

**Housing Authority of Plainfield**

Financial Statements and  
Supplementary Information

December 31, 2018

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## Independent Auditor's Report

To the Board of Commissioners of  
Housing Authority of Plainfield

### Report on the Financial Statements

I have audited the accompanying financial statements of the aggregate enterprise funds, business type activities and the discretely presented component unit of the Housing Authority of Plainfield (the "Authority") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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 evaluation of the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each enterprise fund, business type activities and the discretely presented component unit of the Housing Authority of Plainfield as of December 31, 2018 and its changes in net position, and cash flows for the year then ended in conformity 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 on pages 3 through 7 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2018 is presented on page 30 for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations(CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*(Uniform Guidance) and is not a required part of the basic financial statements. The accompanying Statement and Certification of Actual Capital Grant Costs presented on page 32 and the Financial Data Schedule presented on pages 33 through 39 are also not required parts of the financial statements are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development. 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditures of Federal Awards, the Statement and Certification of Actual Capital Fund Grant Costs, and the Financial Data Schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 10, 2019 on my consideration of the Housing Authority of Plainfield's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of Plainfield's internal control over financial reporting and compliance.

Cranford, New Jersey

September 10, 2019

*Frank Allen LLC, CPA*

## Management's Discussion and Analysis

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Housing Authority of Plainfield**  
**December 31, 2018**

As Management of Plainfield Housing 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, 2018. 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 liabilities of the Authority exceeded its assets at the close of the most recent fiscal year by \$(5,545,894) (net position) .At the close of business on December 31, 2017, the Authority's net assets exceeded its liabilities by \$1,934,744 .This net change year over year (\$7,480,638) and resulting negative net position at December 31, 2018 is directly attributable to the adoption and implementation of GASB 75 (accounting for unfunded employee health benefits). During 2018 a prior period adjustment charging employee benefit expense and reducing net position of \$7,288,273 resulted from the adoption of this accounting pronouncement.

2 – As of the close of the current fiscal year, the Authority's proprietary fund reported a deficit in Unrestricted Net Position of \$12,914,664 vs \$5,343,269 in the prior year. This significant increase of \$7,571,395 is directly attributable to the adoption of and resulting charges of GASB 75 as noted above.

3 – The Authority's unrestricted cash balance at December 31, 2018 was \$1,076,223 representing a decrease of \$ 379,765 from the prior fiscal year.

4 – Restricted cash at December 31, 2018 totaled \$ 521,200 and consisted of \$ 367,660 Section 8 HAP reserves and FSS deposits, \$103,452 related to tenant security deposits and restricted cash of \$50,088 securing loans of our component unit

5 – The Authority had total operating revenues of \$13,023,779 and total operating expenses of \$13,299,053 (including depreciation of \$291,709) for the year ended December 31, 2018.

6 – The Authority's capital outlays for the fiscal year ended December, 2018 totaled \$269,482 and primarily represented additions to capital assets at Joanne Hollis Gardens and Richmond Towers and the component unit.

7 – The Authority's expenditures of federal awards amounted to \$11,030,805 for the fiscal year 2018.

8 – During 2015, the Authority implemented GASB 68 as well as adopting GASB 65 in 2016 and currently GASB 75 during 2018. Adopting these accounting pronouncements, (which all relate to recognizing the future expense and liability of the Authority's health, medical, and pension benefits costs for all qualifying employees on the Authority's financial statements had the cumulative effect of reducing the Authority's Net Position by \$12,128,798 through December 31, 2018.

**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 the financial statements included in this report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for proprietary fund types.

**2 –Financial Statements**

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business. They consist of the Statement of the

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

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 liabilities, with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

The 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.

### **3 – Notes to the Financial Statements**

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

### **4 – Supplemental Information**

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) The schedule of expenditures of Federal awards can be found on page 30 of this report.

## **C – The Authority as a Whole**

The Authority's net position decreased during the fiscal year by \$7,480,638 primarily due to the recording of employee benefit charges related to the adoption of GASB 75 which represented non-cash expenses associated with actuarially computed future health benefit liabilities of \$7,288,273.

By far, the largest portion of the Authority's net assets reflects its investment in capital assets (e.g., land, buildings, equipment and construction on process). The Authority uses these capital assets to provide housing services to its tenants; consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services. Restricted net assets represent unexpended housing assistance payments subsidies which are available only to make housing assistance payments to eligible families.

## **D – Budgetary Highlights**

For the year ended December 31, 2018, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

### **E – Capital Assets and Debt Administration**

#### **Capital Assets**

As of December 31, 2018, the Authority's investment in capital assets for its Proprietary Fund was \$6,661,429 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets of \$269,482 were purchased during the fiscal year.

Additional informational on the Authority's capital assets can be found in Note 7 to the Financial Statements which is included in this report.

#### **Long Term Debt**

As of December 31, 2018 loans to acquire and rehabilitate property of Premier Community Development Corporation, a component unit of the Authority, totaled \$841,652. \$57,731 of the loans is classified as current liabilities in the statement of net position, and \$783,921 is classified as long-term loans

### **F – Summary of Significant Changes**

1. Unrestricted cash and cash equivalents decreased by \$379,765. The primary reason for the decrease was due to operating losses sustained by the Authority's proprietary fund (predominately from the COCC) coupled with an increase in Other Governmental receivable in the Shelter Plus Care Fund
2. Restricted cash decreased by \$63,823 and was directly attributable to a decrease in the HCV FSS escrow deposits resulting from various forfeitures during 2018.
3. HUD Operating Grants decrease by \$365,560 and was a result a reduction in the HCV Operating Subsidy of \$287,714 due to a reduction in Section 8 Housing Assistant landlord payments during 2018.
4. Other revenues decreased by \$300,781 which was directly attributable to a reduction in Capital Fund grants of \$79,075 and a reduction in Other Grant Income of \$216,080 in the Premier Community Development Corporation operations.
5. Major operating expenses decreased in the following areas. Administrative expenses decreased due to a reduction in salaries and benefits. Housing Assistance landlord payments decrease by \$329,479 as a result of a decrease in HUD Subsidy as noted above and ordinary repairs and maintenance expenses decrease as the Authority had minimal additional expenses associated with the demolished Elmwood Garden location .



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

### **G – Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2018.

- 1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.
- 2 – The continued cutbacks effecting HUD subsidies and grants.
- 3 – The use of the Authority's net assets to fund any shortfalls arising from a possible economic downturn and reduced subsidies and grants. The Authority's net assets appear sufficient to cover any potential shortfall.

### **H – Contacting the Authority's Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Plainfield Housing Authority 510 East Front Street, Plainfield, NJ 07060.

## MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

	Year Ended December 31,			
	2018	2017	Net Change	% Change
Cash and other current assets	\$ 3,409,768	\$ 3,809,536	\$ (399,768)	-10%
Capital assets, net	7,664,904	7,687,131	(22,227)	0%
Total assets and deferred outflows	11,074,672	11,496,667	(421,995)	-4%
Less: total liabilities and deferred inflows	(16,620,566)	(9,561,923)	(7,058,643)	74%
Net position	(5,545,894)	1,934,744	(7,480,638)	-387%
Invested in capital assets	6,863,798	6,965,840	(102,042)	-1%
Restricted net assets	298,766	66,697	232,069	348%
Unrestricted net assets	(12,708,458)	(5,097,793)	(7,610,665)	149%
Total net position	\$ (5,545,894)	\$ 1,934,744	\$ (7,480,638)	-387%

Computations of changes in net position are as follows:

<u>Revenues</u>				
Tenant revenues	\$ 1,512,274	\$ 1,528,774	\$ (16,500)	-1%
HUD subsidies	10,910,537	11,188,022	(277,485)	-2%
Other income	600,968	901,749	(300,781)	-33%
Total operating revenues	13,023,779	13,618,545	(594,766)	-4%
<u>Operating expenses</u>				
Administration	2,427,287	2,534,288	(107,001)	-4%
Tenant services	92,239	120,555	(28,316)	-23%
Utilities	1,076,225	1,149,871	(73,646)	-6%
Maintenance	749,516	966,509	(216,993)	-22%
Protective services	62,134	54,776	7,358	13%
Other general expenses	129,181	244,527	(115,346)	-47%
Insurance premiums	268,508	286,358	(17,850)	-6%
Interest expense	30,375	42,505	(12,130)	-29%
Housing assistance payments	8,155,229	8,484,708	(329,479)	-4%
Depreciation expense	291,709	291,161	548	0%
Extraordinary maintenance	16,650	43,490	(26,840)	-62%
Total operating expenses	13,299,053	14,218,748	(919,695)	-6%
Excess of operating revenues	(275,274)	(600,203)	324,929	-54%
<u>Non-operating revenues</u>				
Loss on disposition of property	(42,338)	-	(42,338)	0%
Interest on investments	4,979	4,712	267	6%
Excess of revenues over expenses	(312,633)	(595,491)	282,858	-47%
Capital grants	120,268	199,343	(79,075)	-40%
Increase/(decrease) in net assets	(192,365)	(396,148)	203,783	-51%
Net assets, beginning of year	1,934,744	2,330,892	(396,148)	-17%
Prior period adjustment	(7,288,273)	-	(7,288,273)	0%
Total position	\$ (5,545,894)	\$ 1,934,744	\$ (7,480,638)	-387%

## **Financial Statements**

Housing Authority of Plainfield  
Statement of Net Position  
As of December 31, 2018

Assets	Housing Authority	Component Unit	Total
<b>Current assets</b>			
Cash and cash equivalents-unrestricted	\$ 990,299	\$ 85,924	\$ 1,076,223
Cash and cash equivalents-restricted	468,360	52,840	521,200
Tenant accounts receivable, net	63,843	4,197	68,040
Due from other governments	541,389	-	541,389
Other receivables	135,380	7,045	142,425
Inventories, net	17,009	455,476	472,485
	<u>2,216,280</u>	<u>605,482</u>	<u>2,821,762</u>
Capital assets, net	6,661,429	1,003,475	7,664,904
<b>Total assets</b>	<u>8,877,709</u>	<u>1,608,957</u>	<u>10,486,666</u>
<b>Deferred outflows of resources</b>	588,006	-	588,006
	<u>\$ 9,465,715</u>	<u>\$ 1,608,957</u>	<u>\$ 11,074,672</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued	\$ 355,856	\$ 164,818	\$ 520,674
Accrued compensated absences-current portion	24,767	-	24,767
Tenant security deposits	100,700	2,752	103,452
Long term debt-current portion	-	57,731	57,731
Deferred revenues	517,103	191,160	708,263
	<u>998,426</u>	<u>416,461</u>	<u>1,414,887</u>
Accrued compensated absences, non-current	222,904	-	222,904
Long term debt-less current portion	-	783,921	783,921
Accrued pension and OPEB liability	12,128,798	-	12,128,798
Other long term liabilities	668,894	-	668,894
<b>Total Liabilities</b>	<u>14,019,022</u>	<u>1,200,382</u>	<u>15,219,404</u>
<b>Deferred inflows of resources</b>	1,401,162	-	1,401,162
<b>Net position</b>			
Net investment in capital assets	6,661,429	202,369	6,863,798
Restricted	298,766	-	298,766
Unrestricted	<u>(12,914,664)</u>	<u>206,206</u>	<u>(12,708,458)</u>
<b>Total net position</b>	<u>(5,954,469)</u>	<u>408,575</u>	<u>(5,545,894)</u>
	<u>\$ 9,465,715</u>	<u>\$ 1,608,957</u>	<u>\$ 11,074,672</u>

The accompanying notes are an integral part of the financial statements.

Housing Authority of Plainfield  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2018

	Housing Authority	Component Unit	Total
<b>Operating revenues</b>			
Tenant revenue	\$ 1,379,422	\$ 132,852	\$ 1,512,274
HUD operating grants	10,909,237	1,300	10,910,537
Other revenues	441,903	159,065	600,968
	<u>12,730,562</u>	<u>293,217</u>	<u>13,023,779</u>
<b>Operating expenses</b>			
Administrative	2,244,184	183,103	2,427,287
Tenant services	92,239	-	92,239
Utilities	1,063,898	12,327	1,076,225
Ordinary repairs and maintenance	745,313	4,203	749,516
Protective services	62,134	-	62,134
Insurance premiums	263,606	4,902	268,508
General expenses	96,981	32,200	129,181
Interest expense	-	30,375	30,375
Extraordinary maintenance	16,650	-	16,650
Housing assistance payments	8,155,229	-	8,155,229
Depreciation	267,727	23,982	291,709
	<u>13,007,961</u>	<u>291,092</u>	<u>13,299,053</u>
<b>Operating income(loss)</b>	(277,399)	2,125	(275,274)
<b>Non-operating revenues(expenses)</b>			
Loss on disposal of assets	-	(42,338)	(42,338)
Investment income	4,912	67	4,979
	<u>4,912</u>	<u>(42,271)</u>	<u>(37,359)</u>
<b>Loss before capital grants</b>	(272,487)	(40,146)	(312,633)
<b>Capital grants</b>	<u>120,268</u>	<u>-</u>	<u>120,268</u>
<b>Change in net position</b>	(152,219)	(40,146)	(192,365)
Net position at beginning of year	1,486,023	448,721	1,934,744
Prior period adjustment	(7,288,273)	-	(7,288,273)
<b>Net position at end of year</b>	<u><u>\$ (5,954,469)</u></u>	<u><u>\$ 408,575</u></u>	<u><u>\$ (5,545,894)</u></u>

*The accompanying notes are an integral part of the financial statements.*

Housing Authority of Plainfield  
Statement of Cash Flows  
December 31, 2018

<b>Net cash provided(used) by:</b>	<b>Housing Authority</b>	<b>Component Unit</b>	<b>Total</b>
<b>Operating activities:</b>			
Cash received from:			
Tenants	\$ 1,368,678	\$ 131,542	\$ 1,500,220
Grantors	10,909,237	1,300	10,910,537
Other	(577,803)	349,583	(228,220)
Cash paid for:			
Employees	(1,331,029)	(23,512)	(1,354,541)
Vendors and contractors	(1,838,096)	(111,325)	(1,949,421)
Utilities	(1,063,898)	(12,327)	(1,076,225)
Insurance	(239,903)	(4,902)	(244,805)
General expenses	(66,606)	(62,575)	(129,181)
Housing assistance payments	(8,155,229)	-	(8,155,229)
	(994,649)	267,784	(726,865)
<b>Capital and related financing activities:</b>			
Purchase of capital assets	(166,561)	(102,921)	(269,482)
Proceeds from capital grants	120,268	-	120,268
Other post employment benefits	(289,611)	-	(289,611)
Payment of long term debt	23,804	-	23,804
Payment of other long term liabilities	452,736	23,804	476,540
Payment of line of credit	-	(290,199)	(290,199)
Deferred outflows of resources	324,807	-	324,807
	465,443	(369,316)	96,127
<b>Investing activities:</b>			
Loss on disposal of assets	-	(42,338)	(42,338)
Deferred inflows of resources	224,509	-	224,509
Interest received on investments	4,912	67	4,979
	229,421	(42,271)	187,150
<b>Net decrease in cash and cash equivalents</b>	(299,785)	(143,803)	(443,588)
Cash and cash equivalents, beginning of year	1,758,444	282,567	2,041,011
<b>Cash and cash equivalents, end of year</b>	\$ 1,458,659	\$ 138,764	\$ 1,597,423
<b>Supplemental Disclosures</b>			
Cash paid for interest	\$ -	\$ 30,375	\$ 30,375

*The accompanying notes are an integral part of the financial statements.*

Housing Authority of Plainfield  
Statement of Cash Flows(Continued)  
December 31, 2018

	Housing Authority	Component Unit	Total
<b>Reconciliation of operating loss to net cash provided(used) by operating activities:</b>			
Operating income(loss)	\$ (277,399)	\$ 2,125	\$ (275,274)
<b>Items which did not use cash:</b>			
Depreciation	267,727	23,982	291,709
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable-HUD	17,143	-	17,143
Accounts receivable-tenants	(17,930)	(1,896)	(19,826)
Accounts receivable-other	(368,646)	(642)	(369,288)
Prepaid expenses	23,703	-	23,703
Inventories	-	(20,359)	(20,359)
Accounts payable	39,894	72,828	112,722
Accrued compensated absences	(18,124)	-	(18,124)
Tenant security deposits	7,186	586	7,772
Other liabilities	(668,203)	191,160	(477,043)
	<u>\$ (994,649)</u>	<u>\$ 267,784</u>	<u>\$ (726,865)</u>

*The accompanying notes are an integral part of the financial statements.*

**Note 1. Nature of Organization and Description of Programs**

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

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

The Authority maintains its accounting records by programs which include the following:

Low Rent Public Housing Program

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

Housing Choice Vouchers Program - Section 8

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

Public Housing Capital Fund Program

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

Shelter Care Plus Program

This program offers grants to states and local governments, public housing authorities (PHAs) and other entities to provide rental assistance to homeless persons with disabilities. Rental assistance grants must be matched in aggregate by supportive services that are equal in value to the rental assistance and appropriate to the needs of the population served. It is a tenant-based program.



**Note 1. Nature of Organization and Description of Programs(Continued)**

Congregate Housing Services Program

The Congregate Housing Services Program offers grants to states, units of general local government, PHAs, tribally designated housing entities, and local nonprofit housing sponsors to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. It is a project-based rather than a tenant-based program.

Resident Opportunity and Supportive Service Program

The Resident Opportunity and Supportive Services(ROSS) grant provides funds for job training and supportive services to help residents of public housing transition from welfare to work. The program also provides funding to connect elderly/disabled residents to critical services which help them continue to live independently.

**Note 2. Summary of Significant Accounting Policies**

Reporting Entity

In accordance with statement No. 39 Government Accounting Standards Board ("GASB"), the Authority's financial statements include those of the Housing Authority of Plainfield and its component unit. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

- The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority.
- The Authority has the ability to access a majority of the economic resources held by the separate organization.
- The economic resources referred to above are significant to the Authority.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority, including the component unit described below. Also, the Authority is not included in any other reporting entity on the basis of such criteria.

Component Unit

Premier Community Development Corporation(f/k/a Plainfield Community Development Corporation) is a not-for profit corporation formed in 2007 by the Housing Authority of Plainfield to pursue the promotion and development of low and moderate income housing in the City of Plainfield, New Jersey. It is a legally separate entity and meets the criteria of a component unit as listed above. Based on the criteria and in accordance with GASB 39 Paragraph 5, the transactions of the Premier Community Development Corporation are included in the financial statements of the Authority as a discrete presentation. Separate financial statements of the component unit may be obtained as the Authority's main office 510 East Front Street, Plainfield, NJ 07060.

**Note 2. Summary of Significant Accounting Policies (Continued)**

Basis of Accounting

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

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

All enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, and losses resulting from exchange and exchange-like transactions are recognized when exchanges take place.

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

Administrative fee and Housing Assistance Payments(HAP) revenue under the Housing Choice Vouchers program are also recognized under the guidelines of GASB Statement No. 33. Accordingly, both time and purpose restrictions as defined by GASB No. 33 are met when these funds are available and measurable, as opposed to when funds are expended. The Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement purposes. Investment income earned on these funds is reflected in the net asset class on which the investment income is earned.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board pronouncements, Accounting Principles Board Opinions and Accounting Research Bulletins issued that do not conflict with or contradict GASB Pronouncements.

Other Post Employment Benefits

In accordance with GASB Statement No. 75, the Authority is required to account for its "Other Post Employment Benefits" (OPEB) in essentially the same way as it accounts for pension benefits. The standard further requires a systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service.

**Note 2. Summary of Significant Accounting Policies (Continued)**

Pensions

The Authority has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. Accordingly, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the Public Employees Retirement System(PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of 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 used in these financial statements include the allowance for doubtful accounts, estimated pension and OPEB liability, and depreciable lives of property and equipment. Actual results could differ significantly from these estimates.

Cash and Cash Equivalents

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

N.J.S.A. 17:9-42 requires governmental units to deposits 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 Federal Deposit Insurance Corporation and Federal Surety and Loans Insurance Corporation insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.



**Note 2. Summary of Significant Accounting Policies (Continued)**

Deferred Revenues

Deferred revenue consists of the prepayment of rent by residents and the receipt of grant funding applicable to future years. Deferred revenue also consists of a lump sum payment for roof top rentals which is being amortized over a period of twenty years.

Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's personnel policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Employees may carry over 30 vacation days each year. Employees accrue sick days at the rate of one day per month for the first year and fifteen days per calendar year thereafter. On termination, regular employees with ten or more years of service are paid 33 1/3% of accrued sick time and all other employees who were terminated in good standing receive 25% of accrued sick time up to a maximum of \$15,000.

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, inter-program receivables and payables are eliminated for financial statement purposes. However, they are reflected in the accompanying Financial Data Schedule as required by HUD.

Taxes

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

Operating Revenues and Expenses

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

Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its enterprise funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

**Note 2. Summary of Significant Accounting Policies (Continued)**

Economic Dependency

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

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 - Consist 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. Net position restricted by law includes housing assistance payment reserve.

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

Fair Value Measurements

The Authority accounts for fair value measurements in accordance with FASB ASC 820, *Fair Value Measurements*, which establishes a hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally ranges from Level 1 to Level 3. Multiple inputs may be used to measure fair value.

*Level 1* - Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity

*Level 2* - Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates credit risks and others.

*Level 3* - Measurements that are least observable are estimated from related market data, determined from sources with little or no activity from comparable contracts, or are positions with longer durations.

**Note 2. Summary of Significant Accounting Policies (Continued)**

Risk Management

Significant losses are covered by commercial insurance for all major programs. There have been no reductions in insurance coverage for 2017, 2016 and 2015. Settlement amounts, except for deductibles, have not exceeded insurance coverage for the past three years.

Deferred Outflows/Inflows of Resources and Net Position

The Authority has adopted Government Accounting Standards Board Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which was issued in June 2011. This Statement, among other things, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources as defined by Concepts Statement No. 4, *Elements of Financial Statements*. The Statement further identifies net position as the residual of all other elements presented in the statement of financial position.

New GASB Pronouncements Adopted

Management actively reviews all newly issued GASB pronouncements. Although it does not believe that the adoption of any recently issued pronouncements will have a material effect on the Authority's financial statements, a final determination cannot be made until the evaluation is complete.

**Note 3. Cash and Cash Equivalents**

At December 31, 2018, the Authority had funds on deposit in checking and money market accounts. All bank deposits as of the balance sheet date are covered by the Government Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

For the fiscal year ended December 31, 2018, the carrying amount of the Authority's cash was \$ 1,597,423 and the bank balances approximated \$1,660,010. Of the bank balances at December 31, 2018 \$1,350,354 covered by FDIC and the remaining \$309,656 was collateralized by the financial institutions.

The Authority believes it is not exposed to any custodial credit risks, that is, the risk that in the event of a bank failure the Authority's deposits may not be returned.

**Note 4. Financial Instruments at Fair Value**

As of December 31, 2018, financial assets at fair value consisted of cash of \$1,597,423 measured a level 1 inputs.

Housing Authority of Plainfield  
Notes to the Financial Statements  
December 31, 2018

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**Note 5. Restricted Cash**

As of December 31, 2018, restricted cash consisted of the following:

Tenant security deposits	\$ 103,452
Family self-sufficiency escrow	367,660
Security Escrow-Component Unit	50,088
	\$ 521,200

**Note 6. Accounts Receivable**

As of December 31, 2018, accounts receivable consisted of the following:

Tenants, net	\$ 68,040
Due from other governments	541,389
Other receivables	142,425
	\$ 751,854

Accounts receivable-tenants consist of rental money due the Authority for providing housing and are stated net of an allowance of \$ 86,086 at December 31, 2018.

Accounts receivable-other governments - represents amounts due from the County of Union under the Shelter Care Plus Program and is stated net of an allowance of \$19,550.

Accounts receivable - other contains the following:

Due from sub-recipient	\$ 94,495
Due from Premier CDC	33,000
Due from Plainfield Housing Finance	7,885
Due from Plainfield Housing Authority	7,045
	\$ 142,425

**Note 7. Capital Assets**

A summary of the changes in capital assets during 2018 is as follows:

	January 1, 2018	Additions	Retirements	Transfers	December 31, 2018
Land	\$ 1,374,499	\$ -	\$ -	\$ -	\$ 1,374,499
Building	20,484,616	-	-	-	20,484,616
Furniture and equipment	628,407	47,341	-	-	675,748
	22,487,522	47,341	-	-	22,534,863
Less: accum. depreciation	(15,841,111)	(291,709)	-	-	(16,132,820)
	6,646,411	(244,368)	-	-	6,402,043
Construction in progress	1,040,720	222,141	-	-	1,262,861
	\$ 7,687,131	\$ ( 22,227)	\$ -	\$ -	\$ 7,664,904



**Note 7. Capital Assets(Continued)**

Property and equipment purchased with U.S. Department of HUD funds are restricted to use in HUD programs and may revert to the Federal funding source. HUD has a reversionary interest in such restricted property.

**Note 8. Tenant Security Deposits**

Tenant security deposits represent amounts held by the Authority on behalf of tenants participating in the Low Rent Public Housing Program. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit. This account is maintained in a separate bank account and is matched with an offsetting liability.

**Note 9. Long Term Debt**

Notes Payable

Notes payable at December 31, consisted of the following debt incurred by the Premier Community Development Corporation:

Mortgage payable to Unity Bank, bearing interest rate of 6.0% per annum; due January 2035; monthly interest and principal payments in amounts to amortize loan; secured by properties located in Plainfield, New Jersey.	\$ 149,485
Mortgage payable to PNC Bank; dated June 9, 2011; amount \$200,000; fixed rate at 5.23% per annum; monthly principal payment in amounts to amortize loan; maturity date June 9, 2021 secured by property located in Plainfield, New Jersey.	149,840
Mortgage payable to Unity Bank, bearing interest rate of 4.25% per annum; monthly principal and interest payments; secured by properties located in Plainfield, New Jersey.	212,005
Loan payable to NJRA, bearing interest rate of 4.25% per annum; monthly principal and interest payments; secured by properties located in Plainfield, New Jersey.	330,322
	<hr/> 841,652
Less: current portion	(57,731)
	<hr/> <b>\$ 783,921</b> <hr/>

**Note 9. Long Term Debt(Continued)**

As of December 31, 2018 annual principal and interest payments on the notes are as follows:

<u>Year end 12/31</u>	<u>Amount</u>
2019	\$ 57,731
2020	57,731
2021	57,731
2022	57,731
2023	57,731
2024 and thereafter	<u>552,997</u>
	<u>\$ 841,652</u>

**Note 10. Lines of Credit Payable**

The component unit, Premier Community Development Corporation, has lines of credit at two banks totaling \$ 661,975. The lines bear variable interest rates ranging from 4.75% to 6.0%. As of December 31, 2018 the Corporation had no borrowings outstanding under the lines of credit. These borrowings would essentially be construction loans used to finance the improvements of acquired properties. Accordingly, they would be considered current liabilities.

**Note 11. Payments in Lieu of Taxes**

Under Federal, State, and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the Authority's owned housing program in accordance with the provisions of its cooperation agreement with the City of Plainfield. 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. For the year ended December 31, 2018 the Authority incurred PILOT expense of \$31,660.

**Note 12. Housing Choice Voucher Program -Net Position**

The Authority reports unused housing assistance payments under proprietary fund reporting as restricted net position, with the associated cash and investments also being reported on HUD's Financial Data Schedule (FDS) as restricted. Unused administrative fees are required to be reported as unrestricted net position, with the associated cash and investments being reported on the FDS as unrestricted. As of December 31, 2018, the Housing Choice Voucher Program maintained the following components of Net Position:

Restricted Net Position-HAP Equity	\$ 298,766
Unrestricted Administrative Fee	(2,924,388)
	<u>\$ (2,625,622)</u>

**Note 13. Pension Plan**

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

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

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

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

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

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

Tier 5 - Members who were eligible to enroll on or after June 28, 2011.

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

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. 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 normal cost and unfunded accrued liability. Chapter 9, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

**Note 13. Pension Plan(Continued)**

Contributions(Continued)

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 assets. Contributions to the pension plan from the Authority for the year ended December 31, 2018 amounted to \$152,717.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At December 31, 2018, the Authority reported a liability of \$ 3,023,013 for its proportionate share of the pension liability. The net pension liability was measured as of June 30, 2018, and the total pension 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 housing authorities, school districts and municipalities that participate in the plan and is actuarially determined. At December 31, 2018, the Authority's proportion of net pension liability was 0.0153534275%.

For the year ended December 31, 2018, the Authority recognized pension expense of \$167,581. At June 30, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 498,143	\$ (966,599)
Net differences between projected and actual earnings on plan investments	57,649	( 43,944)
Changes in proportion	32,214	(390,619)
<u>Total</u>	<u>\$ 588,006</u>	<u>\$ (1,401,162)</u>

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

Year ended December 31,	Amount
2019	\$ 88,730
2020	51,113
2021	(68,915)
2022	<u>(59,959)</u>
	<u>\$ ( 10,989)</u>

**Note 13. Pension Plan(Continued)**

Actuarial Assumptions - The total pension liability for the June 30, 2018 measurement date was determined by an actuarial evaluation as of July 1, 2017, which was rolled forward to June 30, 2018. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases through 2026	1.65%-4.15% based on age
Salary increases thereafter	2.65%-5.16% based on age
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy and Female Mortality Tables (setback 1 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.

Long-term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer after consultation with the Director of the Division of Pensions and Benefits, the board of trustees and the actuaries.

Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Allocation	Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75	1.64
Investment Grade Credit	10.00	1.79
Mortgages	2.10	1.62
High Yield Bonds	2.00	4.03
Inflation-Indexed Bonds	1.50	3.25
Broad U.S. Equities	27.25	8.25
Developed Foreign Equities	12.00	6.88
Emerging Market Equities	6.40	10.00
Private Equity	9.25	12.41
Real Estate(Property)	2.00	6.83
Commodities	1.00	5.32
Global Debt ex U.S.	3.50	-0.40
REITs	4.25	5.12

**Note 13. Pension Plan(Continued)**

Discount Rate - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal rate of 3.58% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority’s proportionate share of the net pension liability to changes in the discount rate - The following presents the collective net pension liability of the Authority as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>At 1% decrease(4.00%)</u>	<u>At current discount rate(5.00%)</u>	<u>At 1% increase (6.00%)</u>
\$ 4,304,530	\$ 3,702,133	3,201,784

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in a separate report issued by the State of New Jersey Division Pension and Benefits, Public Employees Retirement System, Employer Allocations and Schedules of Pension Amounts.

**Note 14. Other Post-Employment Benefits (OPEB)**

Plan Description Covered Benefits and Claim Cost Assumptions

The Authority provides post-employment medical benefits, including prescription drug benefits, as part of the medical plan on a fully insured basis through the New Jersey State Health Benefits Program. Valuation reflects the reimbursement of Medicare Part B premium to retirees, spouses and surviving spouses over age 65 that are eligible for the benefit. Employee will pay Medicare Part B premium and be reimbursed by the Authority. The Authority’s annual OPEB expense is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with parameters of GASB Statement No. 75.

**Note 14. Other Post-Employment Benefits (OPEB)(Continued)**

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of the working lifetime of the individual employee. The following table shows the components of the Authority’s annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority’s net OPEB obligation to the plan

Annual Required Contribution	\$ 308,692
Interest on net OPEB obligation	80,817
Annual OPEB cost (expense)	
Contributions made	(169,232)
Increase in net OPEB obligation	220,277
GASB 75 Adjustment	7,288.273
Net OPEB Obligation - beginning of year	8,885,973
Net OPEB Obligation - end of year	\$ 9,105,785

The Authority’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2018 fiscal year and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 347,681	47%	\$ 1,080,019
12/31/2017	347,681	47%	1,428,003
GASB 75 Adjustment	7,288,273		8,716,276
12/31/2018	389,509	43%	9,105,785

**Funded Status and Funding Progress**

As of December 31, 2018, the most recent valuation date, the plan was not funded. The actuarial liability for benefits was \$ 9,105,785. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Note 14. Other Post-Employment Benefits (OPEB)(Continued)**

Actuarial assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following assumptions, applied to all periods in the measurement:

Inflation	2.25%
Salary increases	3.25% average, including inflation
Investment rate of return	7.0% net of related costs
Healthcare costs trend rates	8.0% for 2018 decreasing 0.5% per year
Actuarial value of assets:	Market value
Amortization of initial UAAL:	Amortized over thirty years.

Mortality rates were based on the RP-2014 Combined Mortality Tables for Males or Females, as appropriate.

The actuarial assumptions used in the December 31, 2018 valuation were based on census information in July 2018.

Reconciliation of plan participation as of January 1, 2018

<u>Active employees</u>	<u>2018</u>	<u>2014</u>
Average age at hire	37.6	37.1
Average current age	54.3	52.0
Average years of service	16.7	14.9

Detailed summaries of assumptions, benefit provisions and demographic census information included in the actuarial report are prepared by Aquarius Capital. The opining actuary, Michael Frank, President at Aquarius Capital, is a member of the American Academy of Actuaries, Associate of the Society of Actuaries, and Fellow of the Conference of Consulting Actuaries, and meets the qualification standards of the American Academy of Actuaries to render the actuarial opinion on the Housing Authority of Plainfield.

**Note 15. Risks and Uncertainties**

Contingencies

The Authority receives financial assistance from HUD and other grantors in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements, including grants passed to sub-recipients, are subject to financial and compliance audits by HUD or other granting agencies. As a result of these audits, costs previously reimbursed could be disallowed and would require payments to the grantor.



**Note 15. Risks and Uncertainties(Continued)**

Department of Justice Audit

The Authority is currently involved with an ongoing audit conducted by the U.S. Department of Justice (the "DOJ") concerning a grant received by the Authority from the DOJ. The audit disclosed, among other things, \$ 244,233 in questioned costs which represent unsupported funds that were passed to a sub-recipient whose accounting records could not account for the funds spent. The DOJ is requiring significant accounting records, which the Authority has requested from the sub-recipient, but has not nor may not be able to obtain. The DOJ has taken the position that if the documentation cannot be provided, the Authority must return the funds. The Authority continues to work with the DOJ to resolve the issues, however in the opinion of the Authority's counsel, "...it is as likely as not that the Authority would be required to return some or all of the \$244,233 in questioned costs..." The Authority has made a partial provision of \$94,495 for this contingency.

Internal Revenue Service Audit

The Internal Revenue Service (the "IRS") conducted an audit which resulted in a proposed 89,201 increase to the federal employment tax owed by the Authority for the 2016 and 2017 tax periods. The Authority has appealed the adjustment and plans to work with the IRS to reduce the amount of the increase in tax. In the opinion of the Authority's counsel "...it is likely that the Authority would be required to pay some or all of the \$89, 201 to the IRS..." Management believes that the ultimate amount due the IRS, if any, will be less than \$89,201, but is not readily determinable and cannot be reasonably estimated. Accordingly, no provision in the financial statements has been made for this contingency.

**Note 16. Transactions with Component Unit**

There were no transactions with the component unit, Premier CDC, in the year ended December 31, 2018.

**Note 17. Subsequent Events**

There were no events or transactions that have occurred subsequent to the date of the financial statements that would require adjustment to, or disclosure in the financial statements. Subsequent events have been evaluated through September 10, 2019 which is the date the financial statements were available to be issued.

## Supplementary Information

Housing Authority of Plainfield  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Current Year Expenditures
<b>U.S Department of Housing and Urban Development</b>		
<b>Direct programs:</b>		
Congregate Housing Service	14.170	\$ 100,385
Low-Income Public Housing	14.850	1,687,198
Section 8 Housing Choice Vouchers	14.871	8,100,295
Public Housing Capital Fund	14.872	339,077
<b>Passed through:</b>		
County of Union-Dept of Human Services/ Shelter Plus Care	14.238	803,850
		<u>\$ 11,030,805</u>

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

**Note 1. General Information**

The accompanying Schedule of Expenditures of Federal Awards presents the activities in all the federal programs of Housing Authority of Plainfield. All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies is included on the schedule.

**Note 2. Basis of Accounting**

The information in the accompanying schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations(CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*(Uniform Guidance). Accordingly, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 3. Non-Cash Federal Assistance**

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2018.

**Note 4. Loan Guarantees**

At December 31, 2018, the Authority is not the guarantor of any loans outstanding.

**Note 5. Sub-Recipients**

Of the federal and state expenditures presented in this schedule, no expenditures were used to provide federal or state awards to sub-recipients.

**Note 6. Indirect Cost Rate**

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Housing Authority of Plainfield  
Statement and Certification of Actual Capital Grant Costs  
For the Year Ended December 31, 2018

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There were no Capital Fund Program grants that were closed  
in the year ended December 31, 2018

Plainfield Housing Authority (NJ039)

PLAINFIELD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

	Project Total	16.541 Juvenile Justice and Delinquency Prevention_S pecial Emphasis	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$796,233		\$147,721	\$85,924			\$46,345	\$0	\$1,076,223		\$1,076,223
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted			\$367,660	\$50,088					\$417,748		\$417,748
114 Cash - Tenant Security Deposits	\$100,700			\$2,752					\$103,452		\$103,452
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	\$896,933	\$0	\$515,381	\$138,764	\$0	\$0	\$46,345	\$0	\$1,597,423	\$0	\$1,597,423
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects											
124 Accounts Receivable - Other Government					\$560,939				\$560,939		\$560,939
125 Accounts Receivable - Miscellaneous		\$94,495	\$0	\$7,045			\$7,885	\$33,000	\$142,425		\$142,425
126 Accounts Receivable - Tenants	\$149,929			\$4,197					\$154,126		\$154,126
126.1 Allowance for Doubtful Accounts - Tenants	-\$86,086			\$0					-\$86,086		-\$86,086
126.2 Allowance for Doubtful Accounts - Other		\$0	\$0	\$0	-\$19,550		\$0	\$0	-\$19,550		-\$19,550
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery											
128.1 Allowance for Doubtful Accounts - Fraud											
129 Accrued Interest Receivable											
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$63,843	\$94,495	\$0	\$11,242	\$541,389	\$0	\$7,885	\$33,000	\$751,854	\$0	\$751,854
131 Investments - Unrestricted											
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets											
143 Inventories	\$18,584								\$18,584		\$18,584
143.1 Allowance for Obsolete Inventories	-\$1,575								-\$1,575		-\$1,575
144 Inter Program Due From	\$0						\$0	\$0	\$0		\$0
145 Assets Held for Sale				\$455,476					\$455,476		\$455,476
150 Total Current Assets	\$977,785	\$94,495	\$515,381	\$605,482	\$541,389	\$0	\$54,230	\$33,000	\$2,821,762	\$0	\$2,821,762

	Project Total	16.541 Juvenile Justice and Delinquency Prevention_S pecial Emphasis	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
161 Land	\$1,141,554			\$232,945					\$1,374,499		\$1,374,499
162 Buildings	\$19,816,837			\$667,779					\$20,484,616		\$20,484,616
163 Furniture, Equipment & Machinery - Dwellings	\$374,850			\$1,856					\$376,706		\$376,706
164 Furniture, Equipment & Machinery - Administration	\$131,068		\$19,758				\$88,919	\$59,297	\$299,042		\$299,042
165 Leasehold Improvements											
166 Accumulated Depreciation	-\$15,777,951		-\$19,758	-\$188,882			-\$86,932	-\$59,297	-\$16,132,820		-\$16,132,820
167 Construction in Progress	\$973,084								\$973,084		\$973,084
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,659,442	\$0	\$0	\$713,698	\$0	\$0	\$1,987	\$0	\$7,375,127	\$0	\$7,375,127
171 Notes, Loans and Mortgages Receivable - Non-Current	\$3,340,073						\$1,218,378		\$4,558,451	-\$4,558,451	\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets				\$289,777					\$289,777		\$289,777
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$9,999,515	\$0	\$0	\$1,003,475	\$0	\$0	\$1,220,365	\$0	\$12,223,355	-\$4,558,451	\$7,664,904
200 Deferred Outflow of Resources	\$302,811		\$116,032					\$169,163	\$588,006		\$588,006
290 Total Assets and Deferred Outflow of Resources	\$11,280,111	\$94,495	\$631,413	\$1,608,957	\$541,389	\$0	\$1,274,595	\$202,163	\$15,633,123	-\$4,558,451	\$11,074,672
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	\$144,785		\$9,532	\$43,211			\$1,384	\$21,108	\$220,020		\$220,020
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable								\$29,266	\$29,266		\$29,266
322 Accrued Compensated Absences - Current Portion	\$8,809		\$2,619				\$958	\$12,381	\$24,767		\$24,767
324 Accrued Contingency Liability											
325 Accrued Interest Payable				\$78,509					\$78,509		\$78,509
331 Accounts Payable - HUD PHA Programs											
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government	\$31,661								\$31,661		\$31,661
341 Tenant Security Deposits	\$100,700			\$2,752					\$103,452		\$103,452
342 Unnamed Revenue	\$422,608	\$94,495	\$0	\$191,160					\$708,263		\$708,263
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Ref											
344 Current Portion of Long-term Debt - Operating Borrowings				\$57,731					\$57,731		\$57,731

	Project Total	16.541 Juvenile Justice and Delinquency Prevention_S pecial Emphasis	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
345 Other Current Liabilities	\$49,985		\$39,818	\$39,098				\$23,775	\$152,676		\$152,676
346 Accrued Liabilities - Other				\$4,000			\$4,542		\$8,542		\$8,542
347 Inter Program - Due To											
348 Loan Liability - Current											
310 Total Current Liabilities	\$758,548	\$94,495	\$51,969	\$416,461	\$0	\$0	\$6,884	\$86,530	\$1,414,887	\$0	\$1,414,887
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revers											
352 Long-term Debt, Net of Current - Operating Borrowings				\$783,921					\$783,921		\$783,921
353 Non-current Liabilities - Other	\$600,000								\$600,000		\$600,000
354 Accrued Compensated Absences - Non Current	\$79,283		\$23,571				\$8,625	\$111,425	\$222,904		\$222,904
355 Loan Liability - Non Current	\$1,051,547		\$68,894		\$500,027			\$3,006,877	\$4,627,345	-\$4,558,451	\$68,894
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities	\$8,423,003		\$2,836,107					\$869,688	\$12,128,798		\$12,128,798
350 Total Non-Current Liabilities	\$10,153,833	\$0	\$2,928,572	\$783,921	\$500,027	\$0	\$8,625	\$3,987,990	\$18,362,968	-\$4,558,451	\$13,804,517
300 Total Liabilities	\$10,912,381	\$94,495	\$2,980,541	\$1,200,382	\$500,027	\$0	\$15,509	\$4,074,520	\$19,777,855	-\$4,558,451	\$15,219,404
400 Deferred Inflow of Resources	\$721,570		\$276,494					\$403,098	\$1,401,162		\$1,401,162
508.4 Net Investment in Capital Assets	\$6,659,442		\$0	\$202,369			\$1,987		\$6,863,798		\$6,863,798
511.4 Restricted Net Position			\$298,766						\$298,766		\$298,766
512.4 Unrestricted Net Position	-\$7,013,282	\$0	-\$2,924,388	\$206,206	\$41,362	\$0	\$1,257,099	-\$4,275,455	-\$12,708,458		-\$12,708,458
513 Total Equity - Net Assets / Position	-\$353,840	\$0	-\$2,625,622	\$408,575	\$41,362	\$0	\$1,259,086	-\$4,275,455	-\$5,545,894	\$0	-\$5,545,894
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$11,280,111	\$94,495	\$631,413	\$1,608,957	\$541,389	\$0	\$1,274,595	\$202,163	\$15,633,123	-\$4,558,451	\$11,074,672



Plainfield Housing Authority (NJ039)

PLAINFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2018

	Project Total	18.541 Juvenile Justice and Delinquency Prevention_Sp ecial Emphasis.	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,343,769			\$132,852					\$1,476,621		\$1,476,621
70400 Tenant Revenue - Other	\$35,653								\$35,653		\$35,653
70500 Total Tenant Revenue	\$1,379,422	\$0	\$0	\$132,852	\$0	\$0	\$0	\$0	\$1,512,274	\$0	\$1,512,274
70600 HUD PHA Operating Grants	\$1,906,007		\$8,100,295		\$803,850	\$100,385			\$10,910,537		\$10,910,537
70610 Capital Grants	\$120,268								\$120,268		\$120,268
70710 Management Fee								\$408,818	\$408,818	-\$408,818	\$0
70720 Asset Management Fee								\$0	\$0		\$0
70730 Book Keeping Fee								\$94,418	\$94,418	-\$94,418	\$0
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue								\$503,236	\$503,236	-\$503,236	\$0
70800 Other Government Grants				\$1,300					\$1,300		\$1,300
71100 Investment Income - Unrestricted			\$2,342	\$67			\$301	\$2,269	\$4,979		\$4,979
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery			\$29,778						\$29,778		\$29,778
71500 Other Revenue	\$132,276		\$271,090	\$159,065		\$4,637	\$1,243	\$1,579	\$569,890		\$569,890
71600 Gain or Loss on Sale of Capital Assets				-\$42,338					-\$42,338		-\$42,338
72000 Investment Income - Restricted											
70000 Total Revenue	\$3,537,973	\$0	\$8,403,505	\$250,946	\$803,850	\$105,022	\$1,544	\$507,084	\$13,609,924	-\$503,236	\$13,106,688
91100 Administrative Salaries	\$286,856		\$329,772	\$23,512	\$39,620	\$45,540		\$288,960	\$1,014,260		\$1,014,260
91200 Auditing Fees	\$10,000		\$5,000	\$4,000				\$3,000	\$22,000		\$22,000
91300 Management Fee	\$262,234		\$146,584					\$408,818	-\$408,818		\$0
91310 Book-keeping Fee	\$30,263		\$64,155					\$94,418	-\$94,418		\$0
91400 Advertising and Marketing				\$135,291					\$135,291		\$135,291
91500 Employee Benefit contributions - Administrative	\$152,844		\$242,424	\$2,575	\$19,514	\$21,720		\$309,827	\$748,904		\$748,904
91600 Office Expenses	\$34,435			\$1,117			\$445	\$19,855	\$55,852		\$55,852
91700 Legal Expense	\$26,486		\$3,222					\$59,228	\$88,936		\$88,936
91800 Travel	\$3,053		\$1,464					\$16,969	\$21,486		\$21,486

	Project Total	16.541 Juvenile Justice and Delinquency Prevention_Sp ecial Emphasis	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
91810 Allocated Overhead											
91900 Other	\$41,195		\$87,470	\$16,608			\$24,290	\$170,995	\$340,558		\$340,558
91000 Total Operating - Administrative	\$847,366	\$0	\$880,091	\$183,103	\$59,134	\$67,260	\$24,735	\$868,834	\$2,930,523	-\$503,236	\$2,427,287
92000 Asset Management Fee											
92100 Tenant Services - Salaries						\$12,068			\$12,068		\$12,068
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services											
92400 Tenant Services - Other	\$48,581					\$25,694		\$5,896	\$80,171		\$80,171
92500 Total Tenant Services	\$48,581	\$0	\$0	\$0	\$0	\$37,762	\$0	\$5,896	\$92,239	\$0	\$92,239
93100 Water	\$170,519			\$12,327					\$182,846		\$182,846
93200 Electricity	\$509,377								\$509,377		\$509,377
93300 Gas	\$105,789								\$105,789		\$105,789
93400 Fuel											
93500 Labor	\$91,926								\$91,926		\$91,926
93600 Sewer											
93700 Employee Benefit Contributions - Utilities	\$56,874								\$56,874		\$56,874
93800 Other Utilities Expense	\$129,413								\$129,413		\$129,413
93000 Total Utilities	\$1,063,898	\$0	\$0	\$12,327	\$0	\$0	\$0	\$0	\$1,076,225	\$0	\$1,076,225
94100 Ordinary Maintenance and Operations - Labor	\$220,384								\$220,384		\$220,384
94200 Ordinary Maintenance and Operations - Materials and Other	\$171,726			\$4,203				\$17,015	\$192,944		\$192,944
94300 Ordinary Maintenance and Operations Contracts	\$188,920								\$188,920		\$188,920
94500 Employee Benefit Contributions - Ordinary Maintenance	\$147,268								\$147,268		\$147,268
94000 Total Maintenance	\$728,298	\$0	\$0	\$4,203	\$0	\$0	\$0	\$17,015	\$749,516	\$0	\$749,516
95100 Protective Services - Labor	\$37,140								\$37,140		\$37,140
95200 Protective Services - Other Contract Costs											
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services	\$24,994								\$24,994		\$24,994
95000 Total Protective Services	\$62,134	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$62,134	\$0	\$62,134
96110 Property Insurance				\$3,592					\$3,592		\$3,592
96120 Liability Insurance				\$1,310					\$1,310		\$1,310
96130 Workmen's Compensation											
96140 All Other Insurance	\$182,180		\$20,742					\$60,684	\$263,606		\$263,606
96100 Total insurance Premiums	\$182,180	\$0	\$20,742	\$4,902	\$0	\$0	\$0	\$60,684	\$268,508	\$0	\$268,508

	Project Total	16.541 Juvenile Justice and Delinquency Prevention_Sp ecial Emphasis	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
96200 Other General Expenses			\$65,321	\$2,425					\$67,746		\$67,746
96210 Compensated Absences											
96300 Payments in Lieu of Taxes	\$31,660			\$29,775					\$61,435		\$61,435
96400 Bad debt - Tenant Rents											
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses	\$31,660	\$0	\$65,321	\$32,200	\$0	\$0	\$0	\$0	\$129,181	\$0	\$129,181
96710 Interest of Mortgage (or Bonds) Payable				\$30,375					\$30,375		\$30,375
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$30,375	\$0	\$0	\$0	\$0	\$30,375	\$0	\$30,375
96900 Total Operating Expenses	\$2,964,117	\$0	\$966,154	\$267,110	\$59,134	\$105,022	\$24,735	\$952,429	\$5,338,701	-\$503,236	\$4,835,465
97000 Excess of Operating Revenue over Operating Expenses	\$573,856	\$0	\$7,437,351	-\$16,164	\$744,716	\$0	-\$23,191	-\$445,345	\$8,271,223	\$0	\$8,271,223
97100 Extraordinary Maintenance	\$16,650								\$16,650		\$16,650
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments			\$7,296,211		\$744,716				\$8,040,927		\$8,040,927
97350 HAP Portability-In			\$114,302						\$114,302		\$114,302
97400 Depreciation Expense	\$267,230			\$23,982			\$497		\$291,709		\$291,709
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$3,247,997	\$0	\$8,376,667	\$291,092	\$803,850	\$105,022	\$25,232	\$952,429	\$13,802,289	-\$503,236	\$13,299,053
10010 Operating Transfer In	\$125,000								\$125,000	-\$125,000	\$0
10020 Operating transfer Out	-\$125,000								-\$125,000	\$125,000	\$0
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											

	Project Total	18,541 Juvenile Justice and Delinquency Prevention_Sp ecial Emphasis	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14,238 Shelter Plus Care	14,170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
10091 Inter Project Excess Cash Transfer In											
10092 Inter Project Excess Cash Transfer Out											
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Exp	\$289,976	\$0	\$26,838	-\$40,146	\$0	\$0	-\$23,688	-\$445,345	-\$192,365	\$0	-\$192,365
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$57,731	\$0	\$0	\$0	\$0	\$57,731		\$57,731
11030 Beginning Equity	\$4,852,399	\$0	-\$860,402	\$448,721	\$41,362	\$0	\$1,282,774	-\$3,830,110	\$1,934,744		\$1,934,744
11040 Prior Period Adjustments, Equity Transfers and Correction of	-\$5,496,215		-\$1,792,058						-\$7,288,273		-\$7,288,273
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Term/Severance Benefits Liability											
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity			-\$2,924,388						-\$2,924,388		-\$2,924,388
11180 Housing Assistance Payments Equity			\$298,766						\$298,766		\$298,766
11190 Unit Months Available	4140		10128	72			0		14340		14340
11210 Number of Unit Months Leased	4035		8554	70					12659		12659
11270 Excess Cash	-\$36,963								-\$36,963		-\$36,963
11610 Land Purchases	\$0						\$0	\$0	\$0		\$0
11620 Building Purchases	\$0						\$0	\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$57,388						\$0	\$57,388	\$57,388		\$57,388
11640 Furniture & Equipment - Administrative Purchases	\$0						\$0	\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$106,689						\$0	\$106,689	\$106,689		\$106,689
11660 Infrastructure Purchases	\$0						\$0	\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0						\$0	\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0						\$0	\$0	\$0		\$0

## **Compliance and Internal Control**

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*

Independent Auditor's Report

To the Board of Commissioners of  
Housing Authority of Plainfield

I have audited, 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, the financial statements of the aggregate enterprise funds, business activities and the discretely presented component unit of the Housing Authority of Plainfield (the "Authority") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated September 10, 2019.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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.

Cranford, New Jersey

September 10, 2019

*Frank Allen LLC, CPA*

## Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

### Independent Auditor's Report

To the Board of Commissioners of  
Housing Authority of Plainfield

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

I have audited the Housing Authority of Plainfield's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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



## Opinion on Each Major Federal Program

In my opinion, the Housing Authority of Plainfield complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

## Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2018-001. My opinion on each major federal program is not modified with respect to these matters.

The Authority's responses to the noncompliance findings identified in my audit are described in the schedule of findings and questioned costs and corrective action plan. The Authority's responses were not subjected to the auditing procedures in the audit of compliance and, accordingly, I express no opinion on the responses.

## Report on Internal Control over Compliance

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

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

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cranford, New Jersey

September 10, 2019

*Francis B. Lee LLC, CPA*

Housing Authority of Plainfield  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2018

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**Section I-Summary of Auditor’s Results**

Financial Statement Section

- |  |            |
|--|------------|
| 1. Type of auditor’s report issued   | Unmodified |
| 2. Internal control over financial reporting                                       |            |
| Material weakness (es) identified?   | None       |
| Were significant deficiencies identified not considered to be material weaknesses? | None       |
| 3. Non-compliance material to the financial statements?                            | None       |

Federal Awards Section

- |   |            |
|---|------------|
| 1. Dollar threshold used to determine Type A programs   | \$ 750,000 |
| 2. Dollar threshold used to determine Type B programs   | \$ 187,500 |
| 3. Auditee qualified as a low-risk auditee  | Yes        |
| 4. Type of auditor’s report on compliance   | Unmodified |
| 5. Internal control over compliance   |            |
| • Material weakness (es) identified?  | None noted |
| • Were significant deficiencies identified not considered to be material weaknesses?                    | None noted |
| • Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance | None noted |

6. Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section-8 Housing Choice Voucher Program

Housing Authority of Plainfield  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

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**Section II-Financial Statement Findings**

There were no financial statement findings.

**Section III-Federal Award Findings and Questioned Costs**

Reference 2018-001

Special Tests, Eligibility

CFDA 14.871 Section-8 Housing Choice Vouchers Program

U.S. Department of Housing and Urban Development

Criteria

The Authority is required to determine that all applications for admission to the Section 8 Housing Choice Vouchers Program meet the eligibility and continued occupancy requirements. The process includes the performance and documentation of income verification, obtaining appropriate identification, annual re-certifications and re-inspections.

Conditions

Of the thirty (30) files selected for testing, I noted that income was incorrectly calculated for two(2) tenants that resulted in incorrect rent paid by tenants..

Effect

The miscalculations resulted in an under payment of \$24 for one tenant for the year and \$834 for another tenant for the year.

Cause

Section-8 employees may not have had sufficient training and may not have been properly monitored in performing tenants' eligibility and continued occupancy requirements. Internal control over this process did not work as intended in all cases.

Recommendation

I recommended that the Authority continue to strengthen its controls over eligibility and continued occupancy by ensuring that employees who perform tenant recertification receive additional training to perform this function. Management should also perform quality reviews of tenant files on a regular basis.

Management's Response

Management concurs with the finding and has implemented the accompanying corrective action.

Housing Authority of Plainfield  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

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**Section IV-Follow Up of Prior Audit Findings**

There were no findings, financial statement or Federal awards, in the year ended December 31, 2017.

# HOUSING AUTHORITY OF PLAINFIELD

510 East Front Street  
Plainfield, New Jersey 07060  
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Randall M. Wood  
Executive Director

Dan S. Smith, Esq.  
Counsel

## CORRECTIVE ACTION

September 20, 2019

Dear Mr. Glien,

Effective immediately, please be advised that the tenant interviewer who was assigned to these cases will have additional training in the area of rent and income calculations. The Tenant Selection Supervisor, Ms. Zena Sutton will implement a more stringent internal control by reviewing and cross examining all folders as an internal quality control review on a regular basis. The two residents in question Mr. Paul Council and Ms. Mary Robinson income has been corrected.

However, to strengthen internal control as per compliance, the Executive Director will continue to meet with the Tenant Selection Supervisor to review efforts in monitoring the documentation required for the Housing Choice Voucher Program. Tenant files will be reviewed and cross examined on a periodic basis by person independent of the Section 8 Department to ensure that HUD documentation requirements are met.

*Randall Wood*

Randall Wood  
Executive Director