

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2016**

**WITH  
REPORT OF INDEPENDENT AUDITORS**

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
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**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOVOGRADAC  
& COMPANY** LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners  
Housing Authority of the Township of Lakewood:

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

We have audited the accompanying financial statements of the Housing Authority of the Township of Lakewood (the "Authority") as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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. 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2016, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purpose of additional analysis 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 basic 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 was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards and financial data schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*Novogrodac & Company LLP*

September 12, 2017  
Toms River, New Jersey

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

**LAKWOOD HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

As Management of the Lakewood Housing Authority (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, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**A**     Financial Highlights (Primary Government)

1. The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,199,772 (net position) as opposed to \$11,972,712 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority reported ending unrestricted net position (deficit) of (\$998,337).
3. The Authority's unrestricted cash and cash equivalents and restricted cash balances at December 31, 2016 were \$4,295,087 representing a decrease of \$266,497 from the prior fiscal year.
4. The Authority had total operating revenues of \$13,904,627 and total operating expenses of \$14,948,373 for the year ended December 31, 2016.
5. The Authority's capital outlays for the fiscal year were \$115,868.
6. The Authority's expenditures of federal awards amounted to \$13,932,187 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 this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America.

**LAKWOOD HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

B. Using the Annual Report (continued)

2. Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of a 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 Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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 12 through 16 in this Report.

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 basic financial statements. The Notes to Financial Statements can be found in this Report after the financial statements.



**LAKWOOD HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

B. Using the Annual Report (continued)

4. Supplemental Information

Accounting principles generally accepted in the United States of America require that a schedule of pension contributions and schedule of net pension liability be presented to supplement 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal and State awards can be found on page 39 of this report.

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.

C. The Authority as a Whole (Primary Government)

The Authority's net position decreased during the fiscal year as detailed on the following page. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were sufficient to cover all expenses, excluding depreciation during the fiscal year.

By far, the largest portion of the Authority's net position reflects its restricted net assets. These funds are related to Rental Assistance Demonstration ("RAD") loans which are restricted for public housing development upon collection, Reserve for Repair and Replacement funds, and Housing Assistance Payments in a future period. The unrestricted net position of the Authority is available for future use to provide program services.

**LAKWOOD HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

C. The Authority as a Whole (Primary Government) (continued)

Computations of Net Position are as follows:

	12/31/2016	As of 12/31/2015
Cash and Other Current Assets	\$ 3,127,707	\$ 3,862,915
Restricted Cash	1,423,214	849,090
Notes Receivable	6,244,357	6,074,648
Capital Assets - Net	4,704,279	5,002,228
Deferred Outflows of Resources	1,256,703	525,970
Total Assets	<u>16,756,260</u>	<u>16,314,851</u>
Less: Total Liabilities	4,467,912	4,288,097
Deferred Inflows of Resources	1,088,576	54,042
Net Position	<u>\$ 11,199,772</u>	<u>\$ 11,972,712</u>
Net Investment in Capital Assets	\$ 4,704,279	\$ 4,092,228
Restricted Net Position	7,493,830	6,832,379
Unrestricted Net Position	(998,337)	1,048,105
Net Position	<u>\$ 11,199,772</u>	<u>\$ 11,972,712</u>

- Restricted cash increased \$574,124 primarily due to increases in the restriction of funds to Reserve for Repairs and Replacement in accordance with RAD agreements in 2016.
- Notes receivable increased \$169,709 due to accrued interest included in the note receivable balance.
- Total liabilities increased \$179,815 along with deferred outflows of resources (\$730,733) and deferred inflows of resources (\$1,034,534) due to the Authority recording their unfunded net pension liability in FY 2016 as required by Government Accounting Standards Board Opinion No. 68 (GASB 68) as well as the Authority receiving Housing Choice Voucher funding in December, 2016 for January, 2017.
- Unrestricted net position decreased \$2,046,442 primarily due to the Authority recording their unfunded net pension liability in FY 2016 as required by Government Accounting Standards Board Opinion No. 68 (GASB 68).

**LAKWOOD HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

C. The Authority as a Whole (Primary Government) (continued)

**Computations of Changes in Net Position are as follows:**

	Year Ended	
	12/31/2016	12/31/2015
<u>Revenues</u>		
Tenant Revenues	\$ 747,721	\$ 925,980
HUD Operating Grants	12,875,271	13,551,082
Other Revenues	281,635	355,740
Total Operating Revenues	<u>13,904,627</u>	<u>14,832,802</u>
<u>Expenses</u>		
Other Operating Expenses	3,112,916	3,367,865
Housing Assistance Payments	11,421,640	11,162,580
Depreciation Expense	413,817	435,407
Total Operating Expenses	<u>14,948,373</u>	<u>14,965,852</u>
Operating Loss	<u>(1,043,746)</u>	<u>(133,050)</u>
<u>Non-Operating Revenues &amp; Expenses</u>		
Interest on Investments	174,662	63,944
Interest Expense	(50,981)	(44,043)
Gain on sale of assets	-	2,918,398
Other government grants	-	3,028,076
HUD Capital Grants	147,125	358,991
Total Non-Operating Revenues	<u>270,806</u>	<u>6,325,366</u>
Change in Net Position	(772,940)	6,192,316
Net Position - Beginning of Year	11,972,712	7,981,742
Change in accounting principal – Adoption of GASB 68	<u>-</u>	<u>(2,201,346)</u>
Net Position - End of Year	<u>\$ 11,199,772</u>	<u>\$ 11,972,712</u>

- HUD operating grants decreased \$675,811 from \$13,551,082 in fiscal year 2015 to \$12,875,271 in fiscal year 2016. This was primarily due to the Public Housing Program and Housing Choice Voucher Program receiving \$284,358 and \$759,873 less in funding in FY 2016. These amounts were offset by an increase of \$354,959 in Capital Grant Funds used for operations.

**LAKWOOD HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

C. The Authority as a Whole (Primary Government) (continued)

- Administrative expenses increased \$97,849 primarily due to the recognition of \$311,626 of GASB 68 related pension costs as well as well increases in administrative salaries.
- Housing assistance payments ("HAP") expense increased from \$10,505,305 in fiscal year 2015 to \$10,760,335 in fiscal year 2016 or \$255,030. This increase in HAP expense can be attributable to the Authority having 275 more unit months under lease in FY 2016.

D. Budgetary Highlights

For the year ended December 31, 2016, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the decrease of revenues over expenses, the Authority's net position decreased during the fiscal year.

E. Capital Assets and Debt Administration

1. Capital Assets

As of December 31, 2016, the Authority's investment in capital assets, net of accumulated depreciation was \$4,704,279. This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased during the year totaled \$115,868, of which all was purchased from the Authority's capital fund program.

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

**LAKWOOD HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

E. Capital Assets and Debt Administration (continued)

1. Capital Assets (continued)

The following table summarizes the change in capital assets as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land	\$ 313,844	\$ 313,844	\$ -
Buildings and improvements	13,308,330	13,205,007	103,323
Furniture and equipment	208,877	196,332	12,545
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>
Total fixed assets	13,831,051	13,715,183	115,868
Less: accumulated depreciation	<u>9,126,772</u>	<u>8,712,955</u>	<u>413,817</u>
Net fixed assets	<u>\$ 4,704,279</u>	<u>\$ 5,002,228</u>	<u>\$ (297,949)</u>

2. Long Term Debt

During the fiscal year ended December 31, 2004, the Authority participated in the New Jersey HMFA Capital Fund Leveraging Bond Issue. Under the provisions of that agreement, the Authority borrowed \$1,490,000 to be used in renovating developments. The loan is repayable over 20 years from future capital fund program grants to be provided by HUD. Balance of \$910,000 paid off as part of RAD conversion entered into during FY 2016.

F. 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. The state of the economy.
2. The need for Congress to fund the war on terrorism and the continued cut-back of funding of federal programs.
3. The Authority's use of unrestricted reserves to offset the proration of subsidy from HUD.

**LAKWOOD HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

G. 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 Mary Jo Grauso, Executive Director, Lakewood Housing Authority, 317 Sampson Avenue, Lakewood, NJ 08701.

**FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2016**

ASSETS

	Primary Government	Discretely Presented Component Unit	Total Reporting Entity
Current assets:			
Cash and cash equivalents	\$ 2,871,873	\$ 146,666	\$ 3,018,539
Accrued interest receivable	698	-	698
Accounts receivable, net	211,415	8,338	219,753
Prepaid expenses	80	-	80
Inventories	<u>43,641</u>	<u>-</u>	<u>43,641</u>
 Total current assets	 <u>3,127,707</u>	 <u>155,004</u>	 <u>3,282,711</u>
Non-current assets:			
Restricted cash and cash equivalents	1,423,214	818	1,424,032
Notes receivable	6,244,357	-	6,244,357
Capital assets, net	<u>4,704,279</u>	<u>-</u>	<u>4,704,279</u>
 Total non-current assets	 <u>12,371,850</u>	 <u>818</u>	 <u>12,372,668</u>
 Total assets	 <u>15,499,557</u>	 <u>155,822</u>	 <u>15,655,379</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>1,256,703</u>	<u>-</u>	<u>1,256,703</u>
 Total assets and deferred outflows of resources	 <u>\$ 16,756,260</u>	 <u>\$ 155,822</u>	 <u>\$ 16,912,082</u>

See accompanying notes to financial statements.



**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**STATEMENT OF NET POSITION (continued)**  
**AS OF DECEMBER 31, 2016**

LIABILITIES

	Primary Government	Discretely Presented Component Unit	Total Reporting Entity
Current liabilities:			
Accounts payable	\$ 99,121	\$ 62,859	\$ 161,980
Accounts payable - HUD and other government	32,402	-	32,402
Accounts payable - PHA projects	-	90,721	90,721
Accrued expenses	44,278	-	44,278
Accrued compensated absences	39,860	-	39,860
Tenant security deposits	47,769	818	48,587
Unearned revenue	-	1,424	1,424
	<u>263,430</u>	<u>155,822</u>	<u>419,252</u>
Total current liabilities			
Non-current liabilities:			
Accrued compensated absences, non-current	39,860	-	39,860
Net pension liability	4,038,650	-	4,038,650
Other noncurrent liabilities	125,972	-	125,972
	<u>4,204,482</u>	<u>-</u>	<u>4,204,482</u>
Total non-current liabilities			
	<u>4,467,912</u>	<u>155,822</u>	<u>4,623,734</u>
Total liabilities			

DEFERRED INFLOWS OF RESOURCES

Grants received in advance	1,083,215	-	1,083,215
State of New Jersey P.E.R.S.	<u>5,361</u>	<u>-</u>	<u>5,361</u>
	<u>1,088,576</u>	<u>-</u>	<u>1,088,576</u>
Total deferred inflows of resources			

NET POSITION

Net position:			
Net investment in capital assets	4,704,279	-	4,704,279
Restricted	7,493,830	-	7,493,830
Unrestricted	<u>(998,337)</u>	<u>-</u>	<u>(998,337)</u>
	<u>11,199,772</u>	<u>-</u>	<u>11,199,772</u>
Total net position			
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,756,260</u>	<u>\$ 155,822</u>	<u>\$ 16,912,082</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity</u>
Operating revenues:			
Tenant revenue	\$ 747,721	\$ -	\$ 747,721
HUD operating grants	12,875,271	-	12,875,271
Other revenues	<u>281,635</u>	<u>-</u>	<u>281,635</u>
Total operating revenues	<u>13,904,627</u>	<u>-</u>	<u>13,904,627</u>
Operating expenses:			
Administrative	1,762,422	-	1,762,422
Tenant services	79,762	-	79,762
Utilities	431,148	-	431,148
Ordinary repairs and maintenance	627,213	-	627,213
Protective services	70,439	-	70,439
General expenses	141,932	-	141,932
Housing assistance payments	11,421,640	-	11,421,640
Depreciation	<u>413,817</u>	<u>-</u>	<u>413,817</u>
Total operating expenses	<u>14,948,373</u>	<u>-</u>	<u>14,948,373</u>
Operating loss	<u>(1,043,746)</u>	<u>-</u>	<u>(1,043,746)</u>
Non-operating revenues (expenses):			
Interest expense	(50,981)	-	(50,981)
Investment income	<u>174,662</u>	<u>-</u>	<u>174,662</u>
Net non-operating revenues	<u>123,681</u>	<u>-</u>	<u>123,681</u>
Income before capital grants	(920,065)	-	(920,065)
Capital grants	<u>147,125</u>	<u>-</u>	<u>147,125</u>
Change in net position	(772,940)	-	(772,940)
Total net position, beginning of year	<u>11,972,712</u>	<u>-</u>	<u>11,972,712</u>
Total net position, end of year	<u>\$ 11,199,772</u>	<u>\$ -</u>	<u>\$ 11,199,772</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2016**

	<u>Primary Government</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from tenants	\$ 899,226
Cash received from grantors	12,875,271
Cash paid to employees	(1,762,422)
Cash paid to vendors	<u>(11,523,510)</u>
Net cash flows provided by operating activities	<u>488,565</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Proceeds from capital grants	147,125
Purchases of capital assets	(115,868)
Interest paid on long term debt	(50,981)
Payments on long term debt	<u>(910,000)</u>
Net cash flows used by capital and related financing activities	<u>(929,724)</u>
<b>Cash Flows from Investing Activities</b>	
Interest received on investments	<u>174,662</u>
Net cash flows provided by investing activities	<u>174,662</u>
Net decrease in cash and cash equivalents	(266,497)
Cash and cash equivalents at beginning of year	<u>4,561,584</u>
Cash and cash equivalents at end of year	<u>\$ 4,295,087</u>
 <b>Reconciliation of cash and cash equivalents to the Statements of Net Position is as follows:</b>	
Cash and cash equivalents	\$ 2,871,873
Restricted cash and cash equivalents	<u>1,423,214</u>
Cash and cash equivalents at end of year	<u>\$ 4,295,087</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**STATEMENT OF CASH FLOWS (continued)**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Primary Government</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,043,746)
Adjustments to reconcile operating loss into net cash provided by operating activities:	
Depreciation	413,817
Changes in operating assets, liabilities, deferred outflows and deferred inflows of resources:	
Accounts receivable, net	(127,908)
Notes receivable	(169,709)
Inventories	17,453
Prepaid expenses	5,042
Prepaid rents	(1,043)
Grants received in advance	1,083,215
Accounts payable	(36,651)
Tenant security deposits	172
Accrued expenses	1,684
Deferred inflows of resources	(730,733)
Deferred outflows of resources	(48,681)
Other liabilities	<u>1,125,653</u>
Net cash provided by operating activities	<u>\$ 488,565</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**A. Organization**

The Housing Authority of the Township of Lakewood (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 Township of Lakewood, New Jersey (the "Township"). The Authority is responsible for operating certain low-rent housing programs in the Township under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

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

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

**B. Description of Programs**

Section 8 Housing Choice Voucher

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income households 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 household.

Mainstream Voucher

The Mainstream Voucher Program provides vouchers for low-income households that include a person(s) with disabilities. 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 household.

Public and Indian Housing

The Public and Indian Housing Program is designed to provide low-cost housing within the Township. 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.

Public Housing Capital Fund

The purpose of the Public Housing 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.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**B. Description of Programs (continued)**

Shelter Plus Care Program

Shelter Plus Care is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters.

**C. Reporting Entity**

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

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

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

**Affordable Housing Corporation of Lakewood**

Affordable Housing Corporation of Lakewood (the "Organization") was incorporated under the laws of the State of New Jersey as a non-profit corporation on August 17, 2016. The purpose is to improve the quality of life for low and moderate income people (as defined by regulations promulgated by the United States Department of HUD or the New Jersey Council on Affordable Housing ("COAH")) by providing them with affordable housing and housing opportunities. These purposes shall include without limitation providing, developing, building, managing, promoting, constructing, operating, selling, leasing, rehabilitating, renovating and disposing of decent, safe and affordable housing and may include the administration of Housing Choice Vouchers.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**D. Basis of Accounting and Financial Statement Presentation**

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 is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, 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.

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

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

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

Both administrative fee 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 fee and HAP revenue in the reporting period as revenue for financial statement reporting.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**D. Basis of Accounting and Financial Statement Presentation (continued)**

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

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

**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 the 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 the act.

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

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

For the Statement of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

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



**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**F. Accounts Receivable, Net**

Accounts receivable - tenants

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

**G. Prepaid Expenses**

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

**H. Inventory**

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is carried at net realizable value and the Authority uses the first-in, first-out ("FIFO") flow assumption in determining cost. The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used. If inventory falls below the cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. At December 31, 2016, inventory is shown net of an allowance for obsolescence of \$4,266.

**I. Notes Receivable**

The Authority has utilized development 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 generally accepted accounting principles, 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; the Authority reviews current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectable amounts during an accounting period.

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

Inter-program receivables/payables are current, and are the result of the use of the Public and Indian Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB 34, interprogram receivables and payables are eliminated for financial statement purposes.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**K. 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 fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statements 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:

- Furniture and Equipment 3 - 5 Years
- Buildings and Improvements 15 - 40 Years

The Authority has established a capitalization threshold of \$5,000.

**L. Compensated Absences**

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued at the balance sheet date for which payment is probable. 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 based on the unused accrued leave. Employees may be compensated for sick leave at retirement or termination at 50% of accumulated sick time up to a maximum of \$15,000.

**M. Unearned Revenues**

The Authority's unearned revenues consists of prepaid tenant rents meant for future periods.

**N. 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.

**O. Taxes**

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**P. Use of Management Estimates**

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

**Q. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**S. Economic Dependency**

The Section 8 Housing Choice Vouchers and Public and Indians 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 TOWNSHIP OF LAKEWOOD  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**T. Equity Classifications**

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

Net investment in capital assets - Consists of resources 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 net position that do not meet the definition of "restricted" or "net investment in capital assets."

**U. 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.

Pursuant to N.J.S.A 40A:5A-10 and N.J.A.C. 5:31 the Authority is also required to submit an authority wide budget for each fiscal year to the Director of the Division of Local Government Services sixty (60) days prior to the end of the fiscal year.

**NOTE 2. CASH AND CASH EQUIVALENTS**

As of December 31, 2016, the Authority had funds on deposit in checking, statement savings and money market accounts.

For the fiscal year ended December 31, 2016, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$4,442,571, and the bank balances approximated \$4,538,526.

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity</u>
Unrestricted	\$ 2,871,873	\$ 146,666	\$ 3,018,539
Tenant security deposits	47,769	818	48,587
Restricted	<u>1,375,445</u>	<u>-</u>	<u>1,375,445</u>
	<u>\$ 4,295,087</u>	<u>\$ 147,484</u>	<u>\$ 4,442,571</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 2. CASH AND CASH EQUIVALENTS (continued)**

Of the bank balances, \$696,071 was covered by federal depository insurance and the remaining \$3,842,455 was collateralized with the pledging financial institution for the fiscal year ended December 31, 2016.

<u>Cash Account</u>	<u>Amount</u>
Insured:	
FDIC	\$ 696,071
Collateralized:	
Collateralized amount held by pledging financial institution	<u>3,842,455</u>
	<u>\$ 4,538,526</u>

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2016, the Authority's bank balances were not exposed to custodial credit risk.

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable, net consists of the following at December 31, 2016:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity</u>
Accounts receivable - tenants, net	\$ -	\$ 7,823	\$ 7,823
Accounts receivable - fraud recovery, net	47,661	515	48,176
Accounts receivable - miscellaneous	<u>163,754</u>	<u>-</u>	<u>163,754</u>
Total accounts receivable, net	<u>\$ 211,415</u>	<u>\$ 8,338</u>	<u>\$ 219,753</u>

Accounts receivable - tenants, net

Tenants accounts receivable balances primarily consist of rents past due and vacated units. An allowance for doubtful accounts has not been established as the Authority expects to collect the balance.

Accounts receivable - fraud recovery, net

Accounts receivable - fraud recovery, net represents amounts owed from tenants or other program participants who committed fraud or mis-representation and now owe additional rent or retroactive rent. The amount is shown net of an allowance of \$33,288 at December 31, 2016.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Accounts receivable - miscellaneous

Accounts receivable - miscellaneous consists of amounts due from an insurance reimbursement, tenant repayment agreements and from the managed properties. An allowance for doubtful accounts has not been established as the Authority expects to collect the balance.

**NOTE 4. RESTRICTED CASH**

Restricted cash consists of the following at December 31, 2016:

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity</u>
Housing assistance payments reserve	\$ 32,598	\$ -	\$ 32,598
Family Self Sufficiency program escrows	125,972	-	125,972
Reserve for replacements	1,216,875	-	1,216,875
Tenant security deposits	<u>47,769</u>	<u>818</u>	<u>48,587</u>
	<u>\$ 1,423,214</u>	<u>\$ 818</u>	<u>\$ 1,424,032</u>

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

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

Reserve for replacement funds are required to be set aside for future project expenditures in accordance with the RAD Conversion Commitment.

Tenant security deposits represent amounts held by the Authority on behalf of tenants participating in the Public and Indian Housing Program. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 5. NOTES RECEIVABLE**

The Authority has utilized grants and other development funds in accordance with HUD guidelines to assist the Authority in its participation in HUD's Rental Assistance Demonstration Program ("RAD") through the issuance of mortgage loans. Outstanding notes receivable of the primary government as of December 31, 2016 consisted of the following:

<u>Description</u>	<u>Amount</u>
<p>On September 11, 2015 the Authority entered a loan agreement with Chambers Crescent, LLC in connection with the sale of Residential ERG Tax Credit Certificates related to the property located at 438 Cedar Bridge Avenue also known as John F. Kennedy Apartments. The loan, which totaled \$3,028,076, bears interest at 2.82% per annum. Interest will accrue annually and all principal and accrued interest will be due on September 1, 2070. The loan is secured by a Second Mortgage. At December 31, 2016 accrued interest on the loan totaled \$113,855.</p>	<p>\$ 3,141,931</p>
<p>On September 11, 2015 the Authority entered a loan agreement with Chambers Crescent, LLC in connection with the sale of property and improvements located at 438 Cedar Bridge Avenue also known as John F. Kennedy Apartments. The loan, which totaled \$2,990,000, bears interest at 2.82% per annum. Interest will be paid annually beginning on September 1, 2016 and on each anniversary thereafter equal to forty percent (40%) of project cash flow. The loan is secured by a Third Mortgage and matures on September 1, 2070 whereby all unpaid interest and principal is due. At December 31, 2016 accrued interest on the loan totaled \$112,426.</p>	<p style="border-top: 1px solid black;">3,102,426</p>
<p>Total notes receivable and accrued interest</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,244,357</p>

As of December 31, 2016, the current portion on notes receivable amounted to \$-0-.

**NOTE 6. GROUND LEASE**

On September 11, 2015, as part of the sale of John F. Apartments, the Authority entered into a ground lease agreement with the purchaser, Chambers Crescent LLC. to lease the parcel of land located at 438 Cedar Bridge Road, Lakewood, NJ. for a term of eighty (80) years. As part of the agreement, the lessee will pay all taxes and assessments associated with the property and \$72,000 per annum (\$6,000 monthly) in rent over the term of the lease.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 7. CAPITAL ASSETS, NET**

The following is a summary of the primary government's changes in capital assets during the year ended December 31, 2016:

Description	December 31, 2015	Additions	Dispositions	Transfers	December 31, 2016
<u>Non-depreciable:</u>					
Land	\$ 313,844	-	-	-	\$ 313,844
Construction in progress	-	-	-	-	-
Total	<u>313,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,844</u>
<u>Depreciable:</u>					
Buildings and improvements	13,205,007	103,323	-	-	13,308,330
Furniture and equipment	196,332	12,545	-	-	208,877
Total	13,401,339	115,868	-	-	13,517,207
Less: accum. depreciation	8,712,955	413,817	-	-	9,126,772
Total deprec. assets, net	<u>4,688,384</u>	<u>(297,949)</u>	<u>-</u>	<u>-</u>	<u>4,390,435</u>
Net capital assets	<u>\$ 5,002,228</u>	<u>\$(297,949)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,704,279</u>

Depreciation expense for the year ended December 31, 2016 amounted to \$413,817.

**NOTE 8. NON-CURRENT LIABILITIES**

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A on December 23, 2004. The Authority's share of funds from the bond issue pool amounted to \$1,490,000. The balance of \$910,000 as of December 31, 2015 was paid off as part of the RAD conversion entered into during fiscal year 2016.

Non-current liabilities of the primary government as of December 31, 2016 consisted of the following:

Description	December 31, 2015	Additions	Payments	December 31, 2016	Amounts due within one Year
Compensated absences	\$ 83,264	\$ 118,041	\$ (121,585)	\$ 79,720	\$ 39,860
Capital fund revenue bonds	910,000	-	(910,000)	-	-
Net pension liability	2,947,610	1,091,040	-	4,038,650	-
Family self sufficiency escrows	91,359	34,613	-	125,972	-
Total long-term liabilities	<u>\$ 4,032,233</u>	<u>\$ 1,243,694</u>	<u>\$(1,031,585)</u>	<u>\$ 4,244,342</u>	<u>\$ 39,860</u>



**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 9. PENSION PLAN**

**A. Plan Description**

The State of New Jersey, Public Employees Retirement System (PERS) is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR), which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://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 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

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

**C. Contributions**

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**C. Contributions (continued)**

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

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

At December 31, 2016, the Authority reported a liability of \$4,038,650 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015 and rolled forward to June 30, 2016.

For the year ended December 31, 2016, the Authority recognized pension expense of \$346,239. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 836,592	\$ -
Changes in Proportion	191,007	-
Differences between expected and actual experience	75,107	-
Net differences between actual and projected earnings on pension plan investments	153,997	-
Net differences between Proportionate Share and actual Contribution	<u>-</u>	<u>5,361</u>
Total	<u>\$ 1,256,703</u>	<u>\$ 5,361</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

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 December 31:	<u>Amount</u>
2017	\$ 285,768
2018	285,767
2019	321,239
2020	266,703
2021	<u>91,865</u>
	<u>\$ 1,251,342</u>

**E. Actuarial Assumptions**

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

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

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

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

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

**G. Discount Rate**

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

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

	1% Decrease (3.90%)	Discount Rate (4.90%)	1% Increase (5.90%)
Authority's proportionate share of the net pension liability	\$ <u>4,948,894</u>	\$ <u>4,038,650</u>	\$ <u>3,287,164</u>

**NOTE 10. 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.

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>
2016	\$ <u>232,646</u>
2015	\$ <u>229,331</u>
2014	\$ <u>215,847</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 11. 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 Township. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended December 31, 2016, PILOT expense of the primary government amounted to \$31,657.

**NOTE 12. RESTRICTED NET POSITION**

As of December 31, 2016, restricted net position of the primary government consisted of the following:

	<u>Amount</u>
Rental Assistance Demonstration ("RAD") loans	\$ 6,244,357
Reserve for replacement	1,216,875
Housing assistance payment reserves	<u>32,598</u>
	<u>\$ 7,493,830</u>

RAD Program loans and the related accrued interest are restricted for public housing development upon collection of the loan and related accrued interest.

Reserve for replacement funds are restricted for future project expenditures in accordance with the RAD Conversion Commitment.

Accumulated earnings in connection with the overpayment of housing assistance payments are restricted for rent payments to landlords as part of the Section 8 Housing Choice Voucher Program.

**NOTE 13. 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 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, 2016, the Authority estimates that no material liabilities will result from such audits other than what has been disclosed herein.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 14. 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.

**NOTE 15. SUBSEQUENT EVENTS**

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through September 12, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



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

To the Board of Commissioners  
Housing Authority of the Township of Lakewood:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Township of Lakewood (the "Authority") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 12, 2017.

**Internal Control Over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Novogrodac & Company LLP*

September 12, 2017  
Toms River, New Jersey



**NOVOGRADAC  
& COMPANY LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners  
Housing Authority of the Township of Lakewood:

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

We have audited the Housing Authority of the Township of Lakewood's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement and the State of New Jersey OMB Circular 15-08 that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations and the State of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal and State 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, 2016.

### **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 and State of New Jersey OMB Circular 15-08, 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 and the State of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

*Novogradac & Company LLP*

September 12, 2017  
Toms River, New Jersey

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period		Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
			From	To			
<u>U.S. Department of Housing and Urban Development</u>							
Housing Voucher Cluster							
Section 8 Housing Choice Voucher	14.871	N/A	1/1/2016	12/31/2016	\$ 10,946,301	\$ 11,856,092	\$ 11,856,092
Mainstream Vouchers	14.879	N/A	1/1/2016	12/31/2016	<u>722,161</u>	<u>722,161</u>	<u>722,161</u>
Total Housing Voucher Cluster					<u>11,668,462</u>	<u>12,578,253</u>	<u>12,578,253</u>
Public and Indian Housing	14.850	N/A	1/1/16	12/31/16	747,161	747,161	747,161
Public Housing Capital Fund	14.872	N/A	4/13/2015	4/12/20	615,052	590,274	615,052
Shelter Plus Care	14.238	N/A	2/1/2012	1/31/18	<u>170,520</u>	<u>16,499</u>	<u>111,987</u>
Total U.S. Department of Housing and Urban Development					<u>\$ 13,201,195</u>	<u>\$ 13,932,187</u>	<u>\$ 14,052,453</u>

See accompanying footnotes to the Schedule of Expenditures of Federal Awards

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016**

**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 Township of Lakewood under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey OMB Circular 15-08. Because the schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance and the State of New Jersey OMB Circular 15-08, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3. INDIRECT COST RATE**

The Authority has not elected to use the ten percent de minimus indirect cost rate allowed under the uniform guidance.

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED DECEMBER 31, 2016**

**NOTE 4. NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES**

1) The total amount of Capital Fund Program Costs and Advances incurred and earned by the Authority as of and for the year ended December 31, 2016 are provided herein.

	<u>501-15</u>	<u>501-16</u>	<u>Totals</u>
Budget	\$ <u>328,526</u>	\$ <u>286,526</u>	\$ <u>615,052</u>
<u>Advances:</u>			
Cumulative through 1/1/16	\$ 24,778	\$ -	\$ 24,778
Current Year	<u>303,748</u>	<u>286,526</u>	<u>590,274</u>
Cumulative through 12/31/16	<u>328,526</u>	<u>286,526</u>	<u>615,052</u>
<u>Costs:</u>			
Cumulative through 1/1/16	24,778	-	24,778
Current Year	<u>303,748</u>	<u>286,526</u>	<u>590,274</u>
Cumulative through 12/31/16	<u>328,526</u>	<u>286,526</u>	<u>615,052</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2016**

I. Summary of Auditors' Results

Financial Statement Section

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 Section

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:	

CFDA Number

Name of Federal Program

14.871	Section 8 Housing Choice Vouchers
14.879	Mainstream Voucher

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 TOWNSHIP OF LAKEWOOD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**YEAR ENDED DECEMBER 31, 2016**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Federal Award and State Financial Assistance Findings and Questioned Costs

None reported.

IV. Summary of Prior Audit Findings

There were no findings or questioned costs in the prior year.



**HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD  
REQUIRED PENSION INFORMATION  
DECEMBER 31, 2016**

**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>
Contractually required contribution	\$ 91,626	\$ 104,831	\$ 121,142
Contributions in relation to the contractually required contribution	<u>91,626</u>	<u>104,831</u>	<u>121,142</u>
(Over) / under funded	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 974,743</u>	<u>\$ 1,030,484</u>	<u>\$ 1,043,059</u>
Contributions as a percentage of covered-employee payroll	<u>9.40 %</u>	<u>10.17 %</u>	<u>11.61 %</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>
Authority's proportion of the net pension liability	<u>0.0127 %</u>	<u>0.0131 %</u>	<u>0.0136 %</u>
Authority's proportionate share of the net pension liability	<u>\$ 2,380,831</u>	<u>\$ 2,947,610</u>	<u>\$ 4,038,650</u>
Authority's covered-employee payroll	<u>\$ 974,743</u>	<u>\$ 1,030,484</u>	<u>\$ 1,043,059</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>244.25 %</u>	<u>286.04 %</u>	<u>387.19 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.08 %</u>	<u>47.93 %</u>	<u>40.14 %</u>

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

Lakewood Housing Authority									
NJ054									
Financial Data Schedule (FDS)									
December 31, 2016									
Line Item #	Account Description	Projects	Housing Choice Vouchers	Mainstream Vouchers	Shelter Plus Care	Business Activities	Component Unit - Discretely Presented	TOTAL	
<b>ASSETS:</b>									
<b>CURRENT ASSETS:</b>									
Cash:									
111	Cash - unrestricted	\$ 205,549	\$ 2,372,092	\$ -	\$ -	\$ 294,232	\$ 146,666	\$ 3,018,539	
112	Cash - restricted - modernization and development								
113	Cash - other restricted	1,216,875	158,570					1,375,445	
114	Cash - tenant security deposits	47,769					818	48,587	
115	Cash - restricted for payment of current liabilities								
100	Total cash	1,470,193	2,530,662			294,232	147,484	4,442,571	
Accounts and notes receivables:									
121	Accounts receivable - PHA projects	90,721						90,721	
122	Accounts receivable - HUD other projects								
124	Accounts receivable - other government								
125	Accounts receivable - miscellaneours	73,033						73,033	
126	Accounts receivable - tenants						7,823	7,823	
126.1	Allowance for doubtful accounts - tenants								
126.2	Allowance for doubtful accounts - other								
127	Notes and mortgages receivable - current								
128	Fraud recovery	209	78,495				2,969	81,673	
128.1	Allowance for doubtful accounts - fraud	(31,043)					(2,454)	(33,497)	
129	Accrued interest receivable		698					698	
120	Total receivables, net of allowances for doubtful accounts	163,993	48,150				8,338	220,451	
Current investments									
131	Investments - unrestricted								
132	Investments - restricted								
135	Investments - restricted for payment of current liability								
142	Prepaid expenses and other assets	80						80	
143	Inventories	47,907						47,907	
143.1	Allowance for obsolete inventories	(4,266)						(4,266)	
144	Interprogram - due from								
145	Assets held for sale								
150	TOTAL CURRENT ASSETS	1,677,877	2,578,812			294,232	155,822	4,706,743	
NONCURRENT ASSETS:									
Fixed assets:									
161	Land	313,844						313,844	
162	Buildings	12,854,850						12,854,850	
163	Furniture, equipment & machinery - dwellings								
164	Furniture, equipment & machinery - administration	2,865						2,865	
165	Leasehold improvements	453,480						453,480	
166	Accumulated depreciation	(9,123,907)						(9,123,907)	
167	Construction in Progress								
168	Infrastructure	4,704,279						4,704,279	
160	Total fixed assets, net of accumulated depreciation	6,244,357						6,244,357	
Other non-current assets:									
171	Notes and mortgages receivable - non-current								
172	Notes and mortgages receivable - non-current - past due								
174	Other assets								
175	Undistributed debits								
176	Investment in joint ventures								
180	TOTAL NONCURRENT ASSETS	10,948,636						10,948,636	
200	Deferred Outflow of Resources	581,764	674,939					1,256,703	
290	TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 13,208,277	\$ 3,253,751	\$ -	\$ -	\$ 294,232	\$ 155,822	\$ 16,912,082	

Lakewood Housing Authority															
NJ054															
Financial Data Schedule (FDS)															
December 31, 2016															
Line Item #	Account Description	Projects	Housing Choice Vouchers	Mainstream Vouchers	Shelter Plus Care	Business Activities	Component Unit - Discretely Presented	TOTAL							
<b>LIABILITIES AND EQUITY:</b>															
<b>Liabilities:</b>															
<b>Current Liabilities:</b>															
311	Bank overdraft		\$				\$								
312	Accounts payable < 90 days	31,152	67,969				62,859								161,980
313	Accounts payable > 90 days past due														44,278
321	Accrued wage/payroll taxes payable	23,321	20,957												39,860
322	Accrued compensated absences - current portion	17,772	22,088												
324	Accrued contingency liability														
325	Accrued interest payable														
331	Accounts payable - HUD PHA programs		745												745
332	Accounts payable - PHA projects														90,721
333	Accounts payable - other government	31,637													31,637
341	Tenant security deposits	47,769													47,769
342	Unearned revenue														
343	Current portion of L-T debt - capital projects														
344	Current portion of L-T debt - operating borrowings														
345	Other current liabilities														
346	Accrued liabilities - other														
347	Interprogram - due to														
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>151,671</b>	<b>111,759</b>				<b>155,822</b>								<b>419,252</b>
<b>NONCURRENT LIABILITIES:</b>															
351	Long-term debt, net of current - capital projects														
352	Long-term debt, net of current - operating borrowings														
353	Non-current liabilities- other	125,972													125,972
354	Accrued compensated absences - noncurrent	17,772	22,088												39,860
355	Loan Liability - Non Current														
356	FASB 5 Liabilities														
357	Accrued pension and OPEB liabilities	2,057,881	1,980,749												4,038,630
358	TOTAL NONCURRENT LIABILITIES	2,075,653	2,128,829												4,204,482
300	<b>TOTAL LIABILITIES</b>	<b>2,227,324</b>	<b>2,240,588</b>				<b>155,822</b>								<b>4,623,734</b>
400	Deferred Inflow of Resources	10,139	1,078,437												1,088,576
<b>EQUITY:</b>															
508.1	Invested in Capital Assets, Net of Related Debt	4,704,279													4,704,279
511.1	Restricted Net Assets	7,461,232	32,598												7,493,830
512.1	Unrestricted Net Assets	(1,194,697)	(97,872)												(998,337)
513	<b>TOTAL EQUITY</b>	<b>10,970,814</b>	<b>(65,245)</b>												<b>11,199,772</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 13,208,277</b>	<b>\$ 3,253,751</b>				<b>\$ 155,822</b>								<b>\$ 16,912,082</b>
<b>Proof of concept</b>															

**Lakewood Housing Authority**

NJ054

Financial Data Schedule (FDS)

December 31, 2016

Line Item #	Account Description	Operating Fund	Capital Fund	Section 8 Housing Choice Vouchers	Mainstream Vouchers	Shelter Plus Care	Business Activities	Component Unit- Discretely Presented	TOTAL
<b>REVENUE:</b>									
70300	Net tenant rental revenue	\$ 678,476	\$ -	\$ -	\$ -	\$ -	\$ 61,421	\$ -	\$ 739,897
70400	Tenant revenue - other	7,824	-	-	-	-	-	-	7,824
70500	Total tenant revenue	686,300	-	-	-	-	61,421	-	747,721
70600	HUD PHA grants	747,161	443,149	10,946,301	722,161	16,499	-	-	12,875,271
70610	Capital grants	-	147,125	-	-	-	-	-	147,125
70800	Other government grants	-	-	-	-	-	-	-	-
71100	Investment income - unrestricted	3,530	-	1,423	-	-	-	-	4,953
71200	Mortgage interest income	-	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-
71400	Cost of sale of assets	-	-	-	-	-	-	-	-
71500	Fraud recovery	2,424	-	44,170	-	-	-	-	46,594
71600	Other revenue	146,348	-	23,493	-	-	65,200	-	235,041
72000	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-	-
72000	Investment income - restricted	169,709	-	-	-	-	-	-	169,709
70000	<b>TOTAL REVENUE</b>	1,755,472	590,274	11,015,387	722,161	16,499	126,621	-	14,226,414
<b>EXPENSES:</b>									
Administrative									
91100	Administrative salaries	300,101	-	449,673	43,248	-	28,966	-	821,988
91200	Auditing fees	3,060	-	11,261	979	-	-	-	15,300
91310	Book-keeping fee	-	-	-	-	-	-	-	-
91400	Advertising and marketing	1,233	-	-	-	-	-	-	1,233
91500	Employee benefit contributions- administrative	211,111	-	440,872	23,297	-	2,216	-	677,596
91600	Office expenses	91,807	16,715	63,314	5,905	-	5,020	-	182,761
91700	Legal expenses	9,988	-	19,350	1,683	-	-	-	31,021
91800	Travel	3,600	-	454	40	-	-	-	4,094
91810	Allocated overhead	-	-	-	-	-	-	-	-
91900	Other	12,898	-	14,657	1,274	-	-	-	28,829
	Total administrative	653,798	15,715	999,581	76,126	-	36,202	-	1,762,422
92000	Asset Management Fee	-	-	-	-	-	-	-	-
Tenant services									
92100	Tenant services - salaries	-	-	47,677	-	-	-	-	47,677
92200	Relocation costs	-	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	-	-	24,055	-	-	-	-	24,055
92400	Tenant services - other	8,050	-	-	-	-	-	-	8,050
	Total tenant services	8,050	-	71,732	-	-	-	-	79,782

Lakewood Housing Authority									
NJ054									
Financial Data Schedule (FDS)									
December 31, 2016									
Line Item #	Account Description	Operating Fund	Capital Fund	Section 8 Housing Choice Vouchers	Mainstream Vouchers	Shelter Plus Care	Business Activities	Component Unit- Discretely Presented	TOTAL
	Utilities								
93100	Water	98,852	-	-	-	-	-	-	98,852
93200	Electricity	127,885	-	-	-	-	9,155	-	137,040
93300	Gas	111,072	-	-	-	-	23,419	-	134,491
93400	Fuel	-	-	-	-	-	-	-	-
93500	Labor	35,638	-	-	-	-	-	-	35,638
93600	Sewer	-	-	-	-	-	-	-	-
93700	Employee benefit contributions- utilities	24,827	-	-	-	-	-	-	24,827
93800	Other utilities expense	-	-	-	-	-	-	-	-
	Total utilities	398,274	-	-	-	-	32,574	-	431,148
	Ordinary maintenance & operation								
94100	Ordinary maintenance and operations - labor	201,920	-	-	-	-	-	-	201,920
94200	Ordinary maintenance and operations - materials & other	164,295	-	-	-	-	3,517	-	167,812
94300	Ordinary maintenance and operations - contract costs	163,936	-	-	-	-	7,480	-	171,416
94500	Employee benefit contributions- ordinary maintenance	86,045	-	-	-	-	-	-	86,045
	Total ordinary maintenance	616,216	-	-	-	-	10,997	-	627,213
	Protective services								
95100	Protective services - labor	-	-	-	-	-	-	-	-
95200	Protective services- other contract costs	66,739	-	-	-	-	4,145	-	70,884
95300	Protective services - other	55	-	-	-	-	-	-	55
95800	Employee benefit contributions- protective services	-	-	-	-	-	-	-	-
	Total protective services	66,794	-	-	-	-	4,145	-	70,939
	General expenses								
96100	Insurance premiums	61,141	-	14,131	1,229	-	-	-	76,501
96200	Other general expenses	10,222	-	10,222	-	-	-	-	20,444
96310	Compensated absences	13,475	-	91	-	-	-	-	13,567
96300	Payments in lieu of taxes	31,657	-	-	-	-	-	-	31,657
96400	Bad debt - tenant rents	7,331	-	-	-	-	2,554	-	9,885
96500	Bad debt- mortgages	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-	-
96700	Interest expense	-	50,981	-	-	-	-	-	50,981
96710	Amortization of bond issue costs	-	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-	-
	Total general expenses	113,805	50,981	24,444	1,229	-	2,454	-	192,913
96900	TOTAL OPERATING EXPENSES	1,856,417	67,696	1,095,757	77,355	-	86,672	-	3,163,897
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(80,945)	522,578	9,919,630	644,806	16,499	39,949	-	11,062,517
97100	Extraordinary maintenance	-	-	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	10,738,165	644,806	16,499	-	-	11,399,470
97350	HAP Portability - in	-	-	22,170	-	-	-	-	22,170
97400	Depreciation expense	413,817	-	-	-	-	-	-	413,817
97500	Fraud losses	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-
90000	TOTAL EXPENSES	2,250,254	67,696	11,856,092	722,161	16,499	86,672	-	14,993,354

Lakewood Housing Authority									
NJ054									
Financial Data Schedule (FDS)									
December 31, 2016									
Line Item #	Account Description	Operating Fund	Capital Fund	Section 8 Housing Choice Vouchers	Sticker Plus Care	Business Activities	Component Unit-Discretely Presented	TOTAL	
<b>OTHER FINANCING SOURCES (USES)</b>									
10010	Operating transfers in	351,576	-	-	-	-	-	-	351,576
10020	Operating transfers out	-	(351,576)	-	-	-	-	-	(351,576)
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-	-	-
10091	Intra Project excess cash transfer in	-	-	-	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	86,140	-	-	86,140
10094	Transfers between program and project out	(62,263)	(23,877)	-	-	-	-	-	(86,140)
10100	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	289,313	(375,453)	-	-	86,140	-	-	-
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(205,449)	147,123	(840,705)	-	126,089	-	-	(772,940)
<b>MEMO ACCOUNT INFORMATION:</b>									
11020	Required annual debt principal payments	-	65,000	-	-	-	-	-	65,000
11030	Beginning equity	11,029,138	-	775,431	-	168,143	-	-	11,972,712
11040	Prior period adjustments and equity transfers	147,125	(147,123)	-	-	-	-	-	-
11170	Administrative fee equity	-	-	(97,872)	-	-	-	-	(97,872)
11180	Housing assistance payments equity	-	-	32,598	-	-	-	-	32,598
11190	Unit months available	2,247	-	10,356	17	-	-	-	13,486
11210	Number of unit months leased	2,202	-	10,162	17	-	-	-	13,196
Equity Roll Forward Test:									
	Calculation from R/E Statement	\$ 10,970,814	\$ -	\$ (65,274)	\$ -	\$ 294,232	\$ -	\$ -	\$ 11,199,772
	B/S Line 513	\$ 10,970,814	\$ -	\$ (65,274)	\$ -	\$ 294,232	\$ -	\$ -	\$ 11,199,772
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -