

**Annual
Financial Report**

of the

**Hunterdon County
Department of Public Housing**

For the Years Ended December 31, 2017 and 2016

Prepared By

Hunterdon County Department of Public Housing

Finance Department

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING
FLEMINGTON, NEW JERSEY

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Chosen Freeholders
Hunterdon County Department
of Public Housing
Flemington, New Jersey

We have audited the accompanying financial statements of the Hunterdon County Department of Public Housing as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hunterdon County Department of Public Housing'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 Hunterdon County Department of Public Housing'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

SUPLEE, CLOONEY & COMPANY

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hunterdon County Department of Public Housing at December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hunterdon County Department of Public Housing's basic financial statements. The financial data schedule, supplemental data schedules and schedule of expenditures of federal awards, as required by the Federal Uniform Grant Guidance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

SUPLEE, CLOONEY & COMPANY

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2018 on our consideration of the Hunterdon County Department of Public Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hunterdon County Department of Public Housing's internal control over financial reporting and compliance.

August 29, 2018

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS
UNAUDITED

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information.

OVERVIEW OF ANNUAL FINANCIAL REPORT

The MD&A represents management's examination and analysis of the Hunterdon County Department of Public Housing's (the "Department") financial condition and performance. Summary financial statement data was used to complete this analysis.

The Department's audited financial statements are presented in conformity with generally accepted accounting principles. The financial statements include: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and Notes to Financial Statements.

The Statement of Net Position presents the financial position of the Department on a historical cost basis. This statement presents information on the Department's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Department is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenue, Expenses and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net positions changed during the year.

The Statement of Cash Flows presents changes in cash and cash equivalents resulting from operating, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to Financial Statements provide required disclosures and other information that contributes to an understanding of material data provided in the statements. The notes present information that include accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the Federal Uniform Guidance.

FINANCIAL REPORT

Condensed Statements of Net Position

	December 31		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 477,422	\$ 929,628	\$474,454
Accounts Receivable – HUD		7,387	11,082
Loan Receivable	<u>300,000</u>	<u>300,000</u>	<u> </u>
Total Assets	<u>\$ 777,422</u>	<u>\$1,237,015</u>	<u>\$485,536</u>
Current Liabilities:			
Accounts and Accrued Expenses	\$ 16,250	\$ 24,650	\$ 12,025
Due to HUD	5,906	-0-	5,541
Unearned Revenue		<u>437,906</u>	<u> </u>
Total Current Liabilities	<u>22,156</u>	<u>462,556</u>	<u>17,566</u>
Net Position	<u>755,266</u>	<u>774,459</u>	<u>467,970</u>
Total Liabilities and Net Position	<u>\$ 777,422</u>	<u>\$1,237,015</u>	<u>\$485,536</u>

Total assets at December 31, 2017 consisted principally of cash and cash equivalents of \$477.4 thousand and \$929.6 thousand at December 31, 2016. Total receivables consisted of an overpayment to the County and Loan receivable of \$-0- and \$307,387 at December 31, 2017 and 2016, respectively. Total liabilities at December 31, 2017 and 2016 consisted principally of amounts due HUD, vendors and Unearned Income of \$22,156 and \$462,556, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	December 31		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues	\$5,116,030	\$5,228,329	\$5,123,633
Other Income	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>5,116,030</u>	<u>5,228,329</u>	<u>5,123,633</u>
Operating Expenses:			
Administration	489,746	517,722	524,364
Housing Assistance Payments	<u>4,686,537</u>	<u>4,803,712</u>	<u>4,716,770</u>
Total Operating Expenses	<u>5,176,283</u>	<u>5,321,434</u>	<u>5,241,134</u>
Operating Income (Loss)	(60,253)	(95,105)	(117,501)
Non-Operating Revenues (Expenses), Net	<u>41,060</u>	<u>98,415</u>	<u>85,402</u>
Net Income (Loss)	(19,193)	5,310	(32,099)
Prior Period Adjustments		301,179	(23,792)
Net Position:			
Beginning of Year	<u>774,459</u>	<u>467,970</u>	<u>523,861</u>
End of Year	<u>\$ 755,266</u>	<u>\$ 774,459</u>	<u>\$ 467,970</u>

Operating revenues consist principally of grants received from HUD. A total of \$5.1 million and \$5.2 million were received in each fiscal year ending December 31, 2017 and 2016. Subsidies for housing assistance are the largest operating expense totaling \$4.7 million and \$4.8 million, respectively.

For the years ended December 31, 2017 and 2016, individual program budgets were prepared by the Department and were approved by the Board of Freeholders. 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.

Prior Period Adjustment

The prior period adjustment for 2016 of \$301,179 is comprised of \$1,179 in miscellaneous adjustments for 2015 and \$300,000 for a loan made in 2005 that was previously expensed and is now recorded as a Loan Receivable.

The prior period adjustment for 2015 of \$23,792 is comprised of reserve transfer adjustments for 2014. The prior period adjustment for 2014 of \$828 is comprised of miscellaneous adjustments for 2013.

Significant Changes

Other than the Prior Period Adjustment, there were no other significant changes.

Condensed Statements of Cash Flows

	December 31		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Cash Provided by (Used in) Operating Activities	\$(493,266)	\$356,759	\$(89,406)
Net Cash Provided by Investing Activities	41,060	98,415	85,402
Net Cash Provided by Capital Related Activities	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(452,206)	455,174	(4,004)
Cash and Cash Equivalents:			
Beginning of Year	<u>929,628</u>	<u>474,454</u>	<u>478,458</u>
End of Year	<u>\$477,422</u>	<u>\$929,628</u>	<u>\$474,454</u>

The net cash increase/(decrease) amounted to \$(452) thousand and \$455 thousand for the years ended December 31, 2017 and 2016, respectively.

OVERVIEW

General

The Hunterdon County Department of Public Housing was created by the Board of Chosen Freeholders of the County of Hunterdon, New Jersey, for the purpose of assisting lower income families with securing affordable housing.

The Board of Freeholders maintains oversight and management responsibility of the Department. Employees of the County administer the day to day activities of the Department.

The combined financial statements include the accounts of all department operations. The Department is the lowest level of government over which the Department's Board of Chosen Freeholders and executive director exercise oversight responsibility. The statements do not include any other County Agencies.

Contacting the Department's Management

Questions concerning the Department's annual financial report should be addressed to the Department's Program Coordinator. The address of the Department is: County of Hunterdon, Department of Public Housing, P.O. Box 2900, Flemington, New Jersey 08822-2900.

BASIC FINANCIAL STATEMENTS

HUNTERDON COUNTY
DEPARTMENT OF PUBLIC HOUSING

STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

<u>A S S E T S</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 477,422	\$ 929,628
Due From HUD Other Projects		7,387
Loan Receivable	300,000	300,000
	<hr/>	<hr/>
<u>Total Current Assets</u>	<u>777,422</u>	<u>1,237,015</u>
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 777,422</u>	<u>\$ 1,237,015</u>
	<hr/>	<hr/>
<u>LIABILITIES AND NET POSITION</u>		
LIABILITIES:		
Accounts Payable - HUD	\$ 5,906	\$ -
Accounts Payable and Accrued Expenses	16,250	24,650
Unearned Revenue		437,906
	<hr/>	<hr/>
<u>Total Liabilities</u>	<u>22,156</u>	<u>462,556</u>
	<hr/>	<hr/>
NET POSITION:		
Unrestricted Net Position	757,998	758,697
Restricted Net Position	(2,732)	15,762
	<hr/>	<hr/>
<u>Net Position</u>	<u>755,266</u>	<u>774,459</u>
	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 777,422</u>	<u>\$ 1,237,015</u>
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The accompanying Notes are an integral part of these financial statements.

HUNTERDON COUNTY
DEPARTMENT OF PUBLIC HOUSING

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Revenues:</u>		
HUD Operating Grants	\$ 5,116,030	\$ 5,228,329
<u>Total Revenues</u>	<u>5,116,030</u>	<u>5,228,329</u>
<u>Expenses:</u>		
Administration	489,746	517,722
Housing Assistance Payments	4,686,537	4,803,712
<u>Total Expenses</u>	<u>5,176,283</u>	<u>5,321,434</u>
OPERATING INCOME (LOSS)	(60,253)	(93,105)
<u>Non Operating Revenue (Expense):</u>		
Interest Income		638
Miscellaneous	41,060	97,777
<u>NET INCOME/(LOSS)</u>	<u>(19,193)</u>	<u>5,310</u>
Prior Period Adjustments (See Note 4)		301,179
Net Position - Beginning of Year	774,459	467,970
Net Position - End of Year	<u>\$ 755,266</u>	<u>\$ 774,459</u>

The accompanying Notes are an integral part of these financial statements.

HUNTERDON COUNTY
DEPARTMENT OF PUBLIC HOUSING

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Cash Received for:		
HUD Operating Grants	\$ 4,685,511	\$ 5,671,776
Cash Paid to Employees and Suppliers for:		
Administration	492,240	511,305
Housing Assistance Payments	4,686,537	4,803,712
	<u>5,178,777</u>	<u>5,315,017</u>
Net Cash Provided (Used) by Operating Activities	<u>(493,266)</u>	<u>356,759</u>
Cash Flows from Investing Activities:		
Interest Income		638
Miscellaneous Receipts	41,060	97,777
Net Cash Provided by Investing Activities	<u>41,060</u>	<u>98,415</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(452,206)	455,174
Cash and Cash Equivalents, Beginning of Year	<u>929,628</u>	<u>474,454</u>
Cash and Cash Equivalents, End of Year	<u>\$ 477,422</u>	<u>\$ 929,628</u>
Reconciliation of Excess of Operating Revenues Over Expenses to Net Cash Provided by Operating Activities		
Net Operating Income (Loss)	\$ (60,253)	\$ (93,105)
Add (Deduct) Changes in Non-Cash Working Capital:		
Accounts Receivable Interprogram		
Accounts Payable	(8,400)	12,625
Due to HUD	5,906	(5,541)
Due to HUD Prior Period Adjustment		1,179
Unearned Revenue	(437,906)	437,906
Due From HUD Other Projects	7,387	3,695
Net Cash Provided By Operating Activities	<u>\$ (493,266)</u>	<u>\$ 356,759</u>

The accompanying Notes are an integral part of these financial statements.

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hunterdon County Department of Public Housing (the "Department") have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below.

The Department reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Reporting Entity

The Hunterdon County Department of Public Housing (the "Department") was created by the Board of Chosen Freeholders of the County of Hunterdon, New Jersey, for the purpose of assisting lower income families with securing affordable housing.

The Board of Freeholders maintains oversight and management responsibility of the Department. Employees of the County administer the day to day activities of the Department.

The combined financial statements include the accounts of all department operations. The Department is the lowest level of government over which the Department's Board of Chosen Freeholders and executive director exercise oversight responsibility. The statements do not include any other County Agencies.

The primary criterion for including activities within the Department's reporting entity, are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement 14, the Financial Reporting Entity is determined by the degree of oversight responsibility maintained by the Department. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Department over which it exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above in the current fiscal year.

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report Entity (Continued)

Based on the aforementioned criteria, the Department has no component units but, as Department, would be considered a component unit of the County of Hunterdon. The County of Hunterdon, however, reports on a statutory basis of accounting which does not recognize component units.

A. Basis of Accounting

The accrual basis of accounting is used by the Department for measuring financial position and operating results of its Proprietary Fund. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed.

Proprietary Fund revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable. Thus, for example, the Proprietary Funds recognize revenue in the period in which a service is provided, regardless of how long after the end of the period the revenue is expected to be collected.

Using the accrual basis of accounting is consistent with the Proprietary Fund focus on measuring all the costs of providing goods earned during that period by providing the goods or services.

B. Basis of Presentation

The general purpose financial statements included in this Report were prepared in accordance with GAAP applicable to governmental entities for Proprietary Fund Types.

Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with Proprietary Funds activities are included on its balance sheet. Proprietary Fund equity in the Enterprise Fund is segregated into donations, contributed capital and retained earnings.

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The Enterprise Fund is used for activities which are financed and operated in a manner similar to private business enterprise where the intent of the Department is that the costs (expense, including depreciation) of providing goods or services to its clients on a continuing basis be financed or recovered primarily through user charges or operating subsidies. The more significant of the Department's accounting policies are as follows:

Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificated of deposit and other investments with original maturities of less than three months from the date of purchase.

Investments are recorded at fair market value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight-line basis.

The Department is subsidized by the Federal Government. The Department is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

Operating Subsidiaries and grants received from HUD are recorded as income when earned.

Prepaid expenses are for payments made by the Department in the current year to provide services occurring in the subsequent fiscal year.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2: CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are summarized as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Checking	<u>\$477,422</u>	<u>\$929,628</u>

The cash on deposit of the Department is partially insured by Federal Deposit Insurance Corporation in the amount of \$250,000.00 in each depository.

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes permit the deposit of public funds only in banks which meet the requirements of the Governmental Unit Deposit Protection Act or the State of New Jersey Cash Management Fund. This Act, commonly referred to as "GUDPA", requires that banks which accept public funds to be a public depository. The statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Department does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2017, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balances was exposed to custodial credit risk.

Based upon the limitation set forth by New Jersey Statutes and existing Investment practices, the Department is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3: PENSION PLAN

Department employees participate in the Public Employee's Retirement System (PERS) of New Jersey, a multi-employer cost sharing plan. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the plan. The plan does not maintain separate records for each member in the state and, therefore, the actuarial data for the Department is not available.

Participating employees are required by State statute to contribute a certain percentage of their salary to the plan. In addition, the PERS generally bills the Department annually for its required contribution. No contributions were required by the Department for the year ended December 31, 2017.

NOTE 4: PRIOR PERIOD ADJUSTMENT

The prior period adjustment for 2016 of \$301,179 is comprised of \$1,179 in miscellaneous adjustments for 2015 and \$300,000 for a loan made in 2005 that was previously expensed and is now recorded as a Loan Receivable.

NOTE 5: LOAN RECEIVABLE

In 2005, the Department provided \$300,000 of permanent financing to a Hunterdon County low-income housing project for a period of 35 years. The loan does not accrue interest and is payable in full December 1, 2040. The outstanding balance at December 31, 2017 and 2016 is \$300,000 and \$300,000, respectively.

NOTE 6: ACTIVITIES OF THE DEPARTMENT OF PUBLIC HOUSING

The Department of Public Housing had 477 units in management.

	<u>Dwelling Units</u>	
	<u>Under ACC</u>	<u>Under Lease</u>
<u>HAP Program – Voucher</u>		
Project NJ 39-V084-001-005	427	421
<u>HAP Program – Mainstream</u>		
Project NJ 39-084-DY-001	<u>50</u>	<u>50</u>
	<u>477</u>	<u>471</u>

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7: SUBSEQUENT EVENTS

The Hunterdon County Department of Public Housing has evaluated subsequent events occurring after the financial statement date through August 29, 2018, which is the date the financial statements were available to be issued. Based on this evaluation, the Hunterdon County Department of Public Housing has determined that no subsequent events have occurred which require disclosure in the financial statements.

NOTE 8: LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Department may be a party to litigation. At December 31, 2017, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Department.

The Department receives financial assistance from the U.S. Government in the form of grants. 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. The Federal grants received and expended in years 2017 and 2016 are subject to the Federal Uniform Guidance which mandates that grant revenues and expenditures be audited in conjunction with the Department's annual audit. Substantially, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The Department management does not believe such an audit would result in material amounts of disallowed costs.

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SUPPLEMENTARY INFORMATION

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Housing Choice</u>	<u>Mainstream</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 471,516	\$ 5,906
Accounts Receivable HUD		
Accounts Receivable Other Government	300,000	
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 771,516</u>	<u>\$ 5,906</u>
<u>LIABILITIES AND NET POSITION</u>		
Accounts Payable and Accrued Expenses	\$ 16,250	5,906
Unearned Revenue		
Unrestricted Net Position	757,998	
Restricted Net Position	(2,732)	
	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 771,516</u>	<u>\$ 5,906</u>

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 HOUSING ASSISTANCE PAYMENTS PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Housing Choice</u>	<u>Mainstream</u>	<u>TOTAL</u>
<u>Operating Revenues:</u>			
HUD Operating Grants	\$ 4,578,104	\$ 537,926	\$ 5,116,030
Total Operating Revenues	<u>4,578,104</u>	<u>537,926</u>	<u>5,116,030</u>
<u>Operating Expenditures:</u>			
Administrative	438,898	50,848	489,746
Housing Assistance Payments	4,199,459	487,078	4,686,537
Fraud Recovery	(13,626)		(13,626)
Investment Income			
Other Revenue	<u>(27,434)</u>		<u>(27,434)</u>
Total Operating Expenditures	<u>4,597,297</u>	<u>537,926</u>	<u>5,135,223</u>
Net Operating Income (Loss)/Gain	(19,193)		(19,193)
Net Position, January 1	774,459	\$ -	774,459
Prior Year Adjustments			
Net Position, December 31	<u>\$ 755,266</u>	<u>\$ -</u>	<u>\$ 755,266</u>

SINGLE AUDIT



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Chosen Freeholders
Hunterdon County Department
of Public Housing
Flemington, New Jersey

We have audited the financial statements of Hunterdon County Department of Public Housing as of and for the year ended December 31, 2017 and have issued our report thereon dated August 29, 2018, in which we expressed an unmodified opinion. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hunterdon County Department of Public Housing's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Hunterdon County Department of Public Housing's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hunterdon County Department of Public Housing's internal control over financial reporting.

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 Hunterdon County Department of Public Housing'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.

SUPLEE, CLOONEY & COMPANY

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hunterdon County Department of Public Housing's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 Hunterdon County Department of Public Housing'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 Hunterdon County Department of Public Housing's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 29, 2018

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.



SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH FEDERAL UNIFORM GUIDANCE

Board of Chosen Freeholders
Hunterdon County Department
of Public Housing
Flemington, New Jersey

Report on Compliance for Each Major Federal Program

We have audited Hunterdon County Department of Public Housing's compliance with the types of compliance requirements described in the *Federal Uniform Grant Guidance* that could have a direct and material effect on each of major federal programs for the year ended December 31, 2017. Hunterdon County Department of Public Housing's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hunterdon County Department of Public Housing's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Federal Uniform Grant Guidance. Those standards and Federal Uniform Grant Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hunterdon County Department of Public Housing's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

SUPLEE, CLOONEY & COMPANY

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

Opinion on Each Major Federal Program

In our opinion, Hunterdon County Department of Public Housing 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, 2017.

Report on Internal Control Over Compliance

Management of Hunterdon County Department of Public Housing is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hunterdon County Department of Public Housing's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Federal Uniform Grant Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hunterdon County Department of Public Housing'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 or on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Federal Uniform Grant Guidance. Accordingly, this report is not suitable for any other purpose.

August 29, 2018



HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING
FLEMINGTON, NEW JERSEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL C.F.D.A. NUMBER	GRANT PERIOD	GRANTOR'S NUMBER	GRANT AWARD AMOUNT	FISCAL YEAR				
				RECEIPTS	EXPENDITURES	LOANS DISBURSED	SUBRECIPIENT EXPENDITURES	
Department of Housing and Urban Development								
Section 8 Housing Choice Vouchers	14.871	2017	NY-1233V \$ 4,578,104	\$ 4,578,104	\$ 4,578,104	\$ -	\$ -	
Section 8 Housing Choice Vouchers	14.879	2017	NY-1233V \$ 537,926	537,926	537,926	-	-	
Section 8 Mainstream Vouchers	14.879	2016	NY-1233V \$ 4,687,900	7,387	-	-	-	
				<u>\$ 5,123,417</u>	<u>\$ 5,116,030</u>	<u>\$ -</u>	<u>\$ -</u>	

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2017

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Hunterdon County Department of Public Housing. The Department is defined in the Notes to the Department's financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Department's financial statements.

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

NOTE 5: OTHER

Matching contributions expended by the Department in accordance with terms of the various grants are not reported in the accompanying schedules.

NOTE 6: COST RATE

The accompanying schedules include indirect costs that were claimed for reimbursement using a Cost Rate Proposal approved by the funding entity.

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING
 SUPPLEMENTARY INFORMATION
 FINANCIAL DATA SCHEDULE - SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES PROGRAM
 AND SECTION 8 HOUSING CHOICE VOUCHER PROGRAM
 FOR THE YEAR ENDED DECEMBER 31, 2017

Line Item No.	Description	Total Programs	14.879 Maintstream	14.871 Housing Choice Vouchers
	Balance Sheet			
111	Cash-Unrestricted	\$ 477,422	\$ 5,906	\$ 471,516
113	Cash-Other Restricted	\$ -	\$ -	\$ -
100	Total Cash	\$ 477,422	\$ 5,906	\$ 471,516
122	Accounts Receivable-HUD Other Projects	\$ -	\$ -	
124	Accounts Receivable-Other Government	\$ 300,000		\$ 300,000
120	Total Receivables, Net of Allowance for Doubtful		\$ -	\$ 300,000
144	Inter Program - Due From County	\$ -	\$ -	\$ -
150	Total Current Assets	\$ 777,422	\$ 5,906	\$ 771,516
190	Total Assets and Deferred Outflow of Resources	\$ 777,422	\$ 5,906	\$ 771,516
312	Accounts Payable <= 90 days	\$ 22,156	\$ 5,906	\$ 16,250
331	Accounts Payable HUD PHA Programs	\$ -	\$ -	\$ -
333	Accounts Payable-Other Government	\$ -	\$ -	\$ -
342	Unearned Revenue	\$ -	\$ -	\$ -
347	Inter Program - Due To	\$ -	\$ -	\$ -
310	Total Current Liabilities	\$ 22,156	\$ 5,906	\$ 16,250
300	Total Liabilities	\$ 22,156	\$ 5,906	\$ 16,250
511.4	Restricted Net Position	\$ -	\$ -	\$ -
512.4	Unrestricted Net Position	\$ 755,266	\$ -	\$ 755,266
513	Total Equity - Net Assets / Position	\$ 755,266	\$ -	\$ 755,266
600	Total Liabilities, Deferred Inflows of Resources and Net Assets / Position	\$ 777,422	\$ 5,906	\$ 771,516
	Income Statement			
70600-010	Housing Assistance Payments	\$ 5,116,030	\$ 537,926	\$ 4,578,104
70600-020	Ongoing Administrative Fees Earned	\$ -	\$ -	\$ -
70600	HUD PHA Operating Grants	\$ 5,116,030	\$ 537,926	\$ 4,578,104
71100-010	Housing Assistance Payments	\$ -	\$ -	\$ -
71100	Investment Income - Unrestricted	\$ -	\$ -	\$ -
71400	Fraud Recovery	\$ 13,626	\$ -	\$ 13,626
71500	Other Revenue	\$ 27,434	\$ -	\$ 27,434
70000	Total Revenue	\$ 5,157,090	\$ 537,926	\$ 4,619,164
91100	Administrative Salaries	\$ 225,059	\$ 29,909	\$ 195,150
91200	Auditing Fees	\$ 9,200	\$ 1,000	\$ 8,200
91500	Employee Benefit Contributions - Administrative	\$ 91,775	\$ 19,939	\$ 71,836
91600	Office Expenses	\$ 142,104	\$ -	\$ 142,104
91700	Legal Expense	\$ -	\$ -	\$ -
91900	Other	\$ 15,987	\$ -	\$ 15,987
91000	Total Operating-Administrative	\$ 484,125	\$ 50,848	\$ 433,277
96200	Other General Expenses	\$ 5,621	\$ -	\$ 5,621
96000	Total Other General Expenses	\$ 5,621	\$ -	\$ 5,621
96900	Total Operating Expenses	\$ 489,746	\$ 50,848	\$ 438,898
97000	Excess Operating Revenue Over Operating Expenses	\$ 4,667,344	\$ 487,078	\$ 4,180,266

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

SUPPLEMENTARY INFORMATION

FINANCIAL DATA SCHEDULE - SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES PROGRAM

AND SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

FOR THE YEAR ENDED DECEMBER 31, 2017

Line Item No.	Description	Total Programs	14.879	14.871
			Mainstream	Housing Choice Vouchers
97300-050	All Other	\$ 4,660,873	\$ 487,078	\$ 4,173,795
97350	HAP Portability-In	\$ 25,664	\$ -	\$ 25,664
97300	Housing Assistance Payments	\$ 4,686,537	\$ 487,078	\$ 4,199,459
90000	Total Expenses	\$ 5,176,283	\$ 537,926	\$ 4,638,357
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (19,193)	\$ -	\$ (19,193)
11030	Beginning Equity	\$ 774,459	\$ -	\$ 774,459
11040-010	Prior period adjustments, Equity Transfers and Correction	\$ -	\$ -	\$ -
11040	Prior period adjustments, equity transfers, and correction of errors	\$ -	\$ -	\$ -
11170	Administrative Fee Equity-Beginning Balance	\$ -	\$ -	\$ -
11170-010	Administrative Fee Revenue	\$ -	\$ -	\$ -
11170-040	Investment Income	\$ -	\$ -	\$ -
11170-045	Fraud Recovery Revenue	\$ -	\$ -	\$ -
11170-050	Other Revenue	\$ -	\$ -	\$ -
11170-060	Total Admin Fee Revenues	\$ -	\$ -	\$ -
11170-080	Total Operating Expenses	\$ -	\$ -	\$ -
11170-110	Total Expenses	\$ -	\$ -	\$ -
11170-002	Net Administrative Fee	\$ -	\$ -	\$ -
11170-003	Administrative Fee Equity-Ending Balance			
11170	Administrative Fee Equity	\$ 757,998	\$ -	\$ 757,998
11180-001	Housing Assistance Payments Equity-Beginning Balance		\$ -	\$ -
11180-010	Housing Assistance Payment Revenues	\$ -	\$ -	\$ -
11180-015	Fraud Recovery Revenue	\$ -	\$ -	\$ -
11180-025	Investment Income	\$ -	\$ -	\$ -
11180-030	Total HAP Revenues	\$ -	\$ -	\$ -
11180-080	Housing Assistance Payments	\$ -	\$ -	\$ -
11180-100	Total Housing Assistance Payments Expenses	\$ -	\$ -	\$ -
11180-002	Net Housing Assistance Payments	\$ -	\$ -	\$ -
11180-003	Housing Assistance Payments Equity-Ending Balance			
11180	Housing Assistance Payments Equity	\$ (2,732)	\$ -	\$ (2,732)
11190-210	Total ACC HCV Units	5,652	600	5,052
11190	Unit Months Available	5,652	600	5,052
11210	Unit Months Leased	5,602	593	5,009
11270	Excess Cash	\$ -	\$ -	\$ -

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--------------------------------------------------------------------------------------------|------------|
| (1) Type of Auditor Report Issued: | Unmodified |
| (2) Internal Control Over Financial Reporting: | |
| (a) Material weaknesses identified? | No |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| Noncompliance material to basic financial statements noted? | No |

Federal Program(s)

- | | |
|--------------------------------------------------------------------------------------------------------------------|------------|
| (1) Internal Control Over Major Federal Programs: | |
| (a) Material weaknesses identified? | No |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) Type of Auditor's Report issued on compliance for major Federal program(s)? | Unmodified |
| (3) Any audit findings disclosed that are required to be reported in accordance with the Federal Uniform Guidance? | No |
| (4) Identification of Major Federal Program(s): | |

<u>Program</u>	<u>CFDA</u>
Section 8 Housing Choice Vouchers	14.871
Section 8 Housing Mainstream Vouchers	14.879

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Summary of Auditor's Results (Continued)

Federal Programs (Continued)

(5) Program Threshold Determination:

Type A Federal Program Threshold > \$750,000.00

Type B Federal Program Threshold > \$187,500.00 <= \$750,000.00

(6) Auditee qualified as a low-risk auditee under the Federal Uniform Guidance? No

Section II - Financial Statement Audit - Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III - Findings and Questioned Costs Relative to Major Federal Programs

Federal Programs – Not Applicable

HUNTERDON COUNTY DEPARTMENT OF PUBLIC HOUSING

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Status of Prior Year Audit Findings – None Reported



