

**ARLINGTON GARDENS**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED MARCH 31, 2017**

**WITH**

**REPORT OF INDEPENDENT AUDITORS**

**ARLINGTON GARDENS  
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FOR THE YEAR ENDED MARCH 31, 2017**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners  
Jersey City Housing Authority:

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

We have audited the accompanying financial statements of Arlington Gardens ("the Project") as of and for the year ended March 31, 2017, and the related notes to the financial statements, as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Arlington Gardens, as of March 31, 2017, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis report that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by the missing information.

### *Other Information*

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2017, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control over financial reporting and compliance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Project's financial statements. The Computation of Payment in Lieu of Taxes ("the schedule") is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Novogradac & Company LLP*

September 30, 2017  
Toms River, New Jersey

## **FINANCIAL STATEMENTS**

**ARLINGTON GARDENS  
STATEMENT OF NET POSITION  
AS OF MARCH 31, 2017**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 217,093
Accounts receivable - tenants	11,726
Tenant security deposits	55,521
Prepaid expenses	27,810
Inventories	<u>37,615</u>
Total current assets	<u>349,765</u>
Non-current assets:	
Restricted cash	283,771
Capital assets, net	<u>2,766,518</u>
Total non-current assets	<u>3,050,289</u>
Total assets	<u>3,400,054</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>422,009</u>
Total assets and deferred outflows of resources	<u>\$ 3,822,063</u>

See accompanying notes to financial statements.

**ARLINGTON GARDENS**  
**STATEMENT OF NET POSITION (continued)**  
**AS OF MARCH 31, 2017**

LIABILITIES

Current liabilities:	
Accounts payable	\$ 7,308
Accrued expenses	23,982
Accrued compensated absences, current portion	3,584
Mortgage payable, current portion	50,939
Accrued P.I.L.O.T.	2,444
Tenant security deposits	55,521
Other payable - affiliate	<u>312,291</u>
Total current liabilities	<u>456,069</u>
Non-current liabilities:	
Mortgages payable, excluding current portion	1,336,876
Accrued compensated absences, net of current portion	32,251
Net pension liability	<u>1,599,279</u>
Total non-current liabilities	<u>2,968,406</u>
Total liabilities	<u>3,424,475</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>140,705</u>
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NET POSITION

Net position:	
Net investment in capital assets	1,378,703
Restricted	283,771
Unrestricted (deficit)	<u>(1,405,591)</u>
Total net position	<u>256,883</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,822,063</u>

See accompanying notes to financial statements.

**ARLINGTON GARDENS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED MARCH 31, 2017**

Operating revenues:	
Rental income	\$ 915,327
Other income	<u>23,013</u>
Total operating revenues	<u>938,340</u>
Operating expenses:	
Administrative	129,193
Tenant services	4,484
Maintenance and repairs	473,743
Payments in lieu of taxes	64,308
Utilities expenses	220,000
Insurance and general	34,970
Depreciation	<u>146,953</u>
Total operating expenses	<u>1,073,651</u>
Operating loss	<u>(135,311)</u>
Non-operating revenues (expenses):	
Interest expense	(45,210)
Interest income	<u>1,861</u>
Net non-operating revenues (expenses)	<u>(43,349)</u>
Net loss	(178,660)
Net position, beginning of year	<u>435,543</u>
Net position, end of year	<u><u>\$ 256,883</u></u>

See accompanying notes to financial statements.



**ARLINGTON GARDENS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2017**

Cash Flows from Operating Activities:	
Cash received from tenants	\$ 913,440
Cash paid to suppliers	(760,751)
Cash paid to employees	<u>(264,815)</u>
Net cash flows used from operating activities	<u>(112,126)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(60,823)
Principal paid on capital debt	(49,026)
Interest paid on capital debt	<u>(45,210)</u>
Net cash flows used from capital and related financing activities	<u>(155,059)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>1,861</u>
Net decrease in cash and cash equivalents	(265,324)
Cash and cash equivalents, beginning of year	<u>821,709</u>
Cash and cash equivalents, end of year	<u><u>\$ 556,385</u></u>

A reconciliation of cash and cash equivalents  
to Statement of Net Position is as follows:

Cash and cash equivalents	\$ 217,093
Tenant security deposits	55,521
Restricted cash	<u>283,771</u>
	<u><u>\$ 556,385</u></u>

See accompanying notes to financial statements.

**ARLINGTON GARDENS**  
**STATEMENT OF CASH FLOWS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (135,311)
Items which did not use cash:	
Depreciation	146,953
Working capital changes which provided (used) cash:	
Accounts receivable - tenants	(11,726)
Prepaid expenses	(4,076)
Inventory	(9,045)
Deferred outflows of resources	(254,783)
Accounts payable	(16,073)
Accrued P.I.L.O.T.	4,203
Accrued expenses	2,585
Accrued compensated absences	(7,948)
Tenant security deposits	(4,253)
Deferred inflows of resources	(12,502)
Other current liabilities	(146,636)
Net pension liability	<u>336,486</u>
Net cash used by operating activities	<u>\$ (112,126)</u>

See accompanying notes to financial statements.

**ARLINGTON GARDENS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

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

**A. Organization**

The Housing Authority of the City of Jersey City ("JCHA") or ("the Authority") is a governmental, public corporation created under federal and state housing laws 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 Jersey City ("the City"). The Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by an appointed board of commissioners who serve several year terms. The governing board is essentially autonomous but responsible to the United States Department of Housing and Urban Development ("HUD") and the Division. An executive director is appointed by the Housing Authority's board to manage the day-to-day operations of the Authority.

Arlington Gardens ("the Project") is a ninety (90) unit affordable housing site operated by JCHA to provide low-rent housing for qualified individuals. The Project is owned by JCHA and is governed by the Board of Commissioners of JCHA. The accompanying financial statements present the financial activity of Arlington Gardens and not the Authority as a whole.

The Project maintains its accounting records by program. The following program is operated by the Authority within the Project:

Public and Indian Housing

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

**B. Reporting Entity**

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

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

**ARLINGTON GARDENS  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED MARCH 31, 2017**

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

**B. Reporting Entity (continued)**

3. The primary government is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, this report includes all programs and activities operated by the Project. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. However, the Project is owned by Jersey City Housing Authority and as such is included in their financial statements.

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

The Project'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).

All transactions are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

The Project'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 Project has complied with the grant and subsidy requirements.

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

**ARLINGTON GARDENS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

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

**D. Cash and Cash Equivalents**

Cash and cash equivalents include all unrestricted cash balances and highly liquid investments with a maturity of three months or less at the date of purchase. Restricted deposits and funded reserves which are required under the terms of the financing are not considered cash and cash equivalents. The Project places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the FDIC insurance limits.

**E. Accounts Receivable**

Rents are due from tenants on the first day of each month. As a result, tenants' accounts receivable balances primarily consist of rents past due and vacated tenants. Also included in accounts receivable are those amounts that tenants owe the Project as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason.

**F. Prepaid Expenses**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

**G. Capital Assets, net**

Capital assets, net 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. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- Buildings 27.5 - 40 Years
- Furniture and Equipment 3 - 7 Years

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

**H. Operating Revenue and Expenses**

The Project 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 Project classifies all other revenues and expenses as non-operating.

**ARLINGTON GARDENS  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED MARCH 31, 2017**

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

**I. Equity Classifications**

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

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

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

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

**J. Income Taxes**

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

**K. Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS**

At March 31, 2017, the Project had funds on deposit in checking accounts.

All bank deposits are entirely insured or collateralized by a collateral pool maintained by public depositories as required by New Jersey law.

As of March 31, 2017, the carrying amount of the Project's cash (including restricted cash) was \$0, and the bank balance was \$565,941, respectively. Of the bank balances, \$500,000 was covered by federal depository insurance and the remaining \$65,941 was collateralized with the pledging financial institutions as of March 31, 2017.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2017, the Project's bank balances were not exposed to custodial credit risk.

**ARLINGTON GARDENS  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 3. ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net - tenants has a net realizable value of \$11,726, as the Project outstanding receivable from tenants are offset with an allowance for doubtful accounts of \$7,295.

**NOTE 4. FUNDED RESERVES AND RESTRICTED NET POSITION**

The mortgage loan agreement requires that the Project fund various reserve accounts which are held in escrow with the Community Preservation Corp. These restricted reserves consisted of the following at March 31, 2017:

<u>Cash Category</u>	<u>Amount</u>
Building reserve fund	\$ 263,913
Real estate tax and insurance escrow	<u>19,858</u>
	<u>\$ 283,771</u>

Building Reserve Fund - covers the future cost of major repairs and improvements and annual debt service. During the year ended March 31, 2017, the Project contributed \$1,831 per month to this fund. Moneys in this fund may be drawn upon by the Project for capital improvements at the sole discretion of the mortgagee.

Real Estate Tax Escrow - covers the cost of the property's PILOT payment with the City of Jersey City and annual premiums for insurance. During the year ended March 31, 2017, the Project contributed \$2,404, per month to this fund.

**NOTE 5. RELATED PARTY TRANSACTIONS**

The Project is owned and operated by Jersey City Housing Authority. JCHA allocates certain general and administrative expenses, including salaries, fringe benefits (pension, compensated absences and health insurance), maintenance, insurance and legal, to the Project. Costs are reimbursed periodically. As of March 31, 2017, the Project owed JCHA \$312,291 for unreimbursed costs. The advance is interest free and due upon demand.

**NOTE 6. PAYMENT IN LIEU OF TAXES**

The Project is required to pay to the City of Jersey City a payment in lieu of taxes as an annual charge for services ("P.I.L.O.T."). For the year ended March 31, 2017, P.I.L.O.T. expense amounted to \$64,308.

**ARLINGTON GARDENS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 7. CAPITAL ASSETS, NET**

Capital assets, net consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Project and are stated at cost, less accumulated depreciation. The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2017:

	<u>Balances at</u> <u>March 31, 2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balances at</u> <u>March 31, 2016</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 931,098	\$ -	\$ -	\$ 931,098
<u>Depreciable capital assets:</u>				
Buildings	5,108,310	55,444	-	5,163,754
Furniture and fixtures	-	5,379	-	5,379
Total	5,108,310	60,823	-	5,169,133
Total capital assets	6,039,408	60,823	-	6,100,231
Accumulated depreciation	(3,186,760)	(146,953)	-	(3,333,713)
Net capital assets	\$ 2,852,648	\$ (86,130)	\$ -	\$ 2,766,518

Depreciation expense for the fiscal year ended March 31, 2017 amounted to \$146,953.

**NOTE 8. PENSION PLAN**

The Authority participates in the State of New Jersey, Public Employees Retirement System (PERS), which is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

It is the Authority's policy to allocate pension liabilities, deferred inflows of resources and deferred outflows of resources to projects based on actual time spent by Authority personnel in the various projects and programs of the Authority. The Project's share of the Authority's net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense has been allocated as follows:

<u>Account</u> <u>Description</u>	<u>Authority</u> <u>Share</u>	<u>Project</u> <u>Share</u>
Net pension liability	\$ (35,829,504)	\$ (1,599,279)
Deferred inflow of resources	\$ (3,152,289)	\$ (140,705)
Deferred outflow of resources	\$ 9,461,698	\$ 422,009
Pension expense	\$ 2,593,355	\$ 115,757

For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report, which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).



**ARLINGTON GARDENS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 9. MORTGAGE PAYABLE**

Mortgage payable consisted of the following at March 31, 2017:

Mortgage loan payable to the Community Preservation Corp. in connection with the acquisition and rehabilitation of the Project. The loan with the original amount of \$1,750,000 carries an annual interest rate of 4.78%, requires monthly principal and interest payments of \$9,332, matures in March, 2036 and is secured by a first mortgage on the property.	1,387,815
Less: current portion	<u>50,939</u>
Mortgage payable, excluding current portion	<u>\$ 1,336,876</u>

Annual debt service for principal and interest over the next five years and in five-year increments thereafter are as follows:

Year	Principal	Interest	Total
2018	\$ 50,939	\$ 61,045	\$ 111,984
2019	53,571	58,413	111,984
2020	56,877	55,107	111,984
2021	60,022	51,962	111,984
2022	64,431	47,553	111,984
2023-2027	309,771	250,149	559,920
2028-2032	393,216	166,704	559,920
2033-2036	<u>398,988</u>	<u>54,468</u>	<u>453,456</u>
	<u>\$ 1,387,815</u>	<u>\$ 745,401</u>	<u>\$ 2,133,216</u>

**NOTE 10. PRIOR PERIOD ADJUSTMENT**

Beginning unrestricted net position was increased \$28,570 to correct an error in reporting beginning inventory. As a result of the correction, inventory and unrestricted net position increased 28,570 as of April 1, 2016.

**NOTE 11. RISK MANAGEMENT**

The Project is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions; and natural disasters. The Project maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, crime coverage, personal property and general liability. Settlement amounts have not exceeded insurance coverage for the last three years.

**ARLINGTON GARDENS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 12. CONCENTRATION OF RISK**

The Project's major asset is real estate. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**NOTE 13. SUBSEQUENT EVENTS**

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Partnership through September 30, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



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& COMPANY LLP®**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners  
Jersey City Housing Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arlington Gardens (the "Project") as of and for the year ended March 31, 2017, , and the related notes to the financial statements, which collectively comprise the Project's basic financial statements, and have issued our report thereon dated September 30, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project'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 Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Novogradac & Company LLP*

September 30, 2017  
Toms River, New Jersey

**ARLINGTON GARDENS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**MARCH 31, 2017**

Financial Statement Findings

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

Schedule of Prior Year Audit Findings

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

**SUPPLEMENTAL INFORMATION**

**ARLINGTON GARDENS  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED MARCH 31, 2017**

**COMPUTATION OF PAYMENT IN LIEU OF TAXES**

	<u>CY 2017</u>	<u>CY 2016</u>
<b><u>Affordable Units Calculation:</u></b>		
Number of units	<u>61</u>	<u>61</u>
Gross shelter rent:		
Dwelling rental revenue	\$ 915,327	\$ 893,748
Less: fair market rental units	<u>(285,485)</u>	<u>(278,755)</u>
Total gross rents	629,842	614,993
Less: utilities expenses attributable to affordable units	<u>(69,213)</u>	<u>(66,026)</u>
Total gross shelter rent	560,629	548,967
Affordable units PILOT rate percentage	<u>6.28 %</u>	<u>6.28 %</u>
Affordable units PILOT for the period	<u>\$ 35,208</u>	<u>\$ 34,475</u>

**Market Rate Units Calculation:**

Number of units	<u>28</u>	<u>28</u>
Assessed value of the property	\$ 1,200,000	\$ 1,200,000
Multiplied by pro-rata share of market rate units	<u>45.90 %</u>	<u>28.73 %</u>
Pro-rata share of assessed value	550,800	344,760
Applicable tax rate	<u>7.482 %</u>	<u>7.482 %</u>
Market rate units PILOT for the period	<u>\$ 41,211</u>	<u>\$ 25,795</u>

**Fiscal Year PILOT Reconciliation:**

PILOT CY 2016 for three quarters (April through December)	\$ 45,203	
PILOT CY 2017 for one quarter (January through March)	<u>19,105</u>	
Total PILOT expense calculated for the year ended March 31, 2017	64,308	
Amount (prepaid) / payable at April 1, 2016	(1,759)	
Payments made during the period	<u>(60,105)</u>	
Amount (prepaid) / payable at March 31, 2017	<u>\$ 2,444</u>	

See Report of Independent Auditors