rooftop rental space at Andover House. Total revenues derived from all contracts during the fiscal year approximated \$196,457.

Additional other income consists of maintenance charges to tenants and revenues from coin operated laundry facilities.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017
 (Continued)

NOTE 13 – Other Post Employee Retirement Benefits (OPEB)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC") , an amount actuarially determined in accordance with parameters of GASB Statement No. 45 . The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

On September 4, 2013, the Board of Commissioners voted to cease paying retirement health benefits for active and new employees upon their retirement. As discussed below, the Authority's unfunded actuarial liability decreased in fiscal year 2013 resulting in a decrease of \$1,391,495 which is being amortized over 30 years.

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

Annual Required Contribution	\$ 107,767
Interest on net OPEB obligation	\$ 26,016
Adjustment to annual required contribution	\$10,003
Annual OPEB cost (expense)	\$ 143,786
Contributions made	\$ 117,743
Increase in net OPEB obligation	\$ 26,043
Net OPEB Obligation – beginning of year	\$ 650,412
Net OPEB Obligation – end of year	\$ 676,455

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$93,768	0.89	\$630,280
6/30/2016	\$20,132	0.89	\$650,412
6/30/2017	\$26,043	0.89	\$676,455

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017
 (Continued)

NOTE 13 – Other Post Employee Retirement Benefits (OPEB) (continued)

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2015, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$2,719,905, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAL) of \$ 2,719,905.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method	Projected Unit Credit
Investment Rate of Return	5.00% per annum

Healthcare Trend Rates

Year	Medical Including Prescription
FY 2014	6.0%
FY 2015	5.0%
FY 2016	9.0%
FY 2017	8.5%
FY 2018	8.0%
FY 2019	7.5%
FY 2020	6.0%
FY 2021	6.5%

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 13 – Other Post Employee Retirement Benefits (OPEB) (continued)

Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
Remaining Amortization Period: 23 years at July 1, 2015

Reconciliation of Plan Participation
(As of July 1, 2015)

ACTIVE EMPLOYEES

	July 1, 2015	July 1, 2013
A. Average Age of Hire	N/A	N/A
B. Average Service	15.6	13.6
C. Average Current Age	54.7	51.3

NOTE 14 - Subsequent Events

Events that occur after the balance sheet 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 balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through March 28, 2018, the date on which the financial statements were available to be issued and concluded that one subsequent event has occurred that would require recognition in the disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
Phillipsburg, New Jersey

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

	Beginning Balance	Revenue Recognized	Expenditures	Ending Balance
Operating Subsidy (CFDA#14.850)	\$ -	\$ 1,970,919	\$ 1,970,919	\$ -
Resident Opportunity and Supportive Services (CFDA#14.870)		99,125	99,125	
<u>CAPITAL FUND CLUSTER</u>				
Capital Fund Program (CFDA#14.872)	-	570,048	570,048	-
Total Capital Fund Cluster	-	570,048	570,048	-
 TOTAL FEDERAL FINANCIAL ASSISTANCE	 \$ -	 \$ 2,640,092	 \$ 2,640,092	 \$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
2. There were no subrecipient activities during the audit period.
3. The Authority has elected not to use the 10% de minimis cost rate.
4. The Authority received no non-cash assistance.
5. The Authority did not have any HUD issued mortgages or loans.

Phillipsburg Housing Authority (NJ024)
PHILLIPSBURG, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14,870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$10,833,954		\$475,621	\$11,309,575		\$11,309,575
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted	\$926,552			\$926,552		\$926,552
114 Cash - Tenant Security Deposits	\$64,532			\$64,532		\$64,532
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$11,825,038	\$0	\$475,621	\$12,300,659	\$0	\$12,300,659
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects		\$17,425		\$17,425		\$17,425
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$75,075			\$75,075		\$75,075
126.1 Allowance for Doubtful Accounts - Tenants	-\$13,973			-\$13,973		-\$13,973
126.2 Allowance for Doubtful Accounts - Other		\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$61,102	\$17,425	\$0	\$78,527	\$0	\$78,527
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$107,331		\$15,083	\$122,414		\$122,414
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From			\$17,425	\$17,425	-\$17,425	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$11,993,471	\$17,425	\$508,129	\$12,519,025	-\$17,425	\$12,501,600
161 Land	\$1,594,339			\$1,594,339		\$1,594,339
162 Buildings	\$20,578,190			\$20,578,190		\$20,578,190
163 Furniture, Equipment & Machinery - Dwellings	\$1,400,834			\$1,400,834		\$1,400,834
164 Furniture, Equipment & Machinery - Administration	\$783,550		\$38,842	\$822,392		\$822,392
165 Leasehold Improvements	\$1,320,759			\$1,320,759		\$1,320,759
166 Accumulated Depreciation	-\$13,137,997		-\$34,691	-\$13,172,688		-\$13,172,688
167 Construction In Progress	\$675,192			\$675,192		\$675,192
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$13,214,867	\$0	\$4,151	\$13,219,018	\$0	\$13,219,018
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$13,214,867	\$0	\$4,151	\$13,219,018	\$0	\$13,219,018
200 Deferred Outflow of Resources	\$1,338,960		\$487,080	\$1,826,040		\$1,826,040
290 Total Assets and Deferred Outflow of Resources	\$26,547,298	\$17,425	\$999,360	\$27,564,083	-\$17,425	\$27,546,658
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$27,141		\$25,986	\$53,127		\$53,127
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$39,177		\$24,266	\$63,443		\$63,443
322 Accrued Compensated Absences - Current Portion	\$16,022		\$12,471	\$28,493		\$28,493

Phillipsburg Housing Authority (NJ024)

PHILLIPSBURG, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$154,393			\$154,393		\$154,393
341 Tenant Security Deposits	\$64,532			\$64,532		\$64,532
342 Unearned Revenue	\$52,892			\$52,892		\$52,892
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$111,702			\$111,702		\$111,702
347 Inter Program - Due To		\$17,425		\$17,425	-\$17,425	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$465,859	\$17,425	\$62,723	\$546,007	-\$17,425	\$528,582
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current	\$144,196		\$112,236	\$256,432		\$256,432
356 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$4,705,156		\$1,607,146	\$6,312,302		\$6,312,302
350 Total Non-Current Liabilities	\$4,849,352	\$0	\$1,719,382	\$6,568,734	\$0	\$6,568,734
300 Total Liabilities	\$6,315,211	\$17,425	\$1,782,105	\$7,114,741	-\$17,425	\$7,097,316
400 Deferred Inflow of Resources	\$205,857		\$75,990	\$281,847		\$281,847
508.4 Net Investment in Capital Assets	\$13,214,867		\$4,151	\$13,219,018		\$13,219,018
511.4 Restricted Net Position	\$926,552			\$926,552		\$926,552
512.4 Unrestricted Net Position	\$6,884,811	\$0	-\$882,886	\$6,021,925		\$6,021,925
513 Total Equity - Net Assets / Position	\$21,026,230	\$0	-\$888,735	\$20,167,495	\$0	\$20,167,495
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$26,547,298	\$17,425	\$999,360	\$27,564,083	-\$17,425	\$27,546,658

Phillipsburg Housing Authority (NJ024)
 PHILLIPSBURG, NJ
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,661,387			\$2,661,387		\$2,661,387
70400 Tenant Revenue - Other	\$85,338			\$85,338		\$85,338
70500 Total Tenant Revenue	\$2,746,725	\$0	\$0	\$2,746,725	\$0	\$2,746,725
70600 HUD PHA Operating Grants	\$2,360,988	\$99,125		\$2,460,113		\$2,460,113
70610 Capital Grants	\$179,979			\$179,979		\$179,979
70710 Management Fee			\$636,586	\$636,586	-\$636,586	\$0
70720 Asset Management Fee			\$69,360	\$69,360	-\$69,360	\$0
70730 Book Keeping Fee			\$51,451	\$51,451	-\$51,451	\$0
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue			\$757,397	\$757,397	-\$757,397	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$43,614		\$2,639	\$46,253		\$46,253
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue	\$305,960		\$3,877	\$309,837		\$309,837
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted	\$6,517			\$6,517		\$6,517
70000 Total Revenue	\$5,643,483	\$99,125	\$763,913	\$6,606,521	-\$757,397	\$5,749,124
91100 Administrative Salaries	\$306,482		\$260,784	\$567,266		\$567,266
91200 Auditing Fees	\$6,092		\$1,500	\$7,592		\$7,592
91300 Management Fee	\$624,586	\$12,000		\$636,586	-\$636,586	\$0
91310 Book-keeping Fee	\$51,451			\$51,451	-\$51,451	\$0
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$354,828		\$282,565	\$637,393		\$637,393
91600 Office Expenses	\$48,029		\$122,900	\$170,929		\$170,929
91700 Legal Expense	\$61,954		\$30,502	\$92,456		\$92,456
91800 Travel	\$5,497		\$14,031	\$19,528		\$19,528
91810 Allocated Overhead						
91900 Other						
91000 Total Operating - Administrative	\$1,458,899	\$12,000	\$712,282	\$2,183,181	-\$688,037	\$1,495,144
92000 Asset Management Fee	\$69,360			\$69,360	-\$69,360	\$0
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$1,159	\$87,125		\$88,284		\$88,284
92500 Total Tenant Services	\$1,159	\$87,125	\$0	\$88,284	\$0	\$88,284
93100 Water	\$279,531			\$279,531		\$279,531
93200 Electricity	\$498,946			\$498,946		\$498,946
93300 Gas	\$274,105			\$274,105		\$274,105
93400 Fuel						
93500 Labor						
93600 Sewer	\$150,218			\$150,218		\$150,218
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$1,202,800	\$0	\$0	\$1,202,800	\$0	\$1,202,800
94100 Ordinary Maintenance and Operations - Labor	\$528,485			\$528,485		\$528,485
94200 Ordinary Maintenance and Operations - Materials and Other	\$87,645		\$53	\$87,698		\$87,698

Phillipsburg Housing Authority (NJ024)
PHILLIPSBURG, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14,870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
94300 Ordinary Maintenance and Operations Contracts	\$192,049		\$17,759	\$209,808		\$209,808
94500 Employee Benefit Contributions - Ordinary Maintenance	\$674,889			\$674,889		\$674,889
94000 Total Maintenance	\$1,483,068	\$0	\$17,812	\$1,500,880	\$0	\$1,500,880
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$106,985			\$106,985		\$106,985
96120 Liability Insurance	\$53,492			\$53,492		\$53,492
96130 Workmen's Compensation	\$53,492		\$29,382	\$82,874		\$82,874
96140 All Other Insurance						
96100 Total Insurance Premiums	\$213,969	\$0	\$29,382	\$243,351	\$0	\$243,351
96200 Other General Expenses						
96210 Compensated Absences						
96300 Payments In Lieu of Taxes	\$154,393			\$154,393		\$154,393
96400 Bad debt - Tenant Rents	\$108,060			\$108,060		\$108,060
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$262,453	\$0	\$0	\$262,453	\$0	\$262,453
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$4,691,708	\$99,125	\$759,476	\$5,550,309	-\$757,397	\$4,792,912
97000 Excess of Operating Revenue over Operating Expenses	\$951,775	\$0	\$4,437	\$956,212	\$0	\$956,212
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments						
97350 HAP Portability-In						
97400 Depreciation Expense	\$861,936		\$1,383	\$863,219		\$863,219
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$5,553,544	\$99,125	\$760,859	\$6,413,528	-\$757,397	\$5,656,131
10010 Operating Transfer In	\$211,960			\$211,960		\$211,960
10020 Operating Transfer Out	-\$211,960			-\$211,960		-\$211,960
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						

Phillipsburg Housing Authority (NJ024)
 PHILLIPSBURG, NJ
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14,870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$89,936	\$0	\$3,054	\$92,993	\$0	\$92,993
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$20,936,291	\$0	-\$661,789	\$20,074,602	\$0	\$20,074,602
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors						
11050 Changes In Compensated Absence Balance						
11060 Changes In Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes In Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity						
11180 Housing Assistance Payments Equity						
11190 Unit Months Available	6936	0	0	6936	0	6936
11210 Number of Unit Months Leased	6860	0	0	6860	0	6860
11270 Excess Cash	\$10,110,128			\$10,110,128		\$10,110,128
11610 Land Purchases	\$0		\$0	\$0		\$0
11620 Building Purchases	\$179,979		\$0	\$179,979		\$179,979
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0	\$0		\$0
11660 Infrastructure Purchases	\$0		\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0		\$0

Housing Authority of the Town of Phillipsburg
 Schedule of Proportionate Share of the Net Pension Liability
 of the Public Employees Retirement System (PERS)
 For the Year Ended June 30, 2017

	<u>2016</u>	<u>2015</u>
Housing Authority's Proportion of the Net Pension Liability	0.01903%	0.01799%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 5,635,847	\$ 4,037,905
Housing Authority's Covered Employee Payroll	\$ 1,264,936	\$ 1,370,922
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	445.54%	294.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.05%	92.04%

Housing Authority of the Town of Phillipsburg
 Schedule of Authority Contributions to the
 Public Employees Retirement System (PERS)
 For the Year Ended June 30, 2017

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 169,205	\$ 154,647
Contribution in Relation to the Contractually Required Contribution	\$ (169,205)	\$ (154,647)
Contribution Deficiency/(Excess)	\$ -	\$ -
Authority's Covered Payroll	\$ 1,264,936	\$ 1,370,922
Contribution as a Percentage of Covered Employee Payroll	13.38%	11.28%

The amounts determined for each fiscal year were determined as of June 30.



CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Board of Commissioners
Housing Authority of the Town of Phillipsburg
Phillipsburg, New Jersey

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, the financial statements of the business-type activities Housing Authority of the Town of Phillipsburg, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the Town of Phillipsburg's, (the Authority) 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses and are identified as Finding 2017-01.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

(Continued)

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items Finding 2017-01.

Old Friends at New Oxford Limited Authority's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 28, 2018



CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Housing Authority of the Town of Phillipsburg
Phillipsburg, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the Town of Phillipsburg's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have direct and material effect on each of the Entity's major federal programs for the year ended June 30, 2017. The Housing Authority of the Town of Phillipsburg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the Town of Phillipsburg'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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Capital Fund Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the Capital Fund Program CFDA 14.8720 as described in Finding 2017-1 for Procurement. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on Capital Fund Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Capital Fund Program for the year ended June 30, 2017.

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

Other Matters

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

Report on Internal Control over Compliance


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-1 to be material weaknesses.

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

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


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 28, 2018

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
Phillipsburg, New Jersey

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Significant Deficiency(es) Identified? yes X no

Significant Deficiency(s) identified that are considered to be material weakness(es)? yes X none reported

Noncompliance Material to Financial Statements Noted? yes X no

Federal Awards

Internal Control over Major Programs:

Significant Deficiency(es) Identified? yes X no

Significant Deficiency(s) identified that are considered to be material weakness(es)? X yes none reported

Type of audit report issued on compliance for major programs: Modified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) X yes no

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
14.872	Public Housing Capital Fund Program

Dollar Threshold used to distinguish between type A and type B Programs \$750,000

Auditee qualified as low-risk? yes X no

SECTION 2 FINICAL STATEMENT FINDINGS

None.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-1

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
Phillipsburg, New Jersey

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

Finding 2017-1: We selected six capital fund construction files and three did not adhere to the compliance requirements related to procurement.
Capital Fund Program (CFDA # 14.872)

Cause: The Authority failed to comply with the capital fund procurement and contract administration requirements. The procedure in place did not provide for the Qualified Purchasing Agent to have a final review of the procurement process.

Condition: The Authority did not follow the compliance requirements of 2 CFR Part 905.308 Subpart F. The Authority did not receive contractor certified payrolls as required to insure all contracted employees are paid prevailing wages. Additionally one request for proposal for paving services did not specify project details resulting in non-comparable proposals with varying levels of labor and materials.

Effect of Condition: The effect of not complying with the capital fund procurement requirements may lead to executing construction contracts not in accordance with the CFP rules and regulations.

Compliance Requirement: Procurement

Type of Deficiency: Material Weakness

Questioned Costs -\$0-

Recommendation: We recommend the Authority modifies its Procurement Policy to include a review of certified payroll on all CFP construction projects. We also recommend CFP construction contract training for Authority employees.

Response: The Authority's QPA will initiate procedures to monitor procurement in advance to the award of contracts. Additionally, designated staff will monitor payroll records.