

HOUSING AUTHORITY OF PLAINFIELD

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2015

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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, 2015, 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 opinion.

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, 2015 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, 2015 is presented on page 27 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 29 and the Financial Data Schedule presented on pages 30 through 36 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 July 20, 2016 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

July 20, 2016

Frank Glien, LLC, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Housing Authority of Plainfield
December 31, 2015

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

A- Financial Highlights

- 1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,310,742 (net position) as opposed to \$6,816,105 for the prior fiscal year.
- 2 – As of the close of the current fiscal year, the Authority's proprietary fund reported a deficit in Unrestricted Net Position of \$ 4,787,229.
- 3 – The Authority's unrestricted cash balance at December 31, 2015 was \$2,175,872 representing a decrease of \$ 461,624 from the prior fiscal year.
- 4 – Restricted cash at December 31, 2015 of \$245,964 consists of excess housing assistance payments as well as FSS escrow deposits related to the Section 8 Housing Choice Voucher program.
- 5 – The Authority had total operating revenues of \$13,988,670 and total operating expenses of \$14,765,329 (including depreciation of \$306,989) for the year ended December 31, 2015.
- 6 – The Authority's capital outlays for the fiscal year ended December, 2015 totaled \$69,045 and represented additions to capital assets at West End Gardens and Richmond Towers
- 7 – The Authority's expenditures of federal awards amounted to \$12,139,106 for the fiscal year.
- 8 – During the current year, the Authority adopted GASB 68 which required the Authority to record the cumulative cost of future retirement benefits to all eligible employees. Adopting this accounting pronouncement required the Authority to record a prior period adjustment of \$3,739,237 against earnings resulting in the significant decrease in the Authority's Net Position in 2015.

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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (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 27 of this report.

C – The Authority as a Whole

The Authority's net position decreased during the fiscal year by \$4,505,363 primarily due to the adoption of GASB 68 and the recording of a prior period charge of \$3,739,237. GASB 68 required the Authority to record the estimated future liability related to providing future retirement benefits to all eligible retirees.

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, 2015, 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, 2015, the Authority's investment in capital assets for its Proprietary Fund was \$6,951,579 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets of \$ 69,045 were purchased during the fiscal year.

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

Long Term Debt

As of December 31, 2015 loans to acquire and rehabilitate property of Premier Community Development Corporation totaled \$572,940. \$50,762 of the loans are classified as current liabilities in the statement of net position, and \$522,178 are classified as long-term loans. Other long-term debt of the component unit also included a \$310,000 non-interest bearing loan received from Plainfield Housing Finance Corporation. The loan is an advance on open account without a fixed maturity date.

F – Summary of Significant Changes

1. Unrestricted cash and cash equivalents decreased by \$461,624. The primary reason for the decrease was due to the operating loss of \$776,659 incurred by the Authority in 2015.
2. Tenant revenue increased by \$70,789 or 5.3% due to improved occupancy in both properties. HUD operating grants increased by \$137,978. The increase was largely due to a \$223,993 increase in Capital Grant funding, followed by a \$150,299 increase in funding for the ROSS program, Housing Choice Voucher program and Congregate Housing program. These increases were offset by a \$266,314 decrease in funding for the Low Income Housing program.
3. Ordinary repairs and maintenance costs decreased by \$308,027, while extraordinary maintenance costs increased by \$612,486 primarily due to the closing of the Elmwood Gardens location in 2014 and recording all of its demolition and maintenance costs as extraordinary in 2015 as this location was no longer in operations.
4. Utilities expense increased by \$ 95,596 (from \$1,231,427 in 2014 to \$1,327,023 in 2015). This increase can be largely attributed to a 7% increase in water and sewer rates in 2015 along with increased occupancy as noted above..
5. Housing Assistance payments decreased by \$227,530 due to a reduction in the number of leased vouchers in the Authorities program.
6. Protective service costs decreased by \$71,716 directly as a result of the closing and demolition of the Elmwood Gardens location which required the majority of the Authority's spending in this area in year 2014.

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, 2015.

- 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.
- 4- The closing of the Elmwood Gardens location during the latter part of 2013.

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

	<u>Year Ended</u>			
	<u>Dec.31, 2015</u>	<u>Dec.31, 2014</u>	<u>Net Change</u>	<u>% Change</u>
Cash and Other Current Assets	\$ 3,226,036	\$ 3,172,068	\$ 53,968	2%
Capital Assets - Net	7,736,073	8,196,066	(459,993)	-6%
Total Assets	10,962,109	11,368,134	(406,025)	-4%
Less: Total Liabilities	(8,651,367)	(4,552,029)	(4,099,338)	90%
Net Position	2,310,742	6,816,105	(4,505,363)	-66%
Invested in Capital Assets	7,163,133	7,245,526	(82,393)	-1%
Restricted Net Assets	26,399	-	26,399	
Unrestricted net Assets	(4,878,790)	(429,421)	(4,449,369)	1036%
Total Net Position	\$ 2,310,742	\$ 6,816,105	\$ (4,505,363)	-66%

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>			
	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>	<u>Net Change</u>	
<u>Revenues</u>				
Tenant Revenues	\$ 1,395,686	\$ 1,324,897	\$ 70,789	5%
HUD Subsidies	12,070,061	11,831,795	238,266	2%
Other Income	522,923	525,349	(2,426)	0%
Total Operating Revenues	13,988,670	13,682,041	306,629	2%
<u>Expenses</u>				
Administration	2,400,163	2,313,717	86,446	4%
Tenant Services	194,808	193,580	1,228	1%
Utilities	1,327,023	1,231,427	95,596	8%
Maintenance	925,178	1,233,205	(308,027)	-25%
Protective Services	61,913	133,628	(71,715)	-54%
Other General Expenses	244,371	221,497	22,874	10%
Insurance Premiums	189,595	235,398	(45,803)	-19%
Interest Expense	46,969	53,628	(6,659)	-12%
Housing Assistance Payments	8,445,697	8,673,227	(227,530)	-3%
Depreciation Expense	306,989	317,775	(10,786)	-3%
Extraordinary Maintenance	622,623	10,137	612,486	6042%
Total Operating Expenses	14,765,329	14,617,219	148,110	1%
Excess of Operating Revenues	(776,659)	(935,178)	158,519	-17%
<u>Non-Operating Revenues</u>				
Loss on disposition of Property	(66,951)	(1,075,374)	1,008,423	
Interest on Investments	8,439	4,306	4,133	96%
Excess of Revenues Over Expenses	(835,171)	(2,006,246)	1,171,075	-58%
Capital Grants	69,045	169,333	(100,288)	-59%
Increase/(Decrease) in Net Assets	(766,126)	(1,836,913)	1,070,787	-58%
Net Assets, Beginning of Year	6,816,105	8,653,018	(1,836,913)	-21%
Prior period adjustment	(3,739,237)	-	(3,739,237)	
Total Position	\$ 2,310,742	\$ 6,816,105	\$ (4,505,363)	-66%

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF PLAINFIELD
STATEMENT OF NET POSITION
As of December 31, 2015

	Housing Authority of Plainfield	Component Unit Plainfield Comm. Development Corp.	Total
ASSETS			
Current assets:			
Cash and cash equivalents-unrestricted	\$ 1,816,017	\$ 359,855	\$ 2,175,872
Cash and cash equivalents-restricted	242,155	3,809	245,964
Accounts receivable:			
Tenants, net	27,215	124	27,339
HUD	681	-	681
Other government	148,177	-	148,177
Other	113,904	-	113,904
Inventories, net	17,009	58,085	75,094
Prepaid expenses	6,801	12,058	18,859
	<u>2,371,959</u>	<u>433,931</u>	<u>2,805,890</u>
Capital assets, net	6,951,579	784,494	7,736,073
Total Assets	<u>9,323,538</u>	<u>1,218,425</u>	<u>10,541,963</u>
DEFERRED OUTFLOWS OF RESOURCES	420,146	-	420,146
	<u>\$ 9,743,684</u>	<u>\$ 1,218,425</u>	<u>\$ 10,962,109</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 219,852	\$ 2,767	\$ 222,619
Accrued wages and payroll taxes	1,132	-	1,132
Accrued compensated absences-current portion	20,075	-	20,075
Tenant security deposits	83,803	3,809	87,612
Lines of credit payable	-	470,865	470,865
Long term debt-current portion	-	50,762	50,762
Deferred revenues	1,218,939	-	1,218,939
Accrued liabilities-other	-	367	367
	<u>1,543,801</u>	<u>528,570</u>	<u>2,072,371</u>
Accrued compensated absences, non-current	180,677	-	180,677
Long term debt-non current	-	522,178	522,178
Other long term debt	410,000	310,000	720,000
Accrued pension and OPEB liability	4,497,571	-	4,497,571
Other long term liabilities	339,686	-	339,686
Total Liabilities	<u>6,971,735</u>	<u>1,360,748</u>	<u>8,332,483</u>
DEFERRED INFLOWS OF RESOURCES	318,884	-	318,884
NET POSITION			
Net investment in capital assets	6,951,579	211,554	7,163,133
Restricted	26,399	-	26,399
Unrestricted	(4,524,913)	(353,877)	(4,878,790)
Total Net Position	<u>2,453,065</u>	<u>(142,323)</u>	<u>2,310,742</u>
	<u>\$ 9,743,684</u>	<u>\$ 1,218,425</u>	<u>\$ 10,962,109</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, 2015

	<u>Housing Authority of Plainfield</u>	<u>Component Unit Plainfield Comm. Development Corp.</u>	<u>Total</u>
OPERATING REVENUES			
Tenant revenue	\$ 1,276,761	\$ 118,925	\$ 1,395,686
HUD operating grants	12,070,061	-	12,070,061
Other revenues	414,044	108,879	522,923
	<u>13,760,866</u>	<u>227,804</u>	<u>13,988,670</u>
OPERATING EXPENSE			
Administrative	2,354,055	53,174	2,407,229
Tenant services	121,677	73,131	194,808
Utilities	1,315,815	11,208	1,327,023
Ordinary repairs and maintenance	919,198	5,980	925,178
Protective services	61,913	-	61,913
Insurance premiums	239,018	5,353	244,371
General expenses	153,001	29,528	182,529
Interest expense	-	46,969	46,969
Extraordinary maintenance	622,623	-	622,623
Housing assistance payments	8,445,697	-	8,445,697
Depreciation	282,858	24,131	306,989
	<u>14,515,855</u>	<u>249,474</u>	<u>14,765,329</u>
Operating loss	(754,989)	(21,670)	(776,659)
NON OPERATING REVENUES			
Loss on disposal of assets	-	(66,951)	(66,951)
Investment income	7,047	1,392	8,439
	<u>7,047</u>	<u>(65,559)</u>	<u>(58,512)</u>
Loss before capital grants	(747,942)	(87,229)	(835,171)
CAPITAL GRANTS	<u>69,045</u>	<u>-</u>	<u>69,045</u>
Change in net position	(678,897)	(87,229)	(766,126)
Net position at beginning of year	6,871,199	(55,094)	6,816,105
Prior period adjustment	(3,739,237)	-	(3,739,237)
Net position at end of year	<u>\$ 2,453,065</u>	<u>\$ (142,323)</u>	<u>\$ 2,310,742</u>

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

HOUSING AUTHORITY OF PLAINFIELD
STATEMENT OF CASH FLOWS
December 31, 2015

NET CASH PROVIDED BY(USED IN)	Housing Authority of Plainfield	Component Unit Plainfield Comm. Dev. Corp.	Total
Operating activities:			
Cash received from:			
Tenants	\$ 1,299,891	\$ 120,145	\$ 1,420,036
Grantors	12,070,061	-	12,070,061
Other	1,651,950	87,909	1,739,859
Cash paid for:			
Employees	(1,279,770)	(21,346)	(1,301,116)
Vendors and contractors	(2,829,165)	(152,696)	(2,981,861)
Utilities	(1,315,815)	(11,208)	(1,327,023)
Insurance	(250,594)	(10,756)	(261,350)
General expenses	(142,754)	(46,841)	(189,595)
Housing assistance payments	(8,445,697)	-	(8,445,697)
	758,107	(34,793)	723,314
Capital and related financing activities:			
Purchase of capital assets	(69,045)	-	(69,045)
Proceeds from capital grants	69,045	-	69,045
Other post employment benefits	332,873	-	332,873
Payment of long term debt	-	(17,600)	(17,600)
Payment of other long term liabilities	(316)	(49,634)	(49,950)
Proceeds from lines of credit	-	22,946	22,946
Deferred outflows of resources	(420,146)	-	(420,146)
	(87,589)	(44,288)	(131,877)
Investing activities:			
Proceeds from sale of assets	-	155,099	155,099
Loss on disposal of assets	-	(66,951)	(66,951)
Deferred inflows of resources	(1,115,059)	-	(1,115,059)
Interest received on investments	7,047	1,392	8,439
	(1,108,012)	89,540	(1,018,472)
Net increase in cash and cash equivalents	(437,494)	10,459	(427,035)
Cash and cash equivalents, beginning of year	2,495,666	353,205	2,848,871
Cash and cash equivalents, end of year	\$ 2,058,172	\$ 363,664	\$ 2,421,836

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

HOUSING AUTHORITY OF PLAINFIELD
STATEMENT OF CASH FLOWS(Continued)
Year Ended December 31, 2015

	<u>Housing Authority of Plainfield</u>	<u>Component Unit Plainfield Comm. Development Corp.</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (754,989)	\$ (21,670)	\$ (776,659)
Items which did not (provide)use cash:			
Depreciation	282,858	24,131	306,989
Loss on disposal of assets	-	66,951	66,951
Changes in operating assets and liabilities:			
Accounts receivable-HUD	89,735	-	89,735
Accounts receivable-tenants	14,990	1,220	16,210
Accounts receivable-other	(70,768)	(20,970)	(91,738)
Prepaid expenses	(11,576)	(5,403)	(16,979)
Inventories	-	(58,085)	(58,085)
Accounts payable	(50,515)	(20,967)	(71,482)
Accrued wages and payroll taxes	(8,921)	-	(8,921)
Accrued compensated absences	44,222	-	44,222
Tenant security deposits	8,140	-	8,140
Other liabilities	1,214,931	-	1,214,931
	<u>\$ 758,107</u>	<u>\$ (34,793)</u>	<u>\$ 723,314</u>

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

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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 Assistance Payment 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.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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. Components 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, the transactions of the Premier Community Development Corporation are included in the financial statements of the Authority as a discrete presentation.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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 Voucher 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 are 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. 45, 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.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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, accrued expenses and other liabilities, and depreciable lives of properties 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.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 2. Summary of Significant Accounting Policies (Continued)

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investment with a maturity of three months or less at time of purchase.

Tenant Accounts Receivable, Net

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

Prepaid Expenses

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

Inventory

The Authority's inventory is comprised of office supplies and maintenance materials and supplies. Inventory is valued at the lower cost or market, and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. Inventory at December 31, 2015 is shown net of an allowance \$1,575.

Inventory also includes property held for resale by the component unit Premier Community Development Corp. and is valued at cost. No depreciation is being taken on this property.

Capital Assets

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

- | | |
|---------------------------|---------------|
| • Furniture and Equipment | 3-5 Years |
| • Buildings | 27.5-40 Years |

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

Impairment of Long Lived Assets

In accordance with GASB, 42 management reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Management has not identified any such impairment losses.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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 2014, 2013 and 2012. 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

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, 2015, 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, 2015, the carrying amount of the Authority's cash was \$ 2,421,836 and the bank balances approximated \$ 3,049,302.

Note 4. Financial Instruments at Fair Value

The following table presents the fair value hierarchy of the Authority's financial instruments at December 31, 2015:

Level 1

Cash	\$ 2,114,846
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Level 2

Certificates of Deposit	\$ 306,990
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HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 5. Accounts Receivable

As of December 31, 2015, accounts receivable consisted of the following:

Tenants, net	\$ 27,339
HUD	681
Other governments	148,177
Other	113,904

Accounts receivable-tenants consist of rental money due the Authority for providing housing and are stated net of an allowance of \$ 40,088 at December 31, 2015.

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 \$28,014.

Accounts receivable – other contains the following:

Due from Liberty Village Associates	\$ 11,064
Due from sub-recipient	94,495
Due from tenant association and Premier CDC	3,506
Note receivable-fraud recovery	4,839
	<u>\$ 113,904</u>

Note 6. Capital Assets

A summary of the changes in capital assets during 2015 is as follows:

	January 1, 2015	Additions	Retirements	Transfers	December 31, 2015
Land	\$ 1,471,030	\$ -	\$ (96,531)	\$ -	\$ 1,374,499
Building	20,616,863	-	(132,247)	-	20,484,616
Furniture and equipment	629,026	-	(619)	-	628,407
	22,716,918	-	(229,397)	-	22,487,522
Less: accum. depreciation	(14,959,145)	(306,989)	7,347	-	(15,258,787)
	7,757,774	(306,989)	(222,050)	-	7,228,735
Construction in progress	438,293	69,045	-	-	507,338
	<u>\$ 8,196,067</u>	<u>\$ (237,944)</u>	<u>\$ (222,050)</u>	<u>\$ -</u>	<u>\$ 7,736,073</u>

Note 7. 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.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 8. Lines of Credit Payable

The component unit, Premier Community Development Corporation, has lines of credit at two banks in the aggregate amount of \$ 661,975. The lines bear variable interest rates ranging from 4.75% to 6.0%. The lines are secured by a two certificates of deposits totaling \$306,990 and other assets of the Corporation. As of December 31, 2015 the Corporation had \$470,865 of borrowings outstanding under the lines of credit. These borrowings are essentially construction loans used to finance the improvements of acquired properties. Accordingly, they are considered current liabilities.

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.	\$ 166,218
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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, 2016 secured by property located in Plainfield, NJ.	171,681
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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.	235,041
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	572,940
Less: current portion	(50,762)
	<u>\$ 522,178</u>

As of December 31, 2015 annual principal payments on the notes are as follows:

<u>Year end 12/31</u>	<u>Amount</u>
2016	\$ 50,762
2017	50,762
2018	50,762
2019	50,762
2020	50,762
2021 and thereafter	<u>319,130</u>
	<u>\$ 572,940</u>

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 9. Long Term Debt(Continued)

Other Long Term Debt

Loan to Premier Community Development Corporation

Loan payable represents a \$ 310,000 non-interest bearing open advance from the Plainfield Housing Finance Company, an affiliate of Plainfield Housing Authority, to the component unit. The advance was used to purchase a certificate of deposit that in turn was used to secure the two lines of credit referred to in Note 8. In year 2010 this advance was converted into a long term loan with a maturity date of December 31, 2019. Premier CDC's management will seek to convert this debt into a grant.

Due to Plainfield Housing Finance Corporation

Loan payable also represents a \$ 410,000 non-interest bearing note from the Plainfield Housing Finance Corporation to the Authority. The due date of the note is not stated. However management will seek to convert this debt into a grant.

Note 10. Payments in Lieu of Taxes

Under Federal, State, and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the 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, 2015 the Authority did not incur PILOT expense.

Note 11. Pension Plan

Plan description

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. PERS provides retirement, death and disability benefits, as well as medical benefits for certain qualified members and beneficiaries. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. The PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of New Jersey, Division of Pensions CN-295, Trenton, NJ 08625, (609) 777-1777 or at www.state.nj.us.treasury/pensions/pdf/financial/2015divisioncombined.pdf.

Vesting and benefits provisions

The vesting and benefits provisions for PERS are set by NJSA 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years prior to retirement(or highest three years' compensation if other than the final three years).

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 11. Pension Plan(Continued)

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement achieving ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. Members are always fully vested for their own contributions and, after three years of service credit, become vested 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contributions

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer contributions are actuarially determined annually by the Division of Pensions. Employee are required to make contributions currently set at 6.78% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. Contributions to the pension plan from the Authority for the year ended December 31, 2015 amounted to \$150,795.

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

At December 31, 2015, the Authority reported a liability of \$ 3,755,000 for its proportionate share of the pension liability. The net pension liability was measured as of January 1, 2014, 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, 2015, the Authority's proportion was 0.193 per cent.

For the year ended December 31, 2015, the Authority recognized pension expense of \$ 127,685 and recorded a prior period adjustment for pension of \$ 3,655,277. At December 31, 2015 the Authority reported deferred outflows of resources of \$420,146 and deferred inflows of resources of \$318,884.

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.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 12. Other Post-Employment Benefits (OPEB)

Annual OPEB cost and net OPEB obligation

The Authority provides subsidized benefits at retirement for medical insurance and reimbursement for Medicare Part B premium reimbursement for individuals meeting eligibility requirements for the coverage. All benefits are provided for the lifetime of the retiree. The funding policy for the Authority's OPEB contributions was established by and may be amended only by Board resolution. The Authority's annual other postemployment benefit ("OPEB") cost (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. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period 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	\$ 286,828
Interest on net OPEB obligation	\$ 12,966
Adjustment to annual required contribution	\$ 177,233
Annual OPEB cost (expense)	\$ 477,027
Contributions made	\$ 170,149
Increase in net OPEB obligation	\$ 306,878
Net OPEB Obligation - beginning of year	\$ 425,460
Net OPEB Obligation - end of year	\$ 732,338

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$180,971	38%	\$111,421
12/31/2013	180,973	38%	101,309
12/31/2014	180,973	38 %	101,309
12/31/2015	477,027	36%	408,187

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 12. Other Post-Employment Benefits (OPEB)(Continued)

Funded Status and Funding Progress

As of January 1, 2014, the most recent valuation date, the plan was not funded. The actuarial liability for benefits was \$ 5,405,711.

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

Actuarial methods and assumptions

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

The results were prepared and based on the projected unit credit method. Valuation assumptions are based on a discount rate of 4% and the annual health care cost inflation rates of 10% declining to 1% per year to an ultimate trend assumption of 5%. The results are based on reviewing electronic census information (record-by-record review), retiree plan information, benefit cost information, and other summary information of retiree benefits and eligibility.

Actuarial value of assets: Market value
Amortization of initial UAAL: Amortized over thirty years.

Reconciliation of plan participation as of January 1, 2015

Active employees

	January 1 ,2011	January 1, 2015
A. Average age at hire	37.7	37.1
B. Average service	13.5	14.9
C. Average current age	51.2	52.0

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 12. Other Post-Employment Benefits (OPEB)(Continued)

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 13. Risks and Uncertainties

Contingencies:

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of December 31, 2015, the Authority estimates that no material liabilities will result from such audits.

Note 14. Housing Choice Voucher Program -Net Position

Pursuant to HUD PIH Notices 2006-03, 2006-09 and 2008-15, 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, 2015, the Housing Choice Voucher Program maintained the following components of Net Position:

Restricted Net Position-HAP Equity	\$ 26,399
Unrestricted Administrative Fee	58,410
	<hr/>
	\$ 84,809

Note 15. Prior Period Adjustment

Beginning net position for the year ended December 31, 2015 was adjusted to reflect the adoption of GASB 68. As a result of this adjustment, beginning net assets decreased by \$3, 041, 932 and Accrued OPEB Liabilities increased by \$3,041,932.

Note 16. 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 July 20, 2016 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, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Current Year Expenditures
<u>U.S Department of Housing and Urban Development</u>		
Direct programs:		
Congregate Housing Service	14.170	\$ 103,171
Low-Income Public Housing	14.850	2,059,603 (m)
Section 8 Housing Choice Vouchers	14.871	8,128,393 (m)
Public Housing Capital Fund	14.872	822,722 (m)
Resident Opportunity and Supportive Service	14.870	114,718
Passed through:		
County of Union-Dept of Human Services/ Shelter Plus Care	14.238	910,499 (m)
		<u>\$ 12,139,106</u>

(m)=Major program

See accompanying notes to Schedule of Expenditures of Federal Awards.

HOUSING AUTHORITY OF PLAINFIELD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2015

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, 2015.

Note 4. Loan Guarantees

At December 31, 2015, the Authority is not the guarantor of any loans outstanding.

HOUSING AUTHORITY OF PLAINFIELD
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL GRANT COSTS
For the Year Ended December 31, 2015

	CFPNJ39 P03950113	CFP NJ39 P03950114
Funds Approved	\$ 597,529	\$ 620,030
Funds Expended	597,529	620,030
Excess(Deficiency) of Approved	<u>\$ -</u>	<u></u>
 Funds Advanced	 \$ 597,529	 \$ 620,030
Funds Expended	597,529	620,030
Excess(Deficiency) of Advances	<u>\$ -</u>	<u>\$ -</u>

1. All Capital Grant work done in connection with this program has been completed.
2. All liabilities in connection with program have been paid.
3. Capital Grant costs included on the Actual Capital Grant Cost Certificate submitted to HUD are in agreement with the housing authority's records.

Plainfield Housing Authority (NJ039)
PLAINFIELD, NJ

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

		\$1,451,110	\$276,151	\$359,855	\$88,756	\$0	\$2,175,872	\$2,175,872	Total
Project Total	14,871 Housing Vouchers								
113 Cash - Other Restricted		\$158,352	\$0					\$158,352	
114 Cash - Tenant Security Deposits		\$83,803	\$3,809					\$87,612	
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash		\$1,534,913	\$434,503	\$363,664	\$88,756	\$0	\$2,421,836	\$2,421,836	
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects		\$681						\$681	
124 Accounts Receivable - Other Government			\$176,191				\$176,191	\$176,191	
125 Accounts Receivable - Miscellaneous		\$4,839			\$11,064	\$94,495	\$113,904	\$113,904	
126 Accounts Receivable - Tenants		\$67,303	\$124				\$67,427	\$67,427	
126.1 Allowance for Doubtful Accounts -Tenants		-\$40,088	\$0				-\$40,088		
126.2 Allowance for Doubtful Accounts - Other		\$0	\$0	-\$28,014	\$0	\$0	-\$28,014		
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		\$32,054	\$681	\$124	\$148,177	\$11,064	\$94,495	\$3,506	\$290,101
131 Investments - Unrestricted									
132 Investments - Restricted									
133 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets		\$18,584	\$7,283				\$11,576	\$18,859	\$18,859
143 Inventories		\$18,584					\$18,584	\$18,584	\$18,584
143.1 Allowance for Obsolete Inventories		-\$1,575					-\$1,575		-\$1,575
144 Inter Program Due From		\$1,660,044	\$0	\$4,775	\$1,175,696	\$2,840,515	-\$2,840,515	\$0	\$0
145 Assets Held for Sale			\$58,085				\$58,085	\$58,085	\$58,085
150 Total Current Assets		\$3,244,020	\$435,184	\$433,931	\$148,177	\$1,275,516	\$94,495	\$15,082	\$5,646,405
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		\$808				\$375,658	\$375,658
164 Furniture, Equipment & Machinery - Administration		\$87,259	\$19,758					\$252,749	\$252,749

	Project Total	14,871 Housing Choice Vouchers	14,870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	14,238 Shelter Plus Care	1 Business Activities	14,170 Congregate Housing Service Program	16,541 Juvenile Justice and Delinquency Prevention - Special Emphasis	COCC	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				\$0						\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings				\$522,178						\$522,178		\$522,178
353 Non-current Liabilities - Other	\$0	\$131,953		\$310,000		\$207,733			\$410,000	\$1,059,688		\$1,059,688
354 Accrued Compensated Absences - Non Current	\$66,157	\$11,425				\$8,625			\$94,470	\$180,677		\$180,677
355 Loan Liability - Non Current												
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities	\$2,491,303	\$923,053							\$1,083,215	\$4,497,571		\$4,497,571
350 Total Non-Current Liabilities	\$2,557,460	\$1,068,431	\$0	\$832,178	\$0	\$216,358	\$0	\$0	\$1,587,685	\$6,280,112	\$0	\$6,280,112
300 Total Liabilities	\$5,061,018	\$1,093,375	\$0	\$1,360,748	\$106,815	\$221,908	\$0	\$0	\$3,328,134	\$11,172,988	-\$2,840,515	\$8,332,483
400 Deferred Inflow of Resources	\$115,556	\$44,279						\$94,495	\$64,554	\$318,884		\$318,884
508.4 Net Investment in Capital Assets	\$6,951,576	\$0		\$211,554					\$3	\$7,213,895		\$7,163,133
511.4 Restricted Net Position	\$0	\$26,389					\$0			\$26,389		\$26,389
512.4 Unrestricted Net Position	-\$1,716,187	-\$645,961	\$0	-\$353,877	\$41,362	\$1,053,608	\$0	\$0	-\$3,257,735	-\$4,929,552		-\$4,878,790
513 Total Equity - Net Assets / Position	\$5,235,389	-\$619,562	\$0	-\$142,323	\$41,362	\$1,053,608	\$0	\$0	-\$3,257,732	\$2,310,742	\$0	\$2,310,742
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$10,411,963	\$518,092	\$0	\$1,218,425	\$148,177	\$1,275,516	\$0	\$94,495	\$135,956	\$13,802,624	-\$2,840,515	\$10,962,109

Fiscal Year End: 12/31/2015

[illegible]

	Project Total	14,871 Housing Choice Vouchers	14,870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	14,238 Shelter Plus Care	1 Business Activities	14,170 Congregate Housing Service Program	16,341 Juvenile Justice and Delinquency Prevention_S pecial Emphasis	COCC	Subtotal	ELIM	Total
91810 Allocated Overhead												
91900 Other	\$66,607	\$110,109		\$21,707		\$32,176			\$203,798	\$434,397		\$434,397
91000 Total Operating - Administrative	\$1,182,872	\$739,301	\$114,718	\$53,174	\$50,659	\$32,176	\$49,471	\$0	\$992,686	\$3,215,057	-\$807,828	\$2,407,229
92000 Asset Management Fee												
92100 Tenant Services - Salaries	\$4,248						\$4,240			\$8,488		\$8,488
92200 Relocation Costs												
92300 Employee Benefit Contributions - Tenant Services												
92400 Tenant Services - Other	\$56,014			\$73,131			\$57,175			\$186,320		\$186,320
92500 Total Tenant Services	\$60,262	\$0	\$0	\$73,131	\$0	\$0	\$61,415	\$0	\$0	\$194,808	\$0	\$194,808
93100 Water	\$167,557			\$11,208						\$178,765		\$178,765
93200 Electricity	\$679,184									\$679,184		\$679,184
93300 Gas	\$128,210									\$128,210		\$128,210
93400 Fuel												
93500 Labor	\$95,294									\$95,294		\$95,294
93600 Sewer	\$111,415									\$111,415		\$111,415
93700 Employee Benefit Contributions - Utilities	\$63,403									\$63,403		\$63,403
93800 Other Utilities Expense	\$70,752									\$70,752		\$70,752
93000 Total Utilities	\$1,315,815	\$0	\$0	\$11,208	\$0	\$0	\$0	\$0	\$0	\$1,327,023	\$0	\$1,327,023
94100 Ordinary Maintenance and Operations - Labor	\$235,850									\$235,850		\$235,850
94200 Ordinary Maintenance and Operations - Materials and Other	\$250,454			\$5,980						\$256,434		\$256,434
94300 Ordinary Maintenance and Operations Contracts	\$250,804									\$250,804		\$250,804
94500 Employee Benefit Contributions - Ordinary Maintenance	\$182,090									\$182,090		\$182,090
94000 Total Maintenance	\$919,198	\$0	\$0	\$5,980	\$0	\$0	\$0	\$0	\$0	\$925,178	\$0	\$925,178
95100 Protective Services - Labor	\$35,379									\$35,379		\$35,379
95200 Protective Services - Other Contract Costs												
95300 Protective Services - Other												
95500 Employee Benefit Contributions - Protective Services	\$26,534									\$26,534		\$26,534
95000 Total Protective Services	\$61,913	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$61,913	\$0	\$61,913
96110 Property Insurance	\$47,713			\$5,353						\$53,066		\$53,066
96120 Liability Insurance												
96130 Workmen's Compensation												

14,871	Housing Choice Vouchers	Project Total	\$143,966	\$17,366	\$17,366	\$191,679	\$17,366	\$191,305	\$244,371	96140 All Other Insurance
14,870	Resident Opportunity and Supportive Services			\$0	\$5,353	\$0	\$0	\$29,973	\$191,305	96100 Total Insurance Premiums
6.1	Component Discreetly Presented Unit - Shelter Plus Care			\$0	\$0	\$0	\$0	\$29,973	\$191,305	96200 Other General Expenses
14,238	Shelter Plus Care			\$0	\$0	\$0	\$0	\$22,998	\$44,226	96300 Payments in Lieu of Taxes
10,391	Business Activities			\$0	\$0	\$0	\$0	\$22,998	\$52,767	96400 Bad debt - Tenant Rents
14,170	Congregate Housing Service Program			\$0	\$0	\$0	\$0	\$22,998	\$52,767	96500 Bad debt - Mortgages
10,391	Juvenile and Delinquency Prevention Special Projects			\$0	\$0	\$0	\$0	\$22,998	\$52,767	96600 Bad debt - Other
COCC				\$29,973	\$29,973	\$29,973	\$29,973	\$29,973	\$29,973	96800 Severance Expense
Subtotal				\$191,305	\$244,371	\$244,371	\$244,371	\$244,371	\$244,371	96900 Total Operating Expenses
ELIM					\$0	\$0	\$0	\$0	\$0	97000 Excess of Operating Revenue over Operating Expenses
Total				\$143,966	\$17,366	\$17,366	\$191,679	\$191,305	\$244,371	97100 Extraordinary Maintenance
										97200 Casualty Losses - Non-capitalized
										97300 Housing Assistance Payments
										97350 HAP Portability-In
										97400 Depreciation Expense
										97500 Fraud Losses
										97600 Capital Outlays - Governmental Funds
										97700 Debt Principal Payment - Governmental Funds
										97800 Dwelling Units Rent Expense
										98000 Total Expenses
										10010 Operating Transfer In
										10020 Operating Transfer Out
										10030 Operating Transfers from/to Primary Government
										10040 Operating Transfers from/to Component Unit
										10050 Proceeds from Notes, Loans and Bonds

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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated July 20, 2016.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-1, 2014-2.

The Authority's Response to Findings

The Authority's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

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

July 20, 2016

Francis Gleason, 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, 2015. 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, 2015.

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

July 20, 2016

Frank Glien, LLC, CPA

**HOUSING AUTHORITY OF PLAINFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015**

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 | N/A |
| 3. Auditee qualified as a low-risk auditee | No |
| 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 OMB Circular A-133 | None noted |

5. Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Low Rent Public Housing
14.871	Section-8 Housing Choice Voucher Program
14.238	Shelter Care Plus
15.872	Public Housing Capital Fund

**HOUSING AUTHORITY OF PLAINFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015**

SECTION II-FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs

HOUSING AUTHORITY OF PLAINFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

SECTION IV-FOLLOW UP OF PRIOR AUDIT FINDINGS

Reference 2014-1

Special Tests, Eligibility
CFDA 14.850 Low Income Housing Program
U.S. Department of Housing and Urban Development

Condition

Of the fifty (50) files selected for testing (25 West End Gardens and 25 Richmond Towers) I noted eight(8) files from West End Gardens with one or more of the following exceptions:

- 2 with no evidence to verify that tenants were chosen from the waiting list before being offered housing.
- 1 with no evidence of signed consent of release of information form.
- 1 with no evidence of third-party verification of income.
- 5 with no evidence of appropriate identification.
- 5 with no evidence of a signed lease agreement.
- 2 with no evidence of timely recertification during the audit year.
- 1 with no evidence that unit was inspected in year 2014.

Management Response

It is management's policy to provide continuous training for the employees of its Low-Income Housing Program. The Authority is still reviewing and updating files. Additional training is required for new personnel and as more training is received, recertification, re-examination, inspection and other documentation will continue to improve and meet HUD's guidelines for file maintenance.

Current Status

This condition has been corrected and was not observed during the current audit.

Reference 2014-2

Allowable Costs/Cash Management/Sub-Recipient Monitoring
CFDA 16.541 Youth Gang Initiative
U.S. Department of Justice

Condition

The sub recipient of the U.S. Department of Justice grant did not have a financial management and reporting system in place that met the standards of OMB Circular A-110. Also, the Authority did not have a system in place to monitor and regulate the drawdowns of its sub-recipient.

Management Response

The Housing Authority of Plainfield had a monitoring and reporting system for sub-recipients in place during the fiscal year end December 31, 2011. However the grant sub-recipient and project director failed to follow agreed upon procedures on numerous occasions. As a result of the sub-recipient's failure to comply with the Authority's repeated requests for documentation and control over program expenditures, management requested the Department of Justice to redirect the grant funds directly into a bank account controlled and maintained by the Authority to which the sub-recipient did not have access. Without the authorization of the Authority, the sub-recipient again instructed the grantor to deposit funds directly into the sub-recipient's account thereby bypassing the critical control, review and monitoring of activity by the Authority.

Current Status

This condition was not observed during the current year audit as this grant has been closed. However, the deficiency has not been corrected and the questioned cost has not been resolved with the awarding agency.