

ATTACHMENTS CHECKLIST			
Required	Check if included	Review full instructions thoroughly with staff prior to submission.	
always	✓	A1. PHOTOS	site conditions & surroundings (2-3 photos may be enough for pre-proposal)
	✓	A2. MAP	of site in relation to nearest major roads, schools, shopping, transit, etc.
	✓	A3. TIMELINE	including financing, permitting, construction & occupancy
B. SITE CONTROL & PROJECT FINANCES			
always	✓	Legally binding option, purchase & sale agreement or deed Status of requested HUD approval for disposition of project site.	
	✓	Developer commitment to pursue permanent affordability	
		Appraisal by an independent, certified real estate appraiser	
	✓	Development pro forma	
	✓	Scope of construction work, supported by professional cost estimates Not submitted.	
	✓	Non-Newton funding: sources, commitment letters or application/decision schedules	
	✓	Market analysis: including prevailing/trending rents or prices & target population	
as-needed		Home inspection report by a licensed professional, for rehabilitation projects	
rental only	✓	10-year operating budget (pre-proposals need only a short draft)	
		Rental subsidy, if any: sources, commitment letters or application/decision schedules	
C. DESIGN & CONSTRUCTION			
required	✓	Materials & finishes; highlight “green” or sustainable features or proposed certification	
	✓	Detailed site & floor plans, elevations for major rehabilitation and all new construction	
D. RELOCATION, FAIR HOUSING & ACCESSIBILITY			
always	✓	Affirmative marketing & resident selection plan	
	✓	Reasonable accommodation/reasonable modification policy	
	✓	Architectural access worksheet (see below)	
E. SITE REVIEW, ZONING & PERMITTING			
always	✓	Brief property history, covering at least the previous 30 years of ownership & use	
as needed	✓	Environmental mitigation plan, including lead paint, asbestos, underground tanks	
	✓	Confirmation of review by Development Review Team (DRT) and zoning relief / permits required (such as parking, building, demolition, comprehensive or special permit)	
		Any other approvals required: Newton Conservation Commission, Commission on Disability, Mass. Architectural Access Board, etc.	
F. DEVELOPER CAPACITY & QUALIFICATIONS			
always	✓	Organization mission & current housing portfolio, including how this project fits both	
	✓	Previous similar projects completed, with photographs	
	✓	Resumes for development team, including affiliations with City boards or commissions	
	✓	Most recent audited annual financial statement of parent company or organization	
	✓	Fair housing: training completed, past complaints & their resolution	
nonprofits	✓	Most recent annual organizational operating budget	
	✓	Organization board of directors: including skills, experience, tenure & affiliations with City boards or commissions	
always		G. LETTERS or PETITIONS of SUPPORT, if available	

GUYDER HURLEY



NEWTON HOUSING AUTHORITY

Newton Highlands, Massachusetts

FINANCIAL STATEMENTS

December 31, 2015



ASSURANCE // ACCOUNTING // TAX // ADVISORY

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INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Newton Housing Authority
Newton Highlands, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Newton Housing Authority, Newton Highlands, MA, as of December 31, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Newton Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Newton Housing Authority's 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 opinions 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the required supplemental information presented on pages 41 through 44, as listed 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 audits 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 evidence sufficient to express an opinion or provide any assurance.

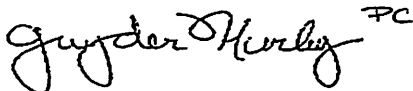
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton Housing Authority's basic financial statements. The supplemental information presented on pages 46 through 55, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information presented on pages 46 through 55 and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates 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 supplemental information presented on pages 46 through 55 and the Schedule of Expenditures of Federal Awards 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, we have issued our report dated August 30, 2016 on our consideration of the Newton Housing Authority'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



Quincy, Massachusetts
August 30, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

NEWTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

As management of the Newton Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the end of fiscal year 2015 by \$19,129,961 (net position).
- The net position of the Authority consisted of invested in capital assets, net of related debt in the amount of \$15,981,022, restricted net position in the amount of \$912,277 and unrestricted net position in the amount of \$2,236,662.
- The Authority's cash and investments at December 31, 2015 was \$7,151,155, representing an increase of \$737,734 from December 31, 2014.
- The Authority had intergovernmental revenues of \$8,929,986, program revenues (charges for services) and other revenues of \$2,577,449. The Authority's total expenses (exclusive of depreciation expense) were \$10,099,072 for the year ended December 31, 2015.
- The Authority's capital outlays for the year were \$954,088.

OVERVIEW OF THE NEWTON HOUSING AUTHORITY

The Authority was created in 1959 to provide and promote safe and sanitary housing for low-income persons residing in Newton, MA. The Authority is a municipal corporation located in Newton, MA as was established under Chapter 121B of the State Statutes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements consist of two parts - 1) Management's Discussion and Analysis, which is intended to serve as an introduction to the Authority's basic financial statements, and 2) the Authority's basic financial statements which are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains the schedule of expenditures of federal awards as supplementary information in addition to the basic financial statements themselves.

The Authority is considered by accounting principles generally accepted in the United States of America (GAAP) to be a special purpose government accounted for as enterprise funds. Its chartered purpose is the housing of low and moderate income families and elderly individuals. All of the activities, programs and grants administered by the Authority are focused for that purpose.

As a single purpose enterprise fund government, the Authority is permitted to issue combined entity level and fund level financial statements. These statements report financial information for each of the Authority's funds and a combined total of all funds that represents the Authority wide financial position. The following is a brief description of each financial statement.

NEWTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

The government-wide 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.

STATEMENT OF NET POSITION

- The Statement of Net Position is prepared using the accrual basis of accounting and provides information relating to all financial and capital resources for the Authority as of the reporting date and related debts and other liabilities. The Statement of Net Position is presented in a format where assets plus deferred outflows less liabilities and deferred inflows equals net position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business), and "Non-current."
- Net position (formerly net assets) represent the cumulative effect of revenue and expenses. It is also the difference between the sum of assets and deferred outflows less the sum of liabilities and deferred inflows. Net position is reported in three broad categories:

Unrestricted Net Position is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire authority.

Invested in Capital Assets, Net of Related Debt consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Statement of Revenue Expenses and Changes in Fund Net Position

- This statement is similar to an Income Statement. This Statement includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance and depreciation; and non-operating revenue and expenses, such as grant revenue, investment income and interest expense and capital contributions and operating transfers.
- The focus of this Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position," which is similar to Net Income or Loss.

Statement of Cash Flows

The Statement of Cash Flows shows the sources and amounts from which the Authority received cash such as income from tenants, income from grants, loans, etc. and the items and amounts for which cash was used such as payments to vendors and contractors, payments to employees, repayment of loans etc. The statement is divided into four major sections: operating activities, non-capital financing activities, capital and related financing activities and investing activities. The statement functions down to the net increase or decrease in the Authority's cash accounts for the reporting period.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

THE AUTHORITY'S FUND

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Business Type Funds – The Authority maintains a business type fund, which is also called an enterprise fund. The programs supporting this fund are as follows:

Federal Public Housing – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income. In addition HUD provides capital improvement dollars through multiple capital grant programs.

Section 8 Housing Choice Voucher – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenants share of the rent not to exceed a predetermined payment standard.

Section 8 New Construction Program – HUD provides a direct mortgage to a third party owner of a residential rental building. As a condition of the mortgage on the building, the owner enters into a long-term contract to rent some or all of the dwelling units to low income individuals or families and receive project based Section 8 rental assistance. Under the contract, the owner receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations. On behalf of HUD, the Authority monitors the compliance with the agreement, as well as paying the HAP expense to the owner.

Business Activities / City of Newton's Ten Percent Zoning Ordinance - The Authority, through the City of Newton's Ten Percent Zoning Ordinance, is the recipient of monies or units of housing donated from developers of for-profit housing in Newton. This ordinance enables the Authority to broaden the scope of services it provides to the community by operating or buying additional affordable housing to lease to low and moderate income individuals and families.

State and Local Programs – The Authority operates the following state and local programs:

- **State Consolidated Chapters 667 and 705** – Under these programs the Authority owns, operates and maintains rental housing acquired with grants from Massachusetts Department of Housing & Community Development (DHCD). Dwelling units are leased to low income tenants and the elderly at rates based on their ability to pay. Operations are supported by the DHCD via operating grants.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

- State Chapter 689 Housing – Under this program the Authority owns operates and maintains rental housing acquired with grants from DHCD. The building is generally rented to a non-profit corporation who provides health and human resource needs to mentally disabled individuals.
- State Chapter 707 Housing (MRVP)– DHCD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a contract amount.
- State Modernization Program – DHCD provides grant funds to authorities with State Consolidated units based on the Authority's application and determination of need. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the State Consolidated Housing Program.
- Authority-Owned Section 8 New Construction - DHCD provides a direct mortgage to the Authority as owners of a residential rental building. As a condition of the mortgage or the mortgage insurance on the building the Authority has entered into a long-term contract to rent some or all of the dwelling units to low income individuals or families and receive project based Section 8 rental assistance from DHCD through a contract between DHCD and HUD. Under the contract the Authority receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations.

AN OVERVIEW OF THE AUTHORITY – WIDE FINANCIAL POSITION AND OPERATIONS

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

The Authority's total assets and deferred outflows at December 31, 2015 were \$26.28 million, an increase of \$1.01 million, or 4.00% from December 31, 2014.

The Authority's overall financial position and results of operations are presented at the end of this report.

CAPITAL ASSETS

As of December 31, 2015, the Authority's investment in capital assets for its governmental activities was \$18,536,071 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, equipment, and computer software.

Major capital asset purchases during the current fiscal year include the following:

Capital expenditures of \$947,299 were made for the improvement of the Authority's rental units.
Capital expenditures of \$6,789 were made for the purchase of new equipment.

NEWTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

LONG-TERM DEBT

As of December 31, 2015, the Authority has a total \$2,555,049 of long-term debt consisting of 7 separate mortgages secured by the properties acquired by the Authority's State and Local Program. Of the total, \$2,436,328 represents the long-term portion and \$118,721 represents the current portion of the debt.

NEW ACCOUNTING STANDARDS ADOPTED

The Authority in accordance with GASB 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 recorded and reported 3 new accounts – Net Pension Liability, Deferred Outflow and Deferred Inflow, as well as recording additional employee benefit expense for these new accounts. The new standard requires the Authority to record its proportionate share of the net pension liability owed to current and former employees of the Authority as of the fiscal year end. In recording of this net liability the Authority has recorded additional employee benefit expense as well as two new accounts deferred outflow and deferred inflow. The Authority's deferred outflows represents resources still held by the Authority, even though the event that these resources will be used for has occurred the recognition of these resources as an expense is deferred because the period that the used resources relates to has not occurred. Similarly, the Authority's deferred inflows represents resources received by the Authority, even though the event that these resources was earned and collected for has occurred the recognition of these resources as a revenue is deferred because the period that the earned resources relates to has not occurred.

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

The following factors were considered in preparing the Authority's budget for the 2016 fiscal year:

- There will be significant increases in employee benefit costs relating to health insurance and PHA share of retirement costs.
- The budget was prepared with the knowledge that the operating subsidy for the Low Rent Program is expected to be decreased from the prior year funding of 85% to an expected 82% proration of the CY 2015 Operating fund. The Authority budgeted admin fee revenue of the Housing Choice Voucher Program at 80%, which is an increase from the prior fiscal year of 75%. In addition to the admin fee proration the Authority budgeted HAP expenses at 100% of its CY 2015 HAP funding.
- The Massachusetts State Housing Programs' operating expenses, other than utility costs, are being funded by the State at a 0.0% increase from the prior year level.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

There are currently no future events that can be anticipated that will have a financial impact on the Authority.

REQUEST FOR INFORMATION

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, Newton Housing Authority, 82 Lincoln Street, Newton, MA 02461 or call (617) 552-5501.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Newton Housing Authority
Statements of Net Position
December 31, 2015 and 2014

	2015	2014	Increase (Decrease)	Percent Change
Current Assets	\$ 7,304,606	\$ 6,661,250	\$ 643,356	9.66%
Capital Assets, Net of Depreciation	18,536,071	18,608,862	(72,791)	-0.39%
Deferred Outflow of Resources	<u>440,289</u>	<u>-</u>	<u>440,289</u>	
Total Assets and Deferred Outflows	<u>\$ 26,280,966</u>	<u>\$ 25,270,112</u>	<u>\$ 1,010,854</u>	4.00%
Current Liabilities	\$ 1,021,979	\$ 451,152	\$ 570,827	126.53%
Non-Current Liabilities	<u>6,129,026</u>	<u>3,531,602</u>	<u>2,597,424</u>	73.55%
Total Liabilities and Deferred Inflows	<u>7,151,005</u>	<u>3,982,754</u>	<u>3,168,251</u>	79.55%
Net Position:				
Invested in Capital Assets, Net of Debt	15,981,022	15,583,979	397,043	2.55%
Restricted	912,277	1,078,630	(166,353)	-15.42%
Unrestricted	<u>2,236,662</u>	<u>4,624,749</u>	<u>(2,388,087)</u>	-51.64%
Total Net Position	<u>\$ 19,129,961</u>	<u>\$ 21,287,358</u>	<u>\$ (2,157,397)</u>	-10.13%

The Authority's combined net position decreased by \$2,157,397 from a year ago. This represents a decrease of 10.13%. This decrease is a combination of three components of net position: 1) Invested in capital assets, net of debt - an increase of \$397,043, 2) Restricted net position - a decrease of \$166,353, and 3) Unrestricted net position - a decrease of \$2,388,087.

The increase (decrease) in invested in capital assets, net of debt consists of the following items:

Capital grants received and expended	\$ 839,111
Capital purchases from operations	114,977
Depreciation expense	(1,026,879)
Capital debt principal paid	<u>469,834</u>
Net increase (decrease) in invested in capital assets	<u>\$ 397,043</u>

The increase (decrease) in restricted net position consists of the following items:

Restricted Revenue - HCV	\$ 5,826,664
Restricted Expenses - HCV	(5,740,090)
Restricted Expenses - All other programs	<u>(252,927)</u>
Net increase (decrease) in restricted net position	<u>\$ (166,353)</u>

NEWTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

The increase (decrease) in unrestricted net position consists of the following items:

Revenues and operating grants (excluding restricted revenue and capital)	\$ 4,981,015
Expenses (excluding depreciation and restricted expenses)	(4,245,410)
Capital purchases from operations	(114,977)
Capital debt principal paid	(469,834)
GASB 68 – Prior Year Pension Expenses	<u>(2,538,881)</u>
Net increase (decrease) in unrestricted net position	<u>\$ (2,388,087)</u>

Other items of major change from 2014 to 2015:

Current assets increased by \$643,356 or 9.66%. This increase is related to the increase in cash and cash equivalents of \$735,000. The cash increased due to the positive net income the Authority experienced in FY 2015 (excluding the charge to reserves for prior year GASB 68 expenses). In addition, the Authority was holding more cash which is offset by higher current liabilities balances which have not yet been paid by year end.

The deferred outflows of \$440,289 represents the Authority's future pension payments to their retirement system. This account is recorded as part of the implementation of GASB 68 Pension Accounting Standard.

Current liabilities increased by \$570,827 or 126.53%. This increase is related to an increase in AP other government. The Authority, in FY 2015, received more funds for its State programs than it was eligible for thus recording a larger AP other government to repay the extra funds received.

Noncurrent liabilities increased by \$2,597,424 or 73.55%. The increase is due to the recording of the net pension liability of \$2,937,454 in accordance with the new GASB 68 Pension Accounting Standard, offset by the reduction in long term debt of \$469,834.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Newton Housing Authority
 Statements of Revenues, Expenses and Changes in Fund Net Position
 For the Years Ended December 31, 2015 and 2014

	2015	2014	Increase (Decrease)	Percentage Change
Operating Revenues				
Rental Income	\$ 2,413,351	\$ 2,381,969	\$ 31,382	1.32%
Other Income	<u>111,094</u>	<u>115,943</u>	<u>(4,849)</u>	-4.18%
Total Operating Revenues	<u>2,524,445</u>	<u>2,497,912</u>	<u>26,533</u>	1.06%
Expenses				
Housing Assistance Payments	5,534,774	5,581,632	(46,858)	-0.84%
Maintenance	1,662,985	1,499,809	163,176	10.88%
Administration	1,379,950	1,271,863	108,087	8.50%
Utilities	1,200,823	1,080,211	120,612	11.17%
Depreciation	1,026,879	1,016,931	9,948	0.98%
Insurance	158,241	155,169	3,072	1.98%
General	27,211	62,693	(35,482)	-56.60%
Tenant Services	<u>2,436</u>	<u>-</u>	<u>2,436</u>	
Total Expenses	<u>10,993,299</u>	<u>10,668,308</u>	<u>324,991</u>	3.05%
Operating Loss	<u>(8,468,854)</u>	<u>(8,170,396)</u>	<u>(298,458)</u>	3.65%
Nonoperating Revenues (Expenses)				
HUD PHA Grants	7,733,926	7,424,614	309,312	4.17%
Other Government Grants	913,151	636,779	276,372	43.40%
HUD Capital Grants	282,909	79,689	203,220	255.02%
Investment Income	53,004	29,760	23,244	78.10%
Interest Expense	<u>(132,652)</u>	<u>(156,647)</u>	<u>23,995</u>	-15.32%
Total Nonoperating Revenues	<u>8,850,338</u>	<u>8,014,195</u>	<u>836,143</u>	10.43%
(Decrease) Increase in Net Position	<u>381,484</u>	<u>(156,201)</u>	<u>537,685</u>	-344.23%
Net Position, Beginning of Year	<u>21,287,358</u>	<u>21,443,559</u>	<u>(156,201)</u>	-0.73%
Prior Year GASB 68 Pension Expense	<u>(2,538,881)</u>	<u>-</u>	<u>(2,538,881)</u>	
Net Position, End of Year	<u>\$ 19,129,961</u>	<u>\$ 21,287,358</u>	<u>\$ (2,157,397)</u>	-10.13%
This statement excludes HAP Port In Revenue and Expenses of			FY 2015	\$ 139,355
			FY 2014	<u>\$ 156,218</u>

NEWTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

The major changes from 2014 to 2015 of the Statement of Revenues, Expenses and Changes in Fund Net Position are:

- Utility expenses increased by \$120,612 or 11.17%. This increase is a result of higher electricity costs. These costs were higher as consumption was increased due to the harsher winter heating season. In addition, the Authority saw higher electricity rates in FY 2015 than in FY 2014.
- General expenses decreased by \$35,482 or 56.60%. This decrease was a result of a decrease in compensated absences expense. This decrease was a result of fewer employees carrying unused vacation time from one calendar year into the next.
- Other government grants increased by \$276,372 or 43.40%. The increase is related to an increase in modernization work which is a direct reimbursement from the state.
- HUD capital grants increased by \$203,220 or 255.02%. This is related to the amount of work completed under the HUD capital grant program as expenditures are direct reimbursements from HUD.
- Interest income increased by \$23,244 or 78.10%. This increase is a result of an increase in available cash for investing purposes during the year.
- Interest expense decreased by \$23,995 or 15.32%. This decrease is a result of the Authority carrying a smaller debt balance throughout FY 2015 as compared to FY 2014. The Authority also repaid 3 individual mortgages during the year reducing the principal balance outstanding during the year.
- GASB 68 expense – this expense relates to the recording of the Authority's Net Pension Liability in accordance with GASB 68 Pension Accounting Standard.

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE
SAN FRANCISCO

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Department of Revenue at San Francisco, California, this 15th day of January, 1964.

COMMISSIONER OF REVENUE

C. J. [Name]

BASIC FINANCIAL STATEMENTS

The following financial statements are prepared in accordance with the provisions of the California Revenue Code, Chapter 1, Article 1, Section 100, and the California Revenue Code, Chapter 1, Article 1, Section 101.

COMMISSIONER OF REVENUE

NEWTON HOUSING AUTHORITY

STATEMENT OF NET POSITION
December 31, 2015

ASSETS

Current Assets:

Cash and cash equivalents - Note 4	\$ 6,229,132
Restricted cash and cash equivalents - Notes 4 & 5	91,437
Accounts receivable, net - Note 6	38,038
Prepaid expenses and other current assets	<u>115,413</u>
Total Current Assets	<u>6,474,020</u>

Noncurrent Assets:

Restricted cash and cash equivalents - Notes 4 & 5	830,586
Capital assets, net of accumulated depreciation - Note 7	<u>18,536,071</u>
Total Noncurrent Assets	<u>19,366,657</u>

Total Assets	<u>25,840,677</u>
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DEFERRED OUTFLOWS OF RESOURCES - Note 12	<u>440,289</u>
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LIABILITIES

Current Liabilities:

Current portion of long term debt - Note 9	118,721
Accounts payable	115,135
Accounts payable, HUD	8,292
Accounts payable, other government	648,019
Accrued wages and current portion of compensated absences	39,897
Interest payable	2,473
Unearned revenue	<u>89,442</u>
Total Current Liabilities	<u>1,021,979</u>

Noncurrent Liabilities:

Long term debt, net of current portion - Note 9	2,436,328
Accrued compensated absences, net of current portion - Note 8	80,485
Other noncurrent liabilities - Note 8	9,746
Accrued pension - Notes 8 & 12	2,937,454
OPEB liability - Notes 8 & 13	<u>665,013</u>
Total Noncurrent Liabilities	<u>6,129,026</u>

Total Liabilities	<u>7,151,005</u>
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NET POSITION

Net investment in capital assets	15,981,022
Restricted - Note 3	912,277
Unrestricted (deficit)	<u>2,236,662</u>

Total Net Position	<u>\$ 19,129,961</u>
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NEWTON HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the year ended December 31, 2015

OPERATING REVENUES	
Tenant rental income	\$ 2,413,351
Other revenue	<u>111,094</u>
Total Operating Revenues	<u>2,524,445</u>
OPERATING EXPENSES	
Housing assistance payments	5,534,774
Repair and maintenance	1,662,985
Administration	1,379,950
Utilities	1,200,823
Depreciation expense	1,026,879
Insurance expense	158,241
Other general expenses	27,211
Tenant services	<u>2,436</u>
Total Operating Expenses	<u>10,993,299</u>
Operating Loss	<u>(8,468,854)</u>
NONOPERATING REVENUES (EXPENSES)	
HUD grants and contributions	7,733,926
Other government grants and contributions	356,949
Interest and investment revenue	53,004
Interest expense	<u>(132,652)</u>
Total Nonoperating Revenues	<u>8,011,227</u>
Loss before Capital Contributions and Transfers	<u>(457,627)</u>
CAPITAL CONTRIBUTIONS & TRANSFERS	
Other government capital grants and contributions	556,202
HUD capital grants and contributions	<u>282,909</u>
Total Capital Contributions and Transfers	<u>839,111</u>
Change in Net Position	381,484
Net Position - Beginning of Year - As Restated - Note 18	<u>18,748,477</u>
Net Position - End of Year	<u>\$ 19,129,961</u>

*Sec. 87
HUD
State*

NEWTON HOUSING AUTHORITY

STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tenants	\$ 2,414,954
Other operating receipts	101,284
Payments to employees	(2,003,348)
Payments to suppliers	<u>(7,897,659)</u>
Net cash used in operating activities	<u>(7,384,769)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
HUD grants	7,735,809
Other government grants	<u>988,706</u>
Net cash provided by noncapital financing activities	<u>8,724,515</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Other government capital grants	607,774
HUD capital grants	294,109
Interest expense	(132,977)
Payments on long term debt	(469,834)
Acquisitions of capital assets	<u>(954,088)</u>
Net cash used in capital and related financing activities	<u>(655,016)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>53,004</u>
Net cash provided by investing activities	<u>53,004</u>
Net increase in cash and cash equivalents	737,734
Cash and cash equivalents at beginning of year	<u>6,413,421</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,151,155</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (8,468,854)
Adjustments:	
Depreciation	1,026,879
Change in assets and liabilities:	
Decrease in accounts receivable, tenants	6,239
Increase in accounts receivable, other	(1,866)
Decrease in prepaid expenses and other current assets	91,534
Increase in accounts payable	73,364
Decrease in accounts payable, other government	(190,397)
Increase in compensated absences and accrued wages	27,152
Decrease in accrued pension liability	(41,716)
Increase in OPEB liability	99,571
Increase in accrued expenses and other current liabilities	19
Decrease in unearned operating revenue	<u>(6,694)</u>
Net cash used in operating activities	<u><u>\$ (7,384,769)</u></u>

See Accompanying Notes

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – ORGANIZATION

The Newton Housing Authority (the Authority) was incorporated under the laws of the Commonwealth of Massachusetts. The Authority operates under a board of commissioner form of government to provide safe and decent housing to low and moderate income families and elderly individuals.

The Authority maintains its accounting records by program and operates the following programs:

Low Rent Public Housing – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of the Authority.

Section 8 Housing Choice Voucher – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program, qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard.

Section 8 New Construction Program – HUD provides a direct mortgage to a third party owner of a residential rental building. As a condition of the mortgage on the building, the owner enters into a long-term contract to rent some or all of the dwelling units to low income individuals or families and receive project-based Section 8 rental assistance. Under the contract, the owner receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations. On behalf of HUD, the Authority monitors the compliance with the agreement, as well as paying the HAP expense to the owner.

Business Activities / City of Newton's Ten Percent Zoning Ordinance – The Authority, through the City of Newton's Ten Percent Zoning Ordinance, is the recipient of monies or units of housing donated from developers of for-profit housing in Newton. This ordinance enables the Authority to broaden the scope of services it provides to the community by operating or buying additional affordable housing to lease to low and moderate income individuals and families.

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – ORGANIZATION – (Continued)

State and Local Programs – The Authority operates the following state and local programs:

State Consolidated and State Chapter 705 Housing – Under these programs, the Authority owns, operates and maintains rental housing acquired with grants from Massachusetts Department of Housing & Community Development (DHCD). Dwelling units are leased to low income tenants at rates based on their ability to pay. Operations are supported by DHCD via operating grants.

State Chapter 689 Housing – Under this program, the Authority owns operates and maintains rental housing acquired with grants from DHCD. The building is generally rented to a non-profit corporation who provides health and human resource needs to mentally disabled individuals.

Massachusetts Rental Voucher Program (MRVP) – DHCD provides grants to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority subsidizes the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a contract amount.

Authority-Owned Section 8 New Construction – DHCD provides a direct mortgage to the Authority as owners of a residential rental building. As a condition of the mortgage on the building, the Authority has entered into a long-term contract to rent some or all of the dwelling units to low income individuals or families and receive project based Section 8 rental assistance from DHCD through a contract between DHCD and HUD. Under the contract, the Authority receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations.

State Modernization Program – DHCD provides grant funds to authorities with State Consolidated units based on the Authority's application and determination of need. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the State Consolidated Housing Program.

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Authority's financial statements include the accounts of all of the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

B. Basis of Presentation and Accounting

The Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

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") and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"). GASB 34 and GASB 63 require 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 a Statement of Cash Flows. GASB 34 requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information. GASB 63 requires the Authority to report deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Authority's primary source of nonexchange revenue relates to grants and subsidies. Grants and subsidies revenue is recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Grants received in advance of expenditures are recorded as a liability until earned.

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Basis of Presentation and Accounting – (Continued)

New Accounting Standards Adopted

During 2015, the Authority adopted GASB 68, Accounting and Financial Reporting for Pensions. GASB 68 establishes financial reporting standards for state and local governmental pension plans, defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements.

The requirements of GASB 68 apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts that meet certain criteria and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. The requirements apply whether the government's financial statements are presented in stand-alone financial reports or are included in the financial reports of another government.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined pension plans, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employer service. Note disclosure and required supplementary information requirements about pensions are also addressed.

GASB 68 replaces the requirements of GASB 27, Accounting for Pensions by State and Local Governmental Employers, and GASB 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of GASB 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. See Note 12 for more detail on the implementation and impact of this standard.

Also during 2015, the Authority adopted GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An amendment of GASB 68. GASB 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, GASB 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, GASB 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events. At transition to GASB 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of GASB 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. See Note 12 for more detail on the impact of the implementation of this standard.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures. Actual amounts could differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions and other debt securities that are readily convertible into cash and purchased with original maturities of three months or less. Also included in cash equivalents are non-negotiable certificates of deposits, recorded at cost in accordance with GASB 31.

E. Accounts Receivable

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Accounts receivable from tenants are written off with board approval when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Allowances for other non-tenant receivables are reviewed annually. See Note 6 for details of accounts receivable and allowances at year end.

F. Capital Assets

Capital assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land and Building Improvements	15 years
Furniture, Equipment and Machinery	3-10 years

NEWTON HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Compensated Absences

The Authority’s policy allows employees to earn a maximum of 15 sick days per year, commensurate on experience. Any employee who has attained 55 years of age and 10 years of services may collect 20% of their accumulated sick leave if they leave the employ of the Authority and officially retire with the City retirement board. Total accrued compensated absences at December 31, 2015 aggregated \$92,119.

H. Operating Revenues and Expenses

GASB 34 paragraph 102 requires governments to establish a policy that defines operating revenues and expenses. The Authority uses the criteria prescribed in GASB 9 paragraphs 17 and 18 for cash flows to determine operating revenues and expenses. Operating revenue includes rental income, management services provided and all other revenue relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement system and additions to/deductions from the system’s fiduciary net position have been determined on the same basis as they are reported by the retirement system. For this purpose, 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.

NOTE 3 – NET POSITION: RESTRICTED

At December 31, 2015, restrictions of \$912,277 represent restrictions imposed by HUD related to the Housing Choice Voucher Program on funds to be used for future HAP payments, restrictions for uses defined by the City of Newton’s Ten Percent Zoning Ordinance and funds restricted for capital improvements.

<u>Category of Restriction</u>	<u>Amount</u>
HAP	\$ 91,437
Ten Percent Zoning Ordinance	568,556
Capital Reserve	<u>252,284</u>
Total	<u>\$ 912,277</u>

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 4 – CASH AND INVESTMENT DEPOSITS

GASB standards require that cash and investment deposits with financial institutions be classified into one of the following four categories:

Category A – Insured

Category B – Collateralized, with securities held by the entity or by its agent in the entity's name.

Category C – Collateralized, with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category D – Non-collateralized (Includes any bank balance collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.)

The Authority has adopted HUD's Investment Regulation PIH 1996-33 as its investment policy. HUD regulations require that all HUD deposits in financial institutions and investments be fully insured or collateralized, (category A, B or C) by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The policy also requires that investments not have a maturity period longer than three years.

Custodial Credit Risk – Cash Deposits

In the case of cash deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk, except ensuring that it follows the HUD regulations for federal deposits as detailed in a prior paragraph. At December 31, 2015, the Authority's cash deposits of \$7,151,155 were fully insured or collateralized.

The Authority notes that in accordance with GASB 40, the disclosures for all types of cash deposits with a financial institution, whether categorized as cash and cash equivalents or as investments are the same and have been reported and disclosed accordingly in the previous section of the note.

NOTE 5 – RESTRICTIONS ON CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's restricted cash and cash equivalents balance consists of funds restricted for future HAP payments, funds held in escrow related to an organization leasing property from the Authority, funds restricted for modernization and development and developer contributions to the Authority which are subject to the guidelines of the City of Newton's Ten Percent Zoning Ordinance. These amounts support either a corresponding liability or restricted net position. At December 31, 2015, restricted cash was categorized as follows:

<u>Category of Restriction</u>	<u>Amount</u>
HAP Reserves	\$ 91,437
Leasing Escrow	9,746
Modernization & Development	252,284
Developer Contributions	<u>568,556</u>
Total	<u>\$ 922,023</u>

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a detail listing of receivables for the Authority including the applicable allowances for uncollectible accounts at December 31, 2015.

<u>Category of Receivable</u>	<u>Amount</u>
Other Government	\$ 12,729
PHA Projects	1,866
Tenants	<u>78,700</u>
Gross Receivables	93,295
Allowance - Tenants	<u>(55,257)</u>
 Net Receivables	 <u>\$ 38,038</u>

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets and related accumulated depreciation.

	<u>12/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2015</u>
Capital assets not being depreciated				
Land	\$ 5,961,657	\$ -	\$ -	\$ 5,961,657
Construction in Progress	<u>522,529</u>	<u>947,299</u>	<u>(718,263)</u>	<u>751,565</u>
Total capital assets not being depreciated	<u>6,484,186</u>	<u>947,299</u>	<u>(718,263)</u>	<u>6,713,222</u>
Other Capital Assets				
Buildings	31,469,883	718,263	-	32,188,146
Furniture, equipment & machinery	<u>290,524</u>	<u>6,789</u>	<u>-</u>	<u>297,313</u>
Total other capital assets	<u>31,760,407</u>	<u>725,052</u>	<u>-</u>	<u>32,485,459</u>
Less accumulated depreciation				
Buildings	19,366,948	1,016,997	-	20,383,945
Furniture, equipment & machinery	<u>268,783</u>	<u>9,882</u>	<u>-</u>	<u>278,665</u>
Total accumulated depreciation	<u>19,635,731</u>	<u>1,026,879</u>	<u>-</u>	<u>20,662,610</u>
Capital Assets Net	<u>\$ 18,608,862</u>	<u>\$ 645,472</u>	<u>\$ (718,263)</u>	<u>\$ 18,536,071</u>
Depreciation expense was charged to:				
Low Rent		<u>\$ 494,330</u>		
State/Local		<u>\$ 340,806</u>		
Business Activities		<u>\$ 191,743</u>		

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2015 is as follows:

	<u>12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount due within one year</u>	<u>12/31/2015</u>
Compensated					
Absences	\$ 68,215	\$ 138,340	\$ (114,436)	\$ (11,634)	\$ 80,485
Leasing Escrow	9,727	19	-	-	9,746
Pension Accrual	2,636,123	495,814	(194,483)	-	2,937,454
OPEB Liability	<u>565,442</u>	<u>173,355</u>	<u>(73,784)</u>	<u>-</u>	<u>665,013</u>
Total	<u>\$ 3,279,507</u>	<u>\$ 807,528</u>	<u>\$ (382,703)</u>	<u>\$ (11,634)</u>	<u>\$ 3,692,698</u>

NOTE 9 – LONG TERM DEBT

Long term debt activity for the year ended December 31, 2015 is as follows:

	<u>12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount due within one year</u>	<u>12/31/2015</u>
Mortgage Payable	<u>\$ 3,024,883</u>	<u>\$ -</u>	<u>\$ (469,834)</u>	<u>\$ (118,721)</u>	<u>\$ 2,436,328</u>

The Authority constructed an elderly housing project in 1981. Funds to construct the project were provided by the Commonwealth of Massachusetts through a State bond issue, the proceeds of which were granted to the Authority. The grant received by the Authority was \$1,176,000. The project is backed by a Federal Section 8 housing assistance payments contract held by the Commonwealth of Massachusetts. Under the terms of this contract the Authority receives a housing assistance payment so that the total rent received for each unit is equivalent to a published fair market rent. The Authority is making a payment to the State for \$7,308 per month from the housing assistance payment that it receives. The purpose of this payment is to repay the original \$1,176,000 grant plus interest over a 40-year period. The payments to the State will end in 2021. Accordingly, the grant has been treated as a debt instrument for financial reporting purposes. The interest rate implicit in the payments is 7.0% per annum. For the year ended December 31, 2015, interest expense incurred on this loan was \$31,484. The outstanding principal balance at December 31, 2015 was \$423,838.

Through debt financing and funding provided by the City of Newton's Ten Percent Zoning Ordinance, as described in Note 1, the Authority has acquired various rental properties in the City of Newton. All mortgage notes used to finance the acquisition of these properties are held with local lending institutions and are collateralized by deeds of trust on real property. These notes have terms of 25 to 30 years, accrue interest at rates of 1.00% to 6.25% per annum, and are payable in equal monthly installments of principal and interest; aggregating \$16,302 per month. During fiscal year 2015, the Authority paid off the remaining balance of three individual mortgages which aggregated \$353,415. For the year ended December 31, 2015, interest expense incurred on these loans was \$101,168. The outstanding principal balance on the mortgage notes at December 31, 2015 was \$2,131,211.

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – LONG TERM DEBT – (Continued)

The debt will be amortized as follows:

<u>Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2016	\$ 118,721	\$ 137,995
2017	125,956	130,761
2018	133,666	123,051
2019	141,883	114,833
2020	150,643	106,074
2021-2025	493,132	432,360
2026-2030	535,026	310,078
2031-2035	634,412	153,182
2036-2040	<u>221,610</u>	<u>27,314</u>
Total	<u>\$ 2,555,049</u>	<u>\$ 1,535,648</u>

NOTE 10 – CONTINGENT LIABILITIES

In 2008, the Authority acquired properties located at 45 Pelham Street and 390 Newtonville Avenue through a deal in which the Authority assumed the outstanding loans of the previous owner. The loans require the Authority to comply with affordability covenants throughout the terms of loans. Because the Authority has the intent and ability to maintain affordability throughout the terms of the loans, management does not expect that DHCD, CEDAC or the City of Newton will assert its right of repayment under these loan agreements; as such, these loans have been recorded at \$0 on the Statement of Net Position. Additional terms of these loans are as follows:

<u>Lender</u>	<u>Original Loan Amount</u>	<u>Principal Outstanding</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
DHCD Affordable Housing Trust Fund	\$ 240,778	\$ 240,778	0%	2/10/2035
Community Economic Development Assistance Corporation (CEDAC) Housing Innovation Fund	\$ 750,000	\$ 750,000	0%	2/10/2035
Newton Community Development Authority: Community Development Block Grant	\$ 550,000	\$ 550,000	0%	2/10/2055
Newton Community Development Authority: Community Development Block Grant	\$ 100,000	\$ 100,000	0%	2/10/2055
City of Newton: Community Preservation Funding	\$ 211,936	\$ 211,936	0%	3/05/2034
City of Newton: Community Preservation Funding	\$ 100,000	\$ 100,000	0%	2/10/2035
Newton HOME Loan Program	\$ 77,500	\$ 77,500	0%	2/10/2035
DHCD HOME Loan Program	\$ 77,500	\$ 77,500	0%	2/10/2035

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 11 – REAL ESTATE TAXES

Property owned by the Authority is exempt from local real estate taxes. The Authority also has an agreement with the City of Newton under which it is exempt from any payment in lieu of taxes to the City.

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN

A. Plan Description and Membership

The Authority provides pension benefits to certain employees through the Newton Contributory Retirement System (NCRS), a cost-sharing, multiple-employer public employee retirement system regulated by Public Employee Retirement Administration Commission (PERAC). The plan is a defined benefit plan. Participation is mandatory for all full time employees of the Authority. The retirement plan is a pooled risk type of plan. Under this type of plan, funding is determined based on all employees covered for all employing units. The funding liabilities are shared by each employing unit pro-rata based on the number of employees in the employing unit. Since the Authority's share of pension liability is not based on their employees, pension expense is determined by the total required payment to be made to the retirement plan for the year. The NCRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to NCRS, 100 Commonwealth Avenue, Newton Centre, MA 02459 or by calling (617) 796-1095.

B. Significant Plan Provisions and Requirements

State law establishes benefit provisions and contribution requirements of the NCRS. Employees who have at least 10 years of longevity and have attained 55 years of age are eligible to receive retirement benefits. Retired employees receive an allowance based upon the average of their three highest consecutive salary years of service multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer payout period. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of creditable service, and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

C. Funding Policy

Depending on their employment date, active Plan members must contribute either 5%, 7%, 8%, or 9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs)

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

C. Funding Policy – (Continued)

granted before July 1, 1998, which are reimbursed by the Commonwealth. The current and two preceding years' apportionment of the annual pension cost between the employers required the Authority to contribute approximately .973736% of the total. The Authority's required and actual contributions to NCRS for the year ended December 31, 2015 were \$205,534. Employee contributions for the same period were \$121,554.

D. Pension Liabilities, Pension Expense and Deferred Inflows and Outflows of Resources

At December 31, 2015, the Authority reported a liability of \$2,937,454 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Authority's proportion was 0.973736 percent.

E. Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended December 31, 2015, the Authority recognized pension expense of \$272,110. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,309	\$ -
Changes of assumptions	202,097	-
Net difference between projected and actual earnings on pension plan investments	3,298	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	216,585	-
Total	\$ 440,289	\$ -

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

E. Pension Expense and Deferred Inflows and Outflows of Resources – (Continued)

These amounts will be recognized as expense, or as a reduction of expense, as follows:

<u>Year</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2016	\$ 272,511
2017	55,926
2018	55,926
2019	55,926
2020	-
Thereafter	<u>-</u>
Total	<u>\$ 440,289</u>

F. Actuarial Methods & Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal Cost Method
Investment rate of return	7.35%
Discount rate	7.35%
Inflation	2.50% per year
Salary increases	3.50% per year
Cost of living adjustments	3.00% on the first \$12,000 in benefits
Mortality rates	Pre-Retirement: RP-2000 Employee Mortality Table projected generationally from 2005 using Scale BB Healthy Retiree: RP-2000 Healthy Annuitant Mortality Table projected generationally from 2005 using Scale BB Disabled Retiree: RP-2000 Healthy Annuitant Mortality Table projected generationally from 2005 using Scale BB, set forward three years

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

F. Actuarial Methods & Assumptions – (Continued)

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study that was performed as of January 1, 2014. The study examined the assumptions used for expected investment rate, inflation rate, retirement, mortality, termination, disability, salary increases, payroll growth, and other assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	20.00%	6.40%
International Equity - Developed Markets	16.00%	7.07%
International Equity - Emerging Markets	6.00%	9.26%
Cored Fixed Income	17.50%	1.53%
High-Yield Fixed Income	5.50%	4.25%
Real estate	10.00%	4.30%
Commodities	4.00%	3.77%
Hedge Funds	11.00%	3.44%
Private Equity	10.00%	11.26%
Cash	0.00%	0.96%

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 7.35 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.35 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.35 percent) or 1-percentage-point higher (8.35 percent) than the current rate:

	1% Decrease <u>6.35%</u>	Current Discount <u>7.35%</u>	1% Increase <u>8.35%</u>
Net pension liability (asset)	\$ 3,570,926	\$ 2,937,454	\$ 2,402,778

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NCRS financial report.

J. Payables to the Pension Plan

As of December 31, 2014, the Authority had no outstanding payables to NCRS.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

The Authority provides comprehensive medical insurance, both with and without Medicare coordination, and life insurance to its employees who meet certain eligibility requirements.

Employees are eligible for postretirement benefits if he/she has met the following requirements:

Medical	Age 55 as an active employee and completion of 10 years of service.
Life Insurance	Same as above.

All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits. The duration of these benefits is for the employee's lifetime. Under this cost sharing plan, these benefits cover 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for both individuals and family members (percentages represent the employees' portion).

The face value of each life insurance policy is \$5,000. Life insurance benefits do not apply to family members, this benefit covers 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for individuals.

Currently, there are 16 active employees and 14 retired employees enrolled in the plan.

B. Funding Policy

The Authority is not required by law or contractual agreement to provide funding for the Plan other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the year ended December 31, 2015, the Authority paid \$73,784 on behalf of the Plan.

C. Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by using the Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, the normal cost and actuarial accrued liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit time the ratio of past service to total service. Under this method, the Actuarial Gains (losses) are calculated each year and amortized over the minimum and maximum periods allowed by law from the year of such gains or losses. All employees who are plan participants on a valuation date are included in the actuarial valuation.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS – (Continued)

C. Annual OPEB Cost and Net OPEB Obligation – (Continued)

The following table shows the elements of the Authority’s annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the Authority’s net OPEB obligation to the Plan for the year ending December 31, 2015:

Annual Required Contribution (ARC)	\$	148,240
Amortization of Actuarial (Gains)/Losses		33,938
Interest on Net OPEB obligation		22,618
Adjustment to ARC		<u>(31,441)</u>
Annual OPEB expense		173,355
Contributions made		<u>(73,784)</u>
Increase in net OPEB obligation		99,571
Net OPEB obligation - beginning of year		<u>565,442</u>
Net OPEB obligation - end of year		<u>\$ 665,013</u>

D. Funding Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the Plan was 0.0% funded. The actuarial accrued liability for benefits was \$2,026,675 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,026,675. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,265,059, and the ratio of the UAAL to the covered payroll was 160.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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, shown as required supplementary information, presents the results of OPEB valuations as of January 1, 2009 and multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the 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.

Valuation Date: January 1, 2015

Discount Rate: 4.0% per annum

Mortality Rates: It is assumed that both pre-retirement and post-retirement mortality are represented by the RP-2000 Mortality Table projected to 2017 for males and females.

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS – (Continued)

E. Actuarial Methods and Assumptions – (Continued)

Withdrawal Rates: Plan participants are expected to withdraw from the plan at a decreasing rate, based on years of service, from 15.0% at 1 year of service to 0% at 30 years of service.

Retirement Rates: Plan participants are expected to retire at an increasing rate based on age and gender. Males are expected to retire at a rate of 1% for those aged 50 years, to 100% for those aged 70 years. Females are expected to retire at a rate of 1.5% for those aged 50 years, to 100% for those aged 70 years.

General Inflation Assumption: 2.5% per annum

Annual Compensation Increases: 3.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Level dollar amortization over 30 years at the last valuation

Remaining Amortization Period: 24 years at January 1, 2015

Health Care Cost Trend Rate: Covered medical expenses are assumed to increase at a decreasing rate, from 8% in 2010 to 5% in 2020.

NOTE 14 – OTHER RETIREMENT PLANS

The Authority provides to employees a separate deferred compensation plan in accordance with IRC §457. The plan is open to all employees. Employee contributions for 2015 were \$48,364. There were no employer contributions.

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 15 – RISK MANAGEMENT

Litigation

The Authority is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the Authority.

Grants

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 16 – IMPAIRMENT OF CAPITAL ASSETS

Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures regarding impairments of capital assets. The Authority did not recognize any impairments of capital assets in fiscal year 2015.

NOTE 17 – ECONOMIC DEPENDENCY

The Authority's state and federal programs are economically dependent on grants and annual contributions from DHCD and HUD, respectively. These programs operate at a loss prior to receiving these grants and contributions.

NOTE 18 – RESTATEMENT OF BEGINNING NET POSITION

Prior period adjustments are the net effect of changes resulting from the adoption of a new accounting standard – GASB 68, Accounting and Financial Reporting for Pensions. The prior period adjustments for the period ending December 31, 2015 represents an increase in net pension liability at the beginning of the period in the amount of \$2,508,217. The following is a summary of the adjustment to the beginning net position:

Beginning Net Position - 01/01/2015	\$ 21,287,358
Increase in net pension liability	<u>(2,508,217)</u>
Beginning Net Position - Restated	<u>\$ 18,779,141</u>

NEWTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 19 – SUBSEQUENT EVENTS

Events that occur after the balance sheet 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 balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through August 30, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

NEWTON HOUSING AUTHORITY

SCHEDULE OF FUNDING PROGRESS
For the period ended December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
1/1/2009	\$ -	\$ 1,606,322	\$ 1,606,322	0%	\$ 1,198,859	134.0%
1/1/2010	\$ -	\$ 1,671,558	\$ 1,671,558	0%	\$ 1,235,000	135.3%
1/1/2011	\$ -	\$ 1,736,794	\$ 1,736,794	0%	\$ 1,272,000	136.5%
1/1/2012	\$ -	\$ 1,802,030	\$ 1,802,030	0%	\$ 1,236,788	145.7%
1/1/2013	\$ -	\$ 1,856,436	\$ 1,856,436	0%	\$ 1,273,892	145.7%
1/1/2014	\$ -	\$ 1,916,690	\$ 1,916,690	0%	\$ 1,312,108	146.1%
1/1/2015	\$ -	\$ 2,026,675	\$ 2,026,675	0%	\$ 1,265,059	160.2%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of ARC Contributed
2010	\$ 154,924	\$ 60,694	39.2%
2011	\$ 154,924	\$ 73,221	47.3%
2012	\$ 152,298	\$ 80,256	52.7%
2013	\$ 154,620	\$ 72,976	47.2%
2014	\$ 157,376	\$ 74,648	47.4%
2015	\$ 148,240	\$ 73,784	49.8%

See Accompanying Notes

NEWTON HOUSING AUTHORITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Newton Contributory Retirement System
Last 10 Fiscal Years

	<u>2014</u>
Proportion of the net pension liability (asset)	0.973736%
Proportionate share of the net pension liability (asset)	\$ 2,937,454
Covered-employee payroll	\$ 1,375,540
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	213.5%
Plan fiduciary net position as a percentage of the total pension liability	49.35%

* The amounts presented for each fiscal year were determined as of 12/31.

NEWTON HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
Newton Contributory Retirement System
Last 10 Fiscal Years

	<u>2014</u>
Contractually required contribution	\$ 194,483
Contributions in relation to the contractually required contribution	<u>194,483</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 1,375,540
Contributions as a percentage of covered-employee payroll	14.14%

* The amounts presented for each fiscal year were determined as of 12/31.

NEWTON HOUSING AUTHORITY

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended December 31, 2015**

NOTE 1 – CHANGES OF BENEFIT TERMS

No changes of benefit terms.

NOTE 2 – CHANGES OF ASSUMPTIONS

The following changes were effective December 31, 2014:

- The investment return assumption was decreased from 7.65% to 7.35%.
- The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected generationally from 2000 using Scale AA to the RP-2000 Employee Mortality Table projected generationally from 2005 using Scale BB.
- The post-retirement mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2000 using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2005 using Scale BB.
- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward three years projected generationally from 2000 using Scale AA to the RP-2000 Healthy Annuitant Mortality Table set forward three years projected generationally from 2005 using Scale BB.

SUPPLEMENTAL INFORMATION

NEWTON HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL DATA SCHEDULE
 December 31, 2015

FDS Line Item	Description	AMP 01	AMP 02	AMP 03	Housing Choice Vouchers
111	Cash - Unrestricted	2,182,657	81,456	216,059	265,459
113	Cash - Other Restricted	-	-	-	91,437
100	Total Cash	2,182,657	81,456	216,059	356,896
121	Accounts Receivable - PHA Projects	-	-	-	1,866
124	Accounts Receivable - Other Government	-	-	-	-
126	Accounts Receivable - Tenants	28,466	5,180	709	-
126.1	Allowance for Doubtful Accounts - Tenants	(24,234)	(3,748)	(709)	-
128	Fraud Recovery	18,193	-	1,655	710
128.1	Allowance for Doubtful Accounts - Fraud	(18,193)	-	(1,655)	(710)
120	Total Receivables, Net of Allowances for Doubtful Accounts	4,232	1,432	-	1,866
142	Prepaid Expenses and Other Assets	27,669	3,893	3,893	4,132
150	Total Current Assets	2,214,558	86,781	219,952	362,894
161	Land	386,918	432,000	241,800	-
162	Buildings	10,676,466	1,620,000	919,347	-
163	Furniture, Equipment & Machinery - Dwellings	-	-	-	-
164	Furniture, Equipment & Machinery - Administration	85,032	5,000	5,000	47,372
166	Accumulated Depreciation	(7,558,312)	(1,393,500)	(915,004)	(47,372)
167	Construction in Progress	86,759	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	3,676,863	663,500	251,143	-
180	Total Non-Current Assets	3,676,863	663,500	251,143	-
200	Deferred Outflow of Resources	171,599	24,179	23,732	54,827
290	Total Assets and Deferred Outflow of Resources	6,063,020	774,460	494,827	417,721
312	Accounts Payable <= 90 Days	72,341	5,586	5,244	3,665
321	Accrued Wage/Payroll Taxes Payable	7,410	1,060	1,060	2,131
322	Accrued Compensated Absences - Current Portion	4,071	668	668	1,663
325	Accrued Interest Payable	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-	974
333	Accounts Payable - Other Government	-	-	-	-
342	Unearned Revenue	10,899	2,074	3,327	-
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-
310	Total Current Liabilities	94,721	9,388	10,299	8,433
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-

See Independent Auditors' Report

NEWTON HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL DATA SCHEDULE
 December 31, 2015

FDS Line Item	Description	AMP 01	AMP 02	AMP 03	Housing Choice Vouchers
353	Non-current Liabilities - Other	-	-	-	-
354	Accrued Compensated Absences - Non Current	26,606	4,339	4,340	14,776
357	Accrued Pension and OPEB Liabilities	1,411,640	182,828	177,566	464,002
350	Total Non-Current Liabilities	1,438,246	187,167	181,906	478,778
300	Total Liabilities	1,532,967	196,555	192,205	487,211
400	Deferred Inflow of Resources	-	-	-	-
508.4	Net Investment in Capital Assets	3,676,863	663,500	251,143	-
511.4	Restricted Net Position	-	-	-	91,437
512.4	Unrestricted Net Position	853,190	(85,595)	51,479	(160,927)
513	Total Equity - Net Assets / Position	4,530,053	577,905	302,622	(69,490)
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	6,063,020	774,460	494,827	417,721
70300	Net Tenant Rental Revenue	801,083	123,199	146,516	-
70500	Total Tenant Revenue	801,083	123,199	146,516	-
70600	HUD PHA Operating Grants	1,020,545	117,099	139,109	6,316,084
70610	Capital Grants	282,909	-	-	-
70700	Total Fee Revenue	-	-	-	-
70800	Other Government Grants	-	-	-	-
71100	Investment Income - Unrestricted	17,079	101	478	1,441
71400	Fraud Recovery	-	-	-	1,250
71500	Other Revenue	30,330	3,013	4,450	146,189
72000	Investment Income - Restricted	-	-	-	-
70000	Total Revenue	2,151,946	243,412	290,553	6,464,964
91100	Administrative Salaries	274,951	34,848	34,848	160,997
91200	Auditing Fees	3,671	1,286	1,286	3,180
91500	Employee Benefit contributions - Administrative	137,543	17,245	16,997	85,381
91600	Office Expenses	30,016	4,693	4,683	60,711
91700	Legal Expense	6,234	6,686	10,217	6,090
91800	Travel	2,322	370	370	4,529
91900	Other	8,499	2,238	2,238	32,769
91000	Total Operating - Administrative	463,236	67,366	70,639	353,657
92400	Tenant Services - Other	-	-	-	-
92500	Total Tenant Services	-	-	-	-

NEWTON HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL DATA SCHEDULE
 December 31, 2015

FDS Line Item	Description	AMP 01	AMP 02	AMP 03	Housing Choice Vouchers
93100	Water				
93200	Electricity	198,691	44,889	28,061	-
93300	Gas	188,244	37,472	77,868	-
93000	Total Utilities	260,058	21,920	45	-
		646,993	104,281	105,974	-
94100	Ordinary Maintenance and Operations - Labor	261,782	41,605	41,605	-
94200	Ordinary Maintenance and Operations - Materials and Other	34,313	5,851	5,857	-
94300	Ordinary Maintenance and Operations Contracts	86,989	19,369	13,636	-
94500	Employee Benefit Contributions - Ordinary Maintenance	130,770	20,644	20,348	-
94000	Total Maintenance	513,854	87,469	81,446	-
95000	Total Protective Services	-	-	-	-
96110	Property Insurance	39,854	5,471	5,471	-
96120	Liability Insurance	2,536	845	845	5,842
96130	Workmen's Compensation	14,184	2,242	2,242	8,037
96100	Total insurance Premiums	56,574	8,558	8,558	13,879
96200	Other General Expenses	-	-	-	5,338
96210	Compensated Absences	8,455	1,473	1,473	3,505
96400	Bad debt - Tenant Rents	5,310	573	1	-
96000	Total Other General Expenses	13,765	2,046	1,474	8,843
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-
96900	Total Operating Expenses	1,694,422	269,720	268,091	376,379
97000	Excess of Operating Revenue over Operating Expenses	457,524	(26,308)	22,462	6,088,585
97100	Extraordinary Maintenance	28,553	8,195	2,552	-
97200	Casualty Losses - Non-capitalized	(10,239)	-	-	-
97300	Housing Assistance Payments	-	-	-	5,740,090
97350	HAP Portability-In	-	-	-	139,355
97400	Depreciation Expense	450,990	41,500	1,840	-
90000	Total Expenses	2,163,726	319,415	272,483	6,255,824
10010	Operating Transfer In	65,000	-	-	-
10020	Operating transfer Out	(65,000)	-	-	-
10100	Total Other financing Sources (Uses)	-	-	-	-

See Independent Auditors' Report

NEWTON HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL DATA SCHEDULE
 December 31, 2015

FDS Line Item	Description	AMP 01	AMP 02	AMP 03	Housing Choice Vouchers
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(11,780)	(76,003)	18,070	209,140
11020	Required Annual Debt Principal Payments	-	-	-	-
11030	Beginning Equity	5,535,417	794,348	420,108	26,532
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	(993,584)	(140,440)	(135,556)	(305,162)
11170	Administrative Fee Equity	-	-	-	(160,927)
11180	Housing Assistance Payments Equity	-	-	-	91,437
11190	Unit Months Available	2,712	432	360	5,274
11210	Number of Unit Months Leased	2,622	431	360	5,192
11270	Excess Cash	1,953,232	51,339	183,689	-
11620	Building Purchases	282,909	-	-	-

NEWTON HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
December 31, 2015

FDS Line Item	Description	N/C S/R Section 8 Programs	Business Activities	State/Local	Eliminations	Total
111	Cash - Unrestricted	202,574	855,218	2,425,709	-	6,229,132
113	Cash - Other Restricted	-	568,556	262,030	-	922,023
100	Total Cash	202,574	1,423,774	2,687,739	-	7,151,155
121	Accounts Receivable - PHA Projects	-	-	-	-	1,866
124	Accounts Receivable - Other Government	-	-	12,729	-	12,729
126	Accounts Receivable - Tenants	-	17,501	26,844	-	78,700
126.1	Allowance for Doubtful Accounts - Tenants	-	(12,951)	(13,615)	-	(55,257)
128	Fraud Recovery	-	-	45,131	-	65,689
128.1	Allowance for Doubtful Accounts - Fraud	-	-	(45,131)	-	(65,689)
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	4,550	25,958	-	38,038
142	Prepaid Expenses and Other Assets	-	49,941	25,885	-	115,413
150	Total Current Assets	202,574	1,478,265	2,739,582	-	7,304,606
161	Land	-	2,471,307	2,429,632	-	5,961,657
162	Buildings	-	7,513,223	11,459,110	-	32,188,146
163	Furniture, Equipment & Machinery - Dwellings	-	-	5,921	-	5,921
164	Furniture, Equipment & Machinery - Administration	-	5,610	143,378	-	291,392
166	Accumulated Depreciation	-	(1,759,988)	(8,988,434)	-	(20,662,610)
167	Construction in Progress	-	-	664,806	-	751,565
160	Total Capital Assets, Net of Accumulated Depreciation	-	8,230,152	5,714,413	-	18,536,071
180	Total Non-Current Assets	-	8,230,152	5,714,413	-	18,536,071
200	Deferred Outflow of Resources	5,294	41,835	118,823	-	440,289
290	Total Assets and Deferred Outflow of Resources	207,868	9,750,252	8,572,818	-	26,280,966
312	Accounts Payable <= 90 Days	266	6,222	21,811	-	115,135
321	Accrued Wage/Payroll Taxes Payable	205	1,777	14,620	-	28,263
322	Accrued Compensated Absences - Current Portion	184	920	3,460	-	11,634
325	Accrued Interest Payable	-	-	2,473	-	2,473
331	Accounts Payable - HUD PHA Programs	7,318	-	-	-	8,292
333	Accounts Payable - Other Government	-	-	648,019	-	648,019
342	Unearned Revenue	-	2,506	70,636	-	89,442
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	58,795	59,926	-	118,721
310	Total Current Liabilities	7,973	70,220	820,945	-	1,021,979

See Independent Auditors' Report

NEWTON HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL DATA SCHEDULE
 December 31, 2015

FDS Line Item	Description	N/C S/R Section 8 Programs	Business Activities	State/Local	Eliminations	Total
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	2,072,415	363,913	-	2,436,328
353	Non-current Liabilities - Other	-	-	9,746	-	9,746
354	Accrued Compensated Absences - Non Current	1,360	5,919	23,145	-	80,485
357	Accrued Pension and OPEB Liabilities	40,555	336,962	988,914	-	3,602,467
350	Total Non-Current Liabilities	41,915	2,415,296	1,385,718	-	6,129,026
300	Total Liabilities	49,888	2,485,516	2,206,663	-	7,151,005
400	Deferred Inflow of Resources	-	-	-	-	-
508.4	Net Investment in Capital Assets	-	6,098,942	5,290,574	-	15,981,022
511.4	Restricted Net Position	-	568,556	252,284	-	912,277
512.4	Unrestricted Net Position	157,980	597,238	823,297	-	2,236,662
513	Total Equity - Net Assets / Position	157,980	7,264,736	6,366,155	-	19,129,961
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	207,868	9,750,252	8,572,818	-	26,280,966
70300	Net Tenant Rental Revenue	-	697,285	1,084,847	(439,579)	2,413,351
70500	Total Tenant Revenue	-	697,285	1,084,847	(439,579)	2,413,351
70600	HUD PHA Operating Grants	141,089	-	-	-	7,733,926
70610	Capital Grants	-	-	-	-	282,909
70700	Total Fee Revenue	-	-	-	-	-
70800	Other Government Grants	-	-	913,151	-	913,151
71100	Investment Income - Unrestricted	1,106	8,029	19,830	-	48,064
71400	Fraud Recovery	-	-	-	-	1,250
71500	Other Revenue	-	20,629	44,588	-	249,199
72000	Investment Income - Restricted	-	2,525	2,415	-	4,940
70000	Total Revenue	142,195	728,468	2,064,831	(439,579)	11,646,790
91100	Administrative Salaries	15,507	68,794	144,861	-	734,806
91200	Auditing Fees	865	1,286	1,286	-	12,860
91500	Employee Benefit contributions - Administrative	8,223	35,001	71,334	-	371,724
91600	Office Expenses	3,304	8,847	31,148	-	143,402
91700	Legal Expense	675	5,758	17,124	-	52,784
91800	Travel	257	562	2,172	-	10,582
91900	Other	517	1,556	5,975	-	53,792
91000	Total Operating - Administrative	29,348	121,804	273,900	-	1,379,950

See Independent Auditors' Report

NEWTON HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL DATA SCHEDULE
 December 31, 2015

FDS Line Item	Description	N/C S/R Section 8 Programs	Business Activities	State/Local	Eliminations	Total
92400	Tenant Services - Other	-	2,436	-	-	2,436
92500	Total Tenant Services	-	2,436	-	-	2,436
93100	Water	-	38,129	130,385	-	440,155
93200	Electricity	-	28,289	87,394	-	419,267
93300	Gas	-	16,159	43,219	-	341,401
93000	Total Utilities	-	82,577	260,998	-	1,200,823
94100	Ordinary Maintenance and Operations - Labor	-	61,027	234,715	-	640,734
94200	Ordinary Maintenance and Operations - Materials and Other	-	838	28,671	-	75,530
94300	Ordinary Maintenance and Operations Contracts	-	86,415	322,165	-	528,574
94500	Employee Benefit Contributions - Ordinary Maintenance	-	30,441	114,987	-	317,190
94000	Total Maintenance	-	178,721	700,538	-	1,562,028
95000	Total Protective Services	-	-	-	-	-
96110	Property Insurance	-	29,854	29,500	-	110,150
96120	Liability Insurance	-	864	-	-	10,932
96130	Workmen's Compensation	76	4,417	5,961	-	37,159
96100	Total insurance Premiums	76	35,135	35,461	-	158,241
96200	Other General Expenses	-	2,325	-	-	7,663
96210	Compensated Absences	329	1,940	6,726	-	23,901
96400	Bad debt - Tenant Rents	-	1	1	-	5,886
96000	Total Other General Expenses	329	4,266	6,727	-	37,450
96710	Interest of Mortgage (or Bonds) Payable	-	101,169	31,483	-	132,652
96700	Total Interest Expense and Amortization Cost	-	101,169	31,483	-	132,652
96900	Total Operating Expenses	29,753	526,108	1,309,107	-	4,473,580
97000	Excess of Operating Revenue over Operating Expenses	112,442	202,360	755,724	(439,579)	7,173,210
97100	Extraordinary Maintenance	-	16,357	45,300	-	100,957
97200	Casualty Losses - Non-capitalized	-	-	-	-	(10,239)
97300	Housing Assistance Payments	106,033	-	128,230	(439,579)	5,534,774
97350	HAP Portability-In	-	-	-	-	139,355
97400	Depreciation Expense	-	191,743	340,806	-	1,026,879
90000	Total Expenses	135,786	734,208	1,823,443	(439,579)	11,265,306

See Independent Auditors' Report

NEWTON HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL DATA SCHEDULE
 December 31, 2015

FDS Line Item	Description	N/C S/R Section 8 Programs	Business Activities	State/Local	Eliminations	Total
10010	Operating Transfer In	-	-	-	(65,000)	-
10020	Operating transfer Out	-	-	-	65,000	-
10100	Total Other financing Sources (Uses)	-	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	6,409	(5,740)	241,388	-	381,484
11020	Required Annual Debt Principal Payments	-	73,959	55,886	-	129,845
11030	Beginning Equity	181,002	7,509,190	6,820,761	-	21,287,358
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	(29,431)	(238,714)	(695,994)	-	(2,538,881)
11170	Administrative Fee Equity	-	-	-	-	(160,927)
11180	Housing Assistance Payments Equity	-	-	-	-	91,437
11190	Unit Months Available	300	672	2,712	-	12,462
11210	Number of Unit Months Leased	300	541	2,663	-	12,109
11270	Excess Cash	-	-	-	-	2,188,260
11620	Building Purchases	-	-	-	-	282,909

See Independent Auditors' Report

NEWTON HOUSING AUTHORITY

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
For the year ended December 31, 2015

Project MA06P036-	501-13	501-14
Modernization Funds Approved	\$ 272,459	\$ 275,584
Modernization Funds Expended	<u>272,459</u>	<u>275,584</u>
Excess of Modernization Funds Approved	<u>\$ -</u>	<u>\$ -</u>
Modernization Funds Advanced	\$ 272,459	\$ 275,584
Modernization Funds Expended	<u>272,459</u>	<u>275,584</u>
Excess of Modernization Funds Advanced	<u>\$ -</u>	<u>\$ -</u>

Based on our review of the completed projects:

- 1) All work in connection with the projects is complete.
- 2) All liabilities have been incurred and discharged through payment.

NEWTON HOUSING AUTHORITY

STATEMENT OF ACTUAL MODERNIZATION COSTS - UNCOMPLETED
For the year ended December 31, 2015

Project MA06P036501-15

Modernization Funds Approved	\$ 258,110
Modernization Funds Expended	<u>106,759</u>
Excess of Modernization Funds Approved	<u>\$ 151,351</u>
Modernization Funds Advanced	\$ 106,759
Modernization Funds Expended	<u>106,759</u>
Excess of Modernization Funds Advanced	<u>\$ -</u>

NEWTON HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2015

	<u>CFDA Number</u>	<u>Major Program</u>	<u>Research & Development</u>	<u>Direct Award</u>	<u>Pass- Through Agency</u>	<u>Federal Financial Assistance Received</u>	<u>Federal Financial Assistance Expenditures</u>
Department of Housing and Urban Development							
Low Rent Public Housing	14.850	No	N/A	Yes	N/A	\$ 1,211,753	\$ 1,211,753
Public Housing Capital Fund Program	14.872	No	N/A	Yes	N/A	347,909	347,909
Housing Choice Voucher Program	14.871	Yes	N/A	Yes	N/A	6,316,084	6,109,972
Project-based Voucher Cluster:							
N/C S/R Section 8 Programs	14.182	No	N/A	Yes	N/A	141,089	141,089
N/C S/R Section 8 Programs	14.182	No	N/A	No	DHCD	<u>365,615</u>	<u>365,615</u>
Total Project-based Voucher Cluster						<u>506,704</u>	<u>506,704</u>
Total Major Programs						<u>6,316,084</u>	<u>6,109,972</u>
Total Non-Major Programs						<u>2,066,366</u>	<u>2,066,366</u>
Total All Programs						<u>\$ 8,382,450</u>	<u>\$ 8,176,338</u>

See Accompanying Notes

NEWTON HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Newton Housing Authority under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Newton Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Newton Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

For the year ended December 31, 2015, the Newton Housing Authority did not elect to use the 10% de minimis indirect cost rate allowed in the Uniform Guidance, section 414.

NOTE 4 – OTHER ASSISTANCE

For the year ended December 31, 2015, the Newton Housing Authority did not receive or expend federal awards in the form of non-cash assistance, insurance, or loans or loan guarantees, nor were there any loans or loan guarantees outstanding at year end.

**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 AUDITORS' REPORT

To The Board of Commissioners
Newton Housing Authority
Newton Highlands, Massachusetts

We 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 Newton Housing Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Newton Housing Authority's basic financial statements, and have issued our report thereon dated August 30, 2016.

Internal Control over Financial Reporting

Management of the Newton Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Newton Housing Authority's internal control over financial reporting as a basis for designing our auditing 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 the Newton Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Newton Housing Authority'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

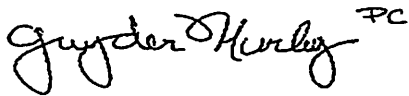
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify 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 the Newton Housing Authority's financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Guyden Herlihy" followed by the letters "PC" in a smaller font.

Quincy, Massachusetts
August 30, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Newton Housing Authority
Newton Highlands, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Newton Housing Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Newton Housing Authority's major federal programs for the year ended December 31, 2015. The Newton Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Newton Housing Authority'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 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 and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Newton Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

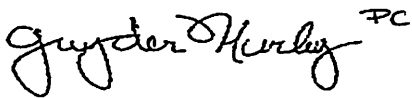
Report on Internal Control over Compliance

Management of the Newton Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Newton Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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, we do not express an opinion on the effectiveness of the Newton Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal 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 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 program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Quincy, Massachusetts
August 30, 2016

NEWTON HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2015

I. Summary of Audit Results

Financial Statements

1. Type of report issued on the financial statements - Unmodified
2. The report on internal control over financial reporting did not disclose any material weaknesses.
3. The report on internal control over financial reporting did not disclose any significant deficiencies.
4. The report on compliance did not disclose instances of non-compliance material to the financial statements.

Federal Programs

5. Type of report issued on compliance for major programs - Unmodified
6. The report on internal control over major programs did not disclose any material weaknesses.
7. The report on internal control over major programs did not disclose any significant deficiencies.
8. There are no audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).
9. Major federal assistance programs are identified in the Schedule of Expenditures of Federal Awards. The dollar threshold to distinguish type A and type B programs was \$750,000.
10. The following programs were tested as major programs in accordance with OMB A-133:

CFDA Number

Housing Choice Voucher Program

14.871

11. The auditee qualified as a low-risk auditee.
12. The prior audit report did not disclose any findings or questioned costs.

II. Findings related to the Financial Statements which are required to be reported in accordance with GAGAS - NONE

III. Findings and Questioned Costs for Federal Awards which shall include Audit Findings as defined in paragraph 200.516(a) - NONE