

LAKWOOD HOUSING AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2015

LAKWOOD HOUSING AUTHORITY
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YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Lakewood Housing Authority:

Report on the Financial Statements

We have audited the financial statements of the Lakewood Housing Authority ("the Authority") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Lakewood Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lakewood Housing Authority ("the Authority"), as of December 31, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lakewood Housing Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis 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 and state awards and financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and state awards and financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2016 on our consideration of the Lakewood Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lakewood Housing Authority's internal control over financial reporting and compliance.

Fallon & Larsen LLP

September 15, 2016
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LAKWOOD HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A Financial Highlights

1. The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,972,712 (net position) as opposed to \$7,981,742 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority reported ending unrestricted net position of \$1,048,105.
3. The Authority's unrestricted cash and cash equivalents and restricted cash balances at December 31, 2015 were \$4,561,584 representing an increase of \$292,654 from the prior fiscal year.
4. The Authority had total operating revenues of \$14,832,802 and total operating expenses of \$14,965,852 for the year ended December 31, 2015.
5. The Authority's capital outlays for the fiscal year were \$355,901, of which \$288,991 were purchased utilizing the Authority's capital fund program.
6. The Authority's expenditures of federal awards amounted to \$13,551,698 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, 2015**

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, 2015**

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

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

**LAKWOOD HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

C. The Authority as a Whole (continued)

Computations of Net Position are as follows:

	As of	
	12/31/2015	12/31/2014
Cash and Other Current Assets	\$ 3,862,915	\$ 3,984,702
Restricted Cash	849,090	408,845
Notes Receivable	6,074,648	-
Capital Assets - Net	5,002,228	5,153,336
Deferred Outflows of Resources	525,970	-
Total Assets	16,314,851	9,546,883
Less: Total Liabilities	4,288,097	1,565,141
Deferred Inflows of Resources	54,042	-
Net Position	\$ 11,972,712	\$ 7,981,742
Net Investment in Capital Assets	\$ 4,092,228	\$ 4,173,336
Restricted Net Position	6,832,379	297,434
Unrestricted Net Position	1,048,105	3,510,972
Net Position	\$ 11,972,712	\$ 7,981,742

- Restricted cash increased \$440,245 primarily due to HUD over funding the HCV program in 2015.
- Notes receivable increased \$6,074,648 as the Authority issued two notes in connection with the sale of JFK Apartments and the sale of State of New Jersey Residential ERG Tax Credit Certificates.
- Total liabilities increased \$2,722,956 along with deferred outflows of resources (\$525,970) and deferred inflows of resources (\$54,020) primarily due to the Authority recording their unfunded net pension liability in FY 2015 as required by Government Accounting Standards Board Opinion No. 68 (GASB 68).
- Restricted net position increased \$6,534,945 primarily due to restrictions on the notes receivable and related accrued interest as part of the Authority's RAD program.

**LAKWOOD HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

C. The Authority as a Whole (continued)

Computations of Changes in Net Position are as follows:

	Year Ended	
	12/31/2015	12/31/2014
<u>Revenues</u>		
Tenant Revenues	\$ 925,980	\$ 1,088,402
HUD Operating Grants	13,551,082	12,771,323
Other Revenues	355,740	285,732
Total Operating Revenues	<u>14,832,802</u>	<u>14,145,457</u>
<u>Expenses</u>		
Other Operating Expenses	3,367,865	2,973,817
Housing Assistance Payments	11,162,580	10,624,758
Depreciation Expense	435,407	402,488
Total Operating Expenses	<u>14,965,852</u>	<u>14,001,063</u>
Operating Income/(Loss)	<u>(133,050)</u>	<u>144,394</u>
<u>Non-Operating Revenues & Expenses</u>		
Interest on Investments	63,944	6,752
Interest Expense	(44,043)	(46,556)
Gain on sale of assets	2,918,398	-
Other government grants	3,028,076	-
HUD Capital Grants	358,991	438,444
Total Non-Operating Revenues	<u>6,325,366</u>	<u>398,640</u>
Change in Net Position	6,192,316	543,034
Net Position - Beginning of Year	7,981,742	7,438,708
Change in accounting principal – Adoption of GASB 68	<u>(2,201,346)</u>	<u>-</u>
Net Position - End of Year	<u>\$ 11,972,712</u>	<u>\$ 7,981,742</u>

- HUD operating grants increased \$779,759 from \$12,771,323 in fiscal year 2014 to \$13,551,082 in fiscal year 2015. This was primarily due to the HCV Program receiving \$901,068 in more funding in FY 2015.

**LAKWOOD HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

C. The Authority as a Whole (continued)

- Administrative expenses increased \$222,327 primarily due to the recognition of \$173,108 of GASB 68 related pension costs as well as well increases in administrative salaries.
- Housing assistance payments (HAP) expense increased from \$10,624,758 in fiscal year 2014 to \$11,162,580 in fiscal year 2015 or \$537,822. This increase in HAP expense can be attributable to the Authority having 1,115 more unit months under lease in FY 2015.
- Other government grants represents funds from the State of New Jersey for the purchase of Residential ERG Tax Credit Certificates by an investor as part of the Authority's RAD Program.
- Gain on sale of assets represents the sale of John F. Kennedy Apartments as part of the Authority's RAD Program. The Authority took back a \$2,990,000 note receivable and wrote off assets with a net book value of \$71,602 as part of the sale.

D. Budgetary Highlights

For the year ended December 31, 2015, 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 increase of revenues over expenses, the Authority's net position increased during the fiscal year.

**LAKWOOD HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

E. Capital Assets and Debt Administration

1. Capital Assets

As of December 31, 2015, the Authority's investment in capital assets, net of accumulated depreciation was \$5,002,228. This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased during the year totaled \$355,901, of which \$285,901 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.

The following table summarizes the change in capital assets as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Land	\$ 313,844	\$ 313,844	\$ -
Buildings and improvements	13,205,007	12,978,287	226,720
Furniture and equipment	196,332	270,888	(73,756)
Construction in progress	-	447,218	(447,218)
Total fixed assets	13,715,183	14,010,237	(295,054)
Less: accumulated depreciation	8,712,955	8,856,901	(143,946)
Net fixed assets	<u>\$ 5,002,228</u>	<u>\$ 5,153,336</u>	<u>\$ (151,108)</u>

2. Long Term Debt

During the fiscal year ended December 31, 2005, 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. Principal payments of \$70,000 were made in 2015 bringing the balance owed from \$980,000 at December 31, 2014 to \$910,000 at December 31, 2015.

**LAKWOOD HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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, 2016:

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.

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

LAKWOOD HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

ASSETS

Current assets:	
Cash and cash equivalents	\$ 3,712,494
Accrued interest receivable	3,092
Accounts receivable, net	81,113
Prepaid expenses	5,122
Inventories	<u>61,094</u>
Total current assets	<u>3,862,915</u>
Non-current assets:	
Restricted cash	849,090
Note receivable	6,074,648
Capital assets, net	<u>5,002,228</u>
Total non-current assets	<u>11,925,966</u>
Total assets	<u>15,788,881</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>525,970</u>
Total assets and deferred outflows of resources	<u>\$ 16,314,851</u>

See accompanying notes to financial statements

LAKESWOOD HOUSING AUTHORITY
STATEMENT OF NET POSITION (continued)
AS OF DECEMBER 31, 2015

LIABILITIES

Current liabilities:	
Accounts payable	\$ 150,578
Accounts payable - HUD	17,596
Accrued expenses	39,050
Accrued compensated absences	41,632
Tenant security deposits	47,597
Prepaid tenant rents	1,043
Current portion of bonds payable	<u>75,000</u>
Total current liabilities	<u>372,496</u>
Non-current liabilities:	
Accrued compensated absences, non-current	41,632
Bonds payable, net of current portion	835,000
Net pension liability	2,947,610
Other noncurrent liabilities	<u>91,359</u>
Total non-current liabilities	<u>3,915,601</u>
Total liabilities	<u>4,288,097</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>54,042</u>
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NET POSITION

Net position:	
Net investment in capital assets	4,092,228
Restricted	6,832,379
Unrestricted	<u>1,048,105</u>
Total net position	<u>11,972,712</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,314,851</u>

See accompanying notes to financial statements

**LAKESWOOD HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015**

Operating revenues:	
Tenant revenue	\$ 925,980
HUD operating grants	13,551,082
Other revenues	<u>355,740</u>
Total operating revenues	<u>14,832,802</u>
Operating expenses:	
Administrative	1,664,573
Tenant services	81,077
Utilities	667,042
Ordinary repairs and maintenance	635,290
Protective services	49,817
General expenses	270,066
Housing assistance payments	11,162,580
Depreciation	<u>435,407</u>
Total operating expenses	<u>14,965,852</u>
Operating loss	<u>(133,050)</u>
Non-operating revenues (expenses):	
Interest expense	(44,043)
Other government grants	3,028,076
Gain on sale of assets	2,918,398
Investment income	<u>63,944</u>
Net non-operating revenues	<u>5,966,375</u>
Income before capital grants	5,833,325
Capital grants	<u>358,991</u>
Changes in net position	6,192,316
Total net position, beginning of year (as restated)	<u>5,780,396</u>
Total net position, end of year	<u>\$ 11,972,712</u>

See accompanying notes to financial statements

LAKEWOOD HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 1,166,061
Cash received from grantors	13,553,592
Cash paid to employees	(1,081,828)
Cash paid to vendors	<u>(13,241,545)</u>
Net cash flows provided by operating activities	<u>396,280</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital grants	358,991
Property and equipment purchases	(355,901)
Interest paid on long-term debt	(44,043)
Payments on long term debt	<u>(70,000)</u>
Net cash flows used by capital and related financing activities	<u>(110,953)</u>
Cash Flows from Investing Activities	
Advances on loan receivable	(3,028,076)
Proceeds from Residential ERG Tax Credit Grant	3,028,076
Investment income	<u>7,327</u>
Net cash flows used by investing activities	<u>7,327</u>
Net increase in cash	292,654
Cash and cash equivalents at beginning of year	<u>4,268,930</u>
Cash and cash equivalents at end of year	<u>\$ 4,561,584</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:	
Cash and cash equivalents	\$ 3,712,494
Restricted cash	<u>849,090</u>
Cash and cash equivalents at end of year	<u>\$ 4,561,584</u>

See accompanying notes to financial statements

LAKESWOOD HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (continued)
YEAR ENDED DECEMBER 31, 2015

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

Operating loss	\$	(133,050)
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Items which did not use cash:

Depreciation		435,407
Bad debts		13,793

Changes in assets and liabilities which provided (used) cash:

Accounts receivable		(27,430)
Inventories		(7,000)
Prepaid expenses		(5,122)
Accounts payable		(44,800)
Tenant security deposits		(14,706)
Accrued expenses		9,710
Other postemployment benefit liabilities		274,336
Family self sufficiency escrows		(20,052)
Prepaid tenant rents		<u>(84,806)</u>

Net cash provided by operating activities	\$	<u>396,280</u>
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Schedule of non-cash investing, capital, and financing activities;

Financed sale of property and improvements	\$	<u>2,990,000</u>
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See accompanying notes to financial statements

**LAKWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Lakewood Housing Authority ("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 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 the U.S. Department of Housing and Urban Development ("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. The following programs are operated by the Authority:

Section 8 Housing Choice Voucher

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

Public and Indian Housing

The Public and Indian Housing program is designed to provide low-cost housing within the Township of Lakewood. 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 Capital Fund Program provides funds annually, via a formula, to public housing agencies for capital and management activities including modernization and development of public housing units.

Supportive Housing for Persons with Disabilities

The Supportive Housing Program provides Federal capital advances under Section 811 of the National Affordable Housing Act ("NAHA") for development of housing projects serving persons with disabilities; and provides tenant-based rental assistance to low income persons with disabilities for payments of housing on the private market.

LAKWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Organization (continued)

Shelter Plus Care Program ("SPC")

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.

Supportive Housing Program

The Supportive Housing Program is designed to promote the development of supportive housing and supportive services, including innovative approaches to assist homeless persons in the transition from homelessness, and to promote the provision of supportive housing to homeless persons so they can live as independently as possible.

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

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

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

C. Basis of Accounting

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

LAKWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

The Authority has also adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for nonexchange transactions including financial or capital resources. The Authority's primary source of nonexchange revenue relates to grants and subsidies. Grants and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

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

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

New Accounting Standards Adopted

The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board *"Accounting and Financial Reporting for Pensions"*. The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense / expenditures associated with pension plans of State and Local Governments.

For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

D. Cash, Cash Equivalents and Investments

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.

LAKWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash, Cash Equivalents and Investments (continued)

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.

E. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, accounts receivable balances primarily consist of rents past due and vacated tenants. 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.

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

F. Prepaid Expenses

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

G. Inventory

The Authority's inventory is comprised of office supplies and maintenance materials and supplies. Inventory is valued at cost and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. At December 31, 2015, inventory is shown net of an allowance for obsolescence of \$13,988.

LAKEWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets, net

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

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

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

I. Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, interprogram receivables and payables are eliminated for financial statement purposes.

J. 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.

K. Prepaid Tenant Rents

The Authority's prepaid tenant rents consists of the prepayment of rent by residents that is due in future periods.

L. Operating Revenues and Expenses

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

LAKWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Taxes

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

N. 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.

O. Equity Classifications

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

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

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

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

P. Economic Dependency

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

**LAKESWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. 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.

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

NOTE 2. CASH AND CASH EQUIVALENTS

As of December 31, 2015, the Authority had funds on deposit in checking, statement savings and money market accounts.

For the fiscal year ended December 31, 2015, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$4,561,584, and the bank balances approximated \$4,685,579.

Of the bank balances, \$639,391 was covered by federal depository insurance and the remaining \$4,046,188 was collateralized with the pledging financial institution for the fiscal year ended December 31, 2015.

<u>Cash Account</u>	<u>Amount</u>
Insured:	
FDIC	\$ 639,391
Collateralized:	
Collateralized amount held by pledging financial institution	<u>4,046,188</u>
	<u>\$ 4,685,579</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, 2015, the Authority's bank balances were not exposed to custodial credit risk.

LAKWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable, net consists of the following at December 31, 2015:

<u>Description</u>	<u>Amount</u>
Accounts receivable - tenants, net	\$ 2,837
Accounts receivable - fraud recovery, net	48,547
Accounts receivable - miscellaneous	<u>29,729</u>
Total accounts receivable, net	<u>\$ 81,113</u>

Accounts Receivable - tenants, net

Tenant accounts receivable are stated net of an allowance of \$2,837 at December 31, 2015.

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 \$14,091 at December 31, 2015.

Accounts Receivable - miscellaneous

Accounts receivable - miscellaneous consists of amounts due from an insurance reimbursement, tenant repayment agreements and from managed properties. The amount is shown net of an allowance of \$548 at December 31, 2015.

NOTE 4. RESTRICTED CASH

Restricted cash consists of the following at December 31, 2015:

<u>Cash Category</u>	<u>Amount</u>
Housing assistance payments reserve	\$ 757,616
Debt leveraging funds	115
Family Self Sufficiency program escrows	<u>91,359</u>
	<u>\$ 849,090</u>

Debt leveraging funds consists of unspent proceeds from the Capital Fund Debt Leveraging Pool which is restricted to fund future capital improvements in accordance with the Authority's approved annual plan.

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

LAKEWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 4. RESTRICTED CASH (continued)

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

At December 31, 2015, the carrying amount of the Authority's restricted cash approximated its bank balance.

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 as of December 31, 2015 consisted of the following:

<u>Description</u>	<u>Amount</u>
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, 2015 accrued interest on the loan totaled \$28,464.	\$ 3,056,540
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, 2015 accrued interest on the loan totaled \$28,108.	<u>3,018,108</u>
Total notes receivable	<u>\$ 6,074,648</u>

The current portion on notes receivable is expected to be \$-0-.

LAKESWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 6. CAPITAL ASSETS, NET

A summary of the changes in land, structures and equipment during the past two years is as follows:

Description	December 31, 2014	Additions	Dispositions	Transfers	December 31, 2015
<u>Non-depreciable:</u>					
Land	\$ 313,844	-	-	-	\$ 313,844
Construction in progress	447,218	288,991	-	(736,209)	-
Total	<u>761,062</u>	<u>288,991</u>	<u>-</u>	<u>(736,209)</u>	<u>313,844</u>
<u>Depreciable:</u>					
Buildings and improvements	12,978,287	66,910	(576,399)	736,209	13,205,007
Furniture and equipment	270,888	-	(74,556)	-	196,332
Total	13,249,175	66,910	(650,955)	736,209	13,401,339
Less: accum. depreciation	8,856,901	435,407	(579,353)	-	8,712,955
Total deprec. assets, net	<u>4,392,274</u>	<u>(368,497)</u>	<u>(71,602)</u>	<u>736,209</u>	<u>4,688,384</u>
Net capital assets	<u>\$ 5,153,336</u>	<u>\$ (79,506)</u>	<u>\$ (71,602)</u>	<u>\$ -</u>	<u>\$ 5,002,228</u>

Depreciation expense for the year ended December 31, 2015 amounted to \$435,407.

NOTE 7. 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.

Repayment of the funds leveraged shall be budgeted from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development. Interest accrues at 4.12% and is payable semi-annually on May 1st and November 1st.

The following is a schedule of required principal and interest payments for the next five years and in five year increments thereafter:

Year	Principal	Interest	Total
2016	\$ 75,000	\$ 40,981	\$ 115,981
2017	75,000	37,699	112,699
2018	80,000	34,309	114,309
2019	85,000	30,809	115,809
2020	90,000	26,907	116,907
2021-2025	<u>505,000</u>	<u>67,825</u>	<u>572,825</u>
	<u>\$ 910,000</u>	<u>\$ 238,530</u>	<u>\$ 1,148,530</u>

LAKESWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 7. NON-CURRENT LIABILITIES (continued)

Long-term debt activity for the year ended December 31, 2015 consisted of the following:

Description	December 31, 2014	Additions	Payments	December 31, 2015	Amounts due within one Year
Compensated absences	\$ 72,368	\$ 28,008	\$ (17,112)	\$ 83,264	\$ 41,632
Capital fund revenue bonds	980,000	-	(70,000)	910,000	75,000
Net pension liability (restated)	2,380,831	658,405	(91,626)	2,947,610	-
Family self sufficiency escrows	<u>83,659</u>	<u>61,020</u>	<u>(53,320)</u>	<u>91,359</u>	<u>-</u>
Total long-term liabilities	<u>\$ 3,516,858</u>	<u>\$ 747,433</u>	<u>\$ (232,058)</u>	<u>\$ 4,032,233</u>	<u>\$ 116,632</u>

NOTE 8. PENSION PLAN

A. Plan Description

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

B. Benefits

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

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

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

LAKESWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 8. PENSION PLAN (continued)

B. Benefits (continued)

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.

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, 2015, the Authority reported a liability of \$2,947,610 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating local employers, actuarially determined. At June 30, 2015 the Authority's proportion was .0131 percent which was a decrease of (.0004) percent from its proportion measured at July 1, 2014 (.0127).

LAKEWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 8. PENSION PLAN (continued)

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

For the year ended December 31, 2015, the Authority recognized pension expense of \$222,405. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of Assumptions	\$ 316,550	\$ -
Changes in Proportion	139,100	-
Differences between expected and actual experience	70,320	-
Net differences between actual and projected earnings on pension plan investments	-	47,392
Net differences between Proportionate Share and actual Contribution	<u>-</u>	<u>6,650</u>
Total	<u>\$ 525,970</u>	<u>\$ 54,042</u>

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>
2016	\$ 91,105
2017	91,105
2018	91,104
2019	126,574
2020	<u>72,040</u>
	<u>\$ 471,928</u>

E. Actuarial Assumptions

The total pension liability calculated utilizing a June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability calculated utilizing a June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

LAKEWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 8. PENSION PLAN (continued)

E. Actuarial Assumptions (continued)

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

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

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

F. Long-term expected rate of return

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

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

LAKEWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 8. PENSION PLAN (continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on the long-term expected rate of return on the pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 4.90 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90 percent) or 1 percentage point higher (5.90 percent) than the current rate.

	1% Decrease <u>(3.90%)</u>	Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Authority's proportionate share of the net pension liability	\$ <u>3,663,519</u>	\$ <u>2,947,610</u>	\$ <u>2,347,398</u>

NOTE 9. 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.

LAKEWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 9. POST-RETIREMENT BENEFITS (continued)

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

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions:

<u>Year</u>	<u>Amount</u>
2015	\$ <u>229,331</u>
2014	\$ <u>215,784</u>
2013	\$ <u>215,847</u>

NOTE 10. 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, 2015, PILOT expense amounted to \$27,176.

NOTE 11. RESTRICTED NET POSITION

As of December 31, 2015, restricted net position consisted of the following:

	<u>Amount</u>
Rental Assistance Demonstration ("RAD") loans	\$ 6,074,763
Housing assistance payment reserves	<u>757,616</u>
	<u>\$ 6,832,379</u>

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

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

LAKWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 12. SALE OF JOHN F. KENNEDY APARTMENTS

On September 11, 2015, the Authority, as part of its participation in HUD's RAD program, entered into a contract for sale of certain property and building improvements located on land owned by the Authority at 438 Cedar Bridge Avenue also known as John F. Kennedy Apartments. The purchase price of the property totaled \$2,990,000 of which the Authority took back a loan receivable for the entire purchase price. A summary of the transaction is as follows:

Purchase price of the property	\$ <u>2,990,000</u>
Book value of assets sold:	
Buildings and equipment	(650,955)
Accumulated depreciation	<u>579,353</u>
Book value of assets sold	<u>(71,602)</u>
Gain on sale of property	\$ <u>2,918,398</u>

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.

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE

The Authority adopted the provisions of GASB Statement 68, *"Accounting and Financial Reporting for Pensions"* as amended by GASB Statement 71, *"Pension Transition for Contributions made Subsequent to the Measurement Date."* The provisions were effective for periods beginning after June 15, 2014. As of December 31, 2014, the Authority's net position has been reduced by \$2,201,346 to reflect a net pension liability of \$2,380,831, deferred outflows of resources of \$321,370 and deferred inflows of resources of \$141,885.

LAKESWOOD HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 14. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of 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, 2015, the Authority estimates that no material liabilities will result from such audits other than what has been disclosed herein.

NOTE 15. 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 16. 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 15, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



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

To the Board of Commissioners
Lakewood Housing Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Lakewood Housing Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Lakewood Housing Authority's basic financial statements, and have issued our report thereon dated September 15, 2016.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Fallon & Larsen LLP

September 15, 2016
Toms River, New Jersey



**INDEPENDENT AUDITOR'S 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
Lakewood Housing Authority:

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of Lakewood Housing Authority 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 Lakewood Housing Authority's major federal programs for the year ended December 31, 2015. Lakewood Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Lakewood Housing Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State of New Jersey OMB Circular 15-08 for state awards. 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Lakewood Housing 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 and state program. However, our audit does not provide a legal determination of Lakewood Housing Authority's compliance.

**INDEPENDENT AUDITOR'S 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 (continued)**

Opinion on Each Major Federal and State Program

In our opinion, Lakewood Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of Lakewood Housing 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 Lakewood Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state 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 Lakewood Housing 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 and state 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 and state 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 and state 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.

Fallon & Larsen LLP

September 15, 2016
Toms River, New Jersey

LAKWOOD HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period From / To		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
<u>U.S. Department of Housing and Urban Development</u>								
Public and Indian Housing:								
NJ054-00000115D	14.850	N/A	1/1/15	12/31/15	\$ 705,920	\$ 705,920	\$ 705,920	\$ 705,920
NJ054-00000215D	14.850	N/A	1/1/15	12/31/15	<u>325,599</u>	<u>325,599</u>	<u>325,599</u>	<u>325,599</u>
Grant subtotal					<u>1,031,519</u>	<u>1,031,519</u>	<u>1,031,519</u>	<u>1,031,519</u>
Section 8 Housing Choice Voucher:								
NJ054-2FPH-2015	14.871	N/A	1/1/15	12/31/15	<u>11,706,174</u>	<u>11,706,174</u>	<u>11,347,799</u>	<u>11,347,799</u>
Public Housing Capital Fund:								
NJ39P054501-13	14.872	N/A	09/09/13	9/8/17	278,622	125,021	125,021	278,622
NJ39P054501-14	14.872	N/A	5/13/14	5/12/18	320,560	297,382	297,382	320,560
NJ39P054501-15	14.181	N/A	1/1/15	12/31/15	<u>328,526</u>	<u>24,778</u>	<u>24,778</u>	<u>24,778</u>
Grant subtotal					<u>927,708</u>	<u>447,181</u>	<u>447,181</u>	<u>623,960</u>
Supportive Housing for Persons with Disabilities:								
NJ054-MS5-2015	14.181	N/A	1/1/15	12/31/15	<u>695,018</u>	<u>695,018</u>	<u>695,018</u>	<u>695,018</u>
Shelter Plus Care:								
NJ0301C2F101000	14.218	N/A	2/1/12	1/31/17	65,820	9,539	9,661	33,763
NJ0299C2F101000	14.218	N/A	2/1/12	1/31/17	104,700	16,395	16,395	60,293
NJ0121C2F100800	14.218	N/A	3/4/10	3/3/19	<u>62,040</u>	<u>1,080</u>	<u>1,080</u>	<u>37,193</u>
Grant subtotal					<u>232,560</u>	<u>27,014</u>	<u>27,136</u>	<u>131,249</u>
Special Needs Assistance:								
NJ0302B2F101000	14.235	N/A	3/29/12	5/31/15	<u>34,057</u>	<u>3,045</u>	<u>3,045</u>	<u>24,360</u>
Total U.S. Department of Housing and Urban Development					<u>\$ 14,592,979</u>	<u>\$ 13,906,906</u>	<u>\$ 13,551,698</u>	<u>\$ 13,829,545</u>

LAKESWOOD HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)
YEAR ENDED DECEMBER 31, 2015

State Grantor/Program Title	State Grant/Project Number	State Pass-through Number	Grant Period From / To		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
<u>State of New Jersey</u>								
State Grant: Economic Redevelopment and Growth Program (ERG)	Not Available	N/A	9/11/15	10/1/16	\$ <u>3,028,076</u>	\$ <u>3,028,076</u>	\$ <u>3,028,076</u>	\$ <u>3,028,076</u>
Total State of New Jersey					<u>3,028,076</u>	<u>3,028,076</u>	<u>3,028,076</u>	<u>3,028,076</u>
Total expenditures of Federal and State Awards					<u>\$ 17,621,055</u>	<u>\$ 16,934,982</u>	<u>\$ 16,579,774</u>	<u>\$ 16,857,621</u>

LAKWOOD HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Lakewood Housing Authority under programs of the federal and state government for the year ended December 31, 2015. 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 for State Awards. Because the schedule presents only a selected portion of operations of the Lakewood Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Lakewood Housing Authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The Authority has not elected to use the ten percent de minimus indirect cost rate allowed under the uniform guidance.

NOTE 3. SUBRECIPIENTS

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

NOTE 4. NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash federal and state assistance for the year ended December 31, 2015.

LAKWOOD HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED DECEMBER 31, 2015

NOTE 5. 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 Lakewood Housing Authority as of and for the year ended December 31, 2015 are provided herein.

	<u>501-13</u>	<u>501-14</u>	<u>501-15</u>	<u>Totals</u>
Budget	\$ <u>278,622</u>	\$ <u>320,560</u>	\$ <u>328,526</u>	\$ <u>927,708</u>
<u>Advances:</u>				
Cumulative through 12/31/14	\$ 153,601	\$ 22,343	\$ -	\$ 175,944
Current Year	<u>125,021</u>	<u>298,217</u>	<u>24,778</u>	<u>448,016</u>
Cumulative through 12/31/15	<u>278,622</u>	<u>320,560</u>	<u>24,778</u>	<u>623,960</u>
<u>Costs:</u>				
Cumulative through 12/31/14	153,601	23,178	-	176,779
Current Year	<u>125,021</u>	<u>297,382</u>	<u>24,778</u>	<u>447,181</u>
Cumulative through 12/31/15	<u>278,622</u>	<u>320,560</u>	<u>24,778</u>	<u>623,960</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

**LAKESWOOD HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015**

I. Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

- | | | |
|----|---|------------|
| 1. | Dollar threshold used to distinguish Type A Programs from Type B Programs: | \$750,000 |
| 2. | Auditee qualified as low-risk Auditee? | Yes |
| 3. | Type of auditors' report on compliance for major programs: | Unmodified |
| 4. | Internal Control over compliance: | |
| | a. Material weakness(es) identified? | No |
| | b. Were significant deficiencies identified not considered to be material weaknesses? | No |
| | c. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 5. | Identification of major programs: | |

CFDA Number

Name of Federal Program

14.871

Section 8 Housing Choice Voucher Program

LAKESWOOD HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED DECEMBER 31, 2015

I. Summary of Auditor's Results (continued)

State Awards Section

1.	Dollar threshold used to distinguish between Type A and Type B Programs:	\$750,000
2.	Auditee qualified as low-risk Auditee?	Yes
3.	Type of auditors' report on compliance for major programs:	Unmodified
4.	Internal Control over major programs:	
a.	Material weakness(es) identified?	No
b.	Were significant deficiencies identified not considered to be material weaknesses?	No
c.	Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04 and/or 15-08?	No
5.	Identification of major programs:	
	<u>State Grant/Project Number</u>	<u>Name of State Program</u>
	Not available	Economic Redevelopment and Growth Program (ERG)

LAKWOOD HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED DECEMBER 31, 2015

II. Financial Statement Findings

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

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

None reported.

IV. Summary of Prior Audit Findings

None reported.

**LAKWOOD HOUSING AUTHORITY
REQUIRED PENSION INFORMATION
DECEMBER 31, 2015**

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

	December 31, <u>2013</u>	December 31, <u>2014</u>	December 31, <u>2015</u>
Contractually required contribution	\$ 73,267	\$ 91,626	\$ 104,831
Contributions in relation to the contractually required contribution	<u>73,267</u>	<u>91,626</u>	<u>104,831</u>
(Over) / under funded	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Authority's covered-employee payroll	\$ <u>932,329</u>	\$ <u>974,743</u>	\$ <u>1,030,484</u>
Contributions as a percentage of covered-employee payroll	<u>7.86 %</u>	<u>9.40 %</u>	<u>10.17 %</u>

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

	December 31, <u>2013</u>	December 31, <u>2014</u>	December 31, <u>2015</u>
Authority's proportion of the net pension liability	<u>0.0122 %</u>	<u>0.0127 %</u>	<u>0.0131 %</u>
Authority's proportionate share of the net pension liability	\$ <u>2,324,091</u>	\$ <u>2,380,831</u>	\$ <u>2,947,610</u>
Authority's covered-employee payroll	\$ <u>932,329</u>	\$ <u>974,743</u>	\$ <u>1,030,484</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>249.28 %</u>	<u>244.25 %</u>	<u>286.04 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.72 %</u>	<u>52.08 %</u>	<u>47.93 %</u>

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

Lakewood Housing Authority										
NJ054										
Financial Data Schedule (FDS)										
December 31, 2015										
Line Item #	Account Description	Projects	Housing Choice Vouchers	Supportive Housing for Persons with Disabilities	Shelter Plus Care	Supportive Housing Program	Business Activities	Community Development Block Grant/Entitlement Grants	Elimination	TOTAL
ASSETS:										
CURRENT ASSETS:										
	Cash:									
111	Cash - unrestricted	\$ 2,286,391	\$ 1,210,565	\$ -	\$ -	\$ -	\$ 168,143	\$ -	\$ -	\$ 3,665,099
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-	-
113	Cash - other restricted	115	848,975	-	-	-	-	-	-	849,090
114	Cash - tenant security deposits	47,395	-	-	-	-	-	-	-	47,395
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-	-	-	-
160	Total cash	2,333,901	2,059,540	-	-	-	168,143	-	-	4,561,584
	Accounts and notes receivables:									
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	-	-	-	-	-	-	-	-
124	Accounts receivable - other government	-	-	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	23,417	6,860	-	-	-	-	-	-	30,277
126	Accounts receivable - tenants	5,674	-	-	-	-	-	-	-	5,674
126.1	Allowance for doubtful accounts - tenants	(2,837)	-	-	-	-	-	-	-	(2,837)
126.2	Allowance for doubtful accounts - other	(548)	-	-	-	-	-	-	-	(548)
127	Notes and mortgages receivable - current	1,095	-	-	-	-	-	-	-	1,095
128	Fraud recovery	8,284	53,259	-	-	-	-	-	-	61,543
128.1	Allowance for doubtful accounts - fraud	(8,284)	(5,807)	-	-	-	-	-	-	(14,091)
129	Accrued interest receivable	2,537	555	-	-	-	-	-	-	3,092
120	Total receivables, net of allowances for doubtful accounts	29,338	54,867	-	-	-	-	-	-	84,205
	Current investments									
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	5,122	-	-	-	-	-	-	-	5,122
143	Inventories	75,082	-	-	-	-	-	-	-	75,082
143.1	Allowance for obsolete inventories	(13,988)	-	-	-	-	-	-	-	(13,988)
144	Interprogram - due from	-	-	17,102	-	-	-	-	(17,102)	-
145	Assets held for sale	-	-	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	2,429,455	2,114,407	17,102	-	-	168,143	-	(17,102)	4,712,005
	NONCURRENT ASSETS:									
	Fixed assets:									
161	Land	313,844	-	-	-	-	-	-	-	313,844
162	Buildings	12,751,527	-	-	-	-	-	-	-	12,751,527
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	-	-	-
164	Furniture, equipment & machinery - administration	193,467	2,865	-	-	-	-	-	-	196,332
165	Leasehold improvements	453,480	-	-	-	-	-	-	-	453,480
166	Accumulated depreciation	(8,710,090)	(2,865)	-	-	-	-	-	-	(8,712,955)
167	Construction in Progress	-	-	-	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	5,002,228	-	-	-	-	-	-	-	5,002,228
	Other non-current assets:									
171	Notes and mortgages receivable - non-current	6,074,648	-	-	-	-	-	-	-	6,074,648
172	Notes and mortgages receivable-non-current - past due	-	-	-	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-	-	-	-
175	Undistributed debits	-	-	-	-	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	11,076,876	-	-	-	-	-	-	-	11,076,876
200	Deferred Outflow of Resources	289,284	236,686	-	-	-	-	-	-	525,970
290	TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 13,795,615	\$ 2,351,093	\$ 17,102	\$ -	\$ -	\$ 168,143	\$ -	\$ (17,102)	\$ 16,314,851

Lakewood Housing Authority										
NJ054										
Financial Data Schedule (FDS)										
December 31, 2015										
Line Item #	Account Description	Projects	Housing Choice Vouchers	Supportive Housing for Persons with Disabilities	Shelter Plus Care	Supportive Housing Program	Business Activities	Community Development Block Grant/Entitlement Grants	Elimination	TOTAL
LIABILITIES AND EQUITY										
Liabilities:										
Current Liabilities:										
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable < 90 days	67,036	56,369	-	-	-	-	-	-	123,405
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	-
321	Accrued wage payroll taxes payable	23,638	15,412	-	-	-	-	-	-	39,050
322	Accrued compensated absences - current portion	19,590	22,042	-	-	-	-	-	-	41,632
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA program	-	494	17,102	-	-	-	-	-	17,596
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	27,173	-	-	-	-	-	-	-	27,173
341	Tenant security deposits	47,597	-	-	-	-	-	-	-	47,597
342	Deferred revenue	1,043	-	-	-	-	-	-	-	1,043
343	Current portion of L-T debt - capital projects	75,000	-	-	-	-	-	-	-	75,000
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-	-	-
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-
347	Interprogram - due to	-	17,102	-	-	-	-	-	(17,102)	-
310	TOTAL CURRENT LIABILITIES	261,077	111,419	17,102	-	-	-	-	(17,102)	372,496
NONCURRENT LIABILITIES										
351	Long-term debt, net of current - capital projects	835,000	-	-	-	-	-	-	-	835,000
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-
353	Non-current liabilities- other	-	91,359	-	-	-	-	-	-	91,359
354	Accrued compensated absences - noncurrent	19,590	22,042	-	-	-	-	-	-	41,632
355	Loan Liability - Non Current	-	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	1,621,186	1,326,424	-	-	-	-	-	-	2,947,610
350	TOTAL NONCURRENT LIABILITIES	2,475,776	1,439,825	-	-	-	-	-	-	3,915,601
300	TOTAL LIABILITIES	2,736,853	1,551,244	17,102	-	-	-	-	(17,102)	4,288,097
400	Deferred Inflow of Resources	29,624	24,418	-	-	-	-	-	-	54,042
EQUITY:										
508.1	Invested in Capital Assets, Net of Related Debt	4,092,228	-	-	-	-	-	-	-	4,092,228
511.1	Restricted Net Assets	6,074,763	757,616	-	-	-	-	-	-	6,832,379
512.1	Unrestricted Net Assets	862,147	17,815	-	-	-	168,143	-	-	1,048,105
513	TOTAL EQUITY	11,029,138	775,431	-	-	-	168,143	-	-	11,972,712
600	TOTAL LIABILITIES AND EQUITY	\$ 13,795,615	\$ 2,351,093	\$ 17,102	\$ -	\$ -	\$ 168,143	\$ -	\$ (17,102)	\$ 16,314,851
	Proof of concept	-	-	-	-	-	-	-	-	-

Lakewood Housing Authority											
NJ054											
Financial Data Schedule (FDS)											
December 31, 2015											
Line Item #	Account Description	Operating Fund	Capital Fund	Housing Choice Vouchers	Supportive Housing for Persons with Disabilities	Shelter Plus Care	Supportive Housing Program	Business Activities	Community Development Block Grant/Entitlement Grants	Elimination	TOTAL
	REVENUE:										
70300	Net tenant rental revenue	\$ 914,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 914,370
70400	Tenant revenue - other	11,610	-	-	-	-	-	-	-	-	11,610
70500	Total tenant revenue	925,980	-	-	-	-	-	-	-	-	925,980
70600	HUD PHA grants	1,031,519	88,190	11,706,174	695,018	27,136	3,045	-	-	-	13,551,082
70610	Capital grants	-	358,991	-	-	-	-	-	-	-	358,991
70800	Other government grants	3,028,076	-	-	-	-	-	-	-	-	3,028,076
71100	Investment income - unrestricted	6,147	-	1,225	-	-	-	-	-	-	7,372
71200	Mortgage interest income	-	-	-	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-	-	-	-	-
71400	Fraud recovery	31,447	-	80,822	-	-	-	-	-	-	112,269
71500	Other revenue	77,530	-	100,941	-	-	-	65,000	-	-	243,471
71600	Gain or loss on sale of fixed assets	2,918,398	-	-	-	-	-	-	-	-	2,918,398
72000	Investment income - restrictec	56,572	-	-	-	-	-	-	-	-	56,572
70000	TOTAL REVENUE	8,075,669	447,181	11,889,162	695,018	27,136	3,045	65,000	-	-	21,202,211
	EXPENSES:										
	Administrative										
91100	Administrative salaries	367,176	-	406,418	35,341	-	-	23,072	-	-	832,007
91200	Auditing fees	8,206	-	5,714	1,000	-	-	-	-	-	14,920
91300	Outside management fee:	-	-	-	-	-	-	-	-	-	-
91310	Book-keeping fee	-	-	-	-	-	-	-	-	-	-
91400	Advertising and marketing	2,222	-	2,196	-	-	-	-	-	-	4,418
91500	Employee benefit contributions- administrativ	224,979	-	347,245	22,403	-	-	1,765	-	-	596,392
91600	Office expenses	69,276	1,980	63,336	5,717	-	-	-	-	-	140,309
91700	Legal expenses	16,105	-	14,294	1,243	-	-	-	-	-	31,642
91800	Travel	2,793	-	650	56	-	-	-	-	-	3,499
91810	Allocated overhead	-	-	-	-	-	-	-	-	-	-
91900	Other	12,692	16,475	11,242	977	-	-	-	-	-	41,386
92000	Asset Management Fee	-	-	-	-	-	-	-	-	-	-
	Tenant services										
92100	Tenant services - salaries	-	-	49,253	-	-	-	-	-	-	49,253
92200	Relocation costs	-	-	-	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant service	-	-	16,409	-	-	-	-	-	-	16,409
92400	Tenant services - other	15,415	-	-	-	-	-	-	-	-	15,415

Lakewood Housing Authority											
NJ054											
Financial Data Schedule (FDS)											
December 31, 2015											
Line Item #	Account Description	Operating Fund	Capital Fund	Housing Choice Vouchers	Supportive Housing for Persons with Disabilities	Shelter Plus Care	Supportive Housing Program	Business Activities	Community Development Block Grant/Entitlement Grants	Elimination	TOTAL
	Utilities										
93100	Water	143,669	-	-	-	-	-	-	-	-	143,669
93200	Electricity	203,580	-	-	-	-	-	-	-	-	203,580
93300	Gas	227,897	-	-	-	-	-	-	-	-	227,897
93400	Fuel	-	-	-	-	-	-	-	-	-	-
93500	Labor	61,878	-	-	-	-	-	-	-	-	61,878
93600	Sewer	-	-	-	-	-	-	-	-	-	-
93700	Employee benefit contributions- utilitie:	30,018	-	-	-	-	-	-	-	-	30,018
93800	Other utilities expense	-	-	-	-	-	-	-	-	-	-
	Ordinary maintenance & operator										
94100	Ordinary maintenance and operations - labo:	144,382	-	-	-	-	-	-	-	-	144,382
94200	Ordinary maintenance and operations - materials & othe	156,295	2,149	-	-	-	-	-	-	-	158,444
94300	Ordinary maintenance and operations - contract cost	216,088	1,500	-	-	-	-	-	-	-	217,588
94500	Employee benefit contributions- ordinary maintenanc	114,876	-	-	-	-	-	-	-	-	114,876
	Protective services										
95100	Protective services - labor	-	-	-	-	-	-	-	-	-	-
95200	Protective services- other contract cost:	49,817	-	-	-	-	-	-	-	-	49,817
95300	Protective services - other	-	-	-	-	-	-	-	-	-	-
95500	Employee benefit contributions- protective service	-	-	-	-	-	-	-	-	-	-
	General expenses										
96100	Insurance premiums	71,209	-	13,653	1,187	-	-	-	-	-	86,049
96200	Other general expenses	103,314	22,043	9,273	-	-	-	-	-	-	134,630
96210	Compensated absences	8,418	-	-	-	-	-	-	-	-	8,418
96300	Payments in lieu of taxes	27,176	-	-	-	-	-	-	-	-	27,176
96400	Bad debt - tenant rents	13,793	-	-	-	-	-	-	-	-	13,793
96500	Bad debt- mortgages	-	-	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-	-	-	-
96700	Interest expense	-	44,043	-	-	-	-	-	-	-	44,043
96710	Amortization of bond issue costs	-	-	-	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-	-	-	-
96900	TOTAL OPERATING EXPENSES	2,291,274	88,190	939,683	67,924	-	-	24,837	-	-	3,411,908
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	5,784,395	358,991	10,949,479	627,094	27,136	3,045	40,163	-	-	17,790,303
97100	Extraordinary maintenanc	-	-	-	-	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	10,459,385	627,094	27,136	3,045	-	-	-	11,116,660
97350	HAP Portability - in	-	-	45,920	-	-	-	-	-	-	45,920
97400	Depreciation expense	435,407	-	-	-	-	-	-	-	-	435,407
97500	Fraud losses	-	-	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-	-	-
90000	TOTAL EXPENSES	2,726,681	88,190	11,444,988	695,018	27,136	3,045	24,837	-	-	15,009,895

Lakewood Housing Authority											
NJ054											
Financial Data Schedule (FDS)											
December 31, 2015											
Line Item #	Account Description	Operating Fund	Capital Fund	Housing Choice Vouchers	Supportive Housing for Persons with Disabilities	Shelter Plus Care	Supportive Housing Program	Business Activities	Community Development Block Grant/Entitlement Grants	Elimination	TOTAL
OTHER FINANCING SOURCES (USES)											
10010	Operating transfers in		-	-	-	-	-	-	-	-	-
10020	Operating transfers out	-	-	-	-	-	-	-	-	-	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-	-	-	-	-
10091	Inter Project excess cash transfer in	-	-	-	-	-	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	-	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-	-	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	5,348,988	358,991	444,174	-	-	-	40,163	-	-	6,192,316
MEMO ACCOUNT INFORMATION:											
11020	Required annual debt principal payments	70,000		-	-	-	-	-	-	-	70,000
11030	Beginning equity	6,541,723	-	1,312,039	-	-	-	127,980	-	-	7,981,742
11040	Prior period adjustments and equity transfers	(1,220,564)		(980,782)	-	-	-	-	-	-	(2,201,346)
11170	Administrative fee equity	-	-	115,004	-	-	-	-	-	-	115,004
11180	Housing assistance payments equity	-	-	757,616	-	-	-	-	-	-	757,616
11190	Unit months available	2,885	-	9,948	816	28	5	-	-	-	13,682
11210	Number of unit months leased	2,828	-	9,887	810	28	5	-	-	-	13,558
Equity Roll Forward Test:											
	Calculation from R/E Statement	\$ 11,029,138	\$ -	\$ 775,431	\$ -	\$ -	\$ -	\$ 168,143	\$ -	\$ -	\$ 11,972,712
	B/S Line 513	\$ 11,029,138	\$ -	\$ 775,431	\$ -	\$ -	\$ -	\$ 168,143	\$ -	\$ -	\$ 11,972,712
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -