

Report On Audit

**HOUSING AUTHORITY OF THE
CITY OF LONG BRANCH**

**For the Year Ended
June 30, 2017**

Housing Authority of the City of Long Branch
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Long Branch
2 Hope Lane
Long Branch, New Jersey 07740

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate discretely present components units of the Housing Authority of the City of Long Branch (a governmental public corporation) in Long Branch, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of June 30, 2017 and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the City of Long Branch 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 Housing Authority of the City of Long Branch internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Long Branch and the aggregate discretely present components units as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and PERS supplemental information on pages 4 through 17 and pages 64-65 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule 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.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 also issued reports dated November 29, 2017 on our consideration of the Housing Authority of the City of Long Branch internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Long Branch's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: November 29, 2017

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

As Management of the Housing Authority of the City of Long Branch (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 18 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The primary government assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$24,270,299 an increase in the financial position of \$782,479 or 3% as compared to the prior year.

As noted above, the primary government net position of the Authority was \$24,270,299 as of June 30, 2017. Of this amount, the primary government unrestricted net position is \$8,223,772 representing an increase of \$962,005 or 13% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 23 the financial statements, which is included in this report.

The primary government net investment in capital assets decreased \$437,438 or 3% percent for an ending balance of \$13,697,219.

The primary government restricted net position increased \$257,912 from the previous year for an ending balance of \$2,349,308. Additional information on the Authority's restricted net position can be found in Note 22 to the financial statements, which is included in this report.

The Authority's primary government unrestricted cash and cash equivalent at June 30, 2017 is \$8,325,379 representing an increase of \$347,888 or 4% percent from the prior fiscal year. Total restricted cash increased \$273,993 or 13% percent for an ending balance of \$2,436,093. The Authority primary government sold investments in the amount of \$56,125 during the year. The full detail of the cash activities can be found in the Statement of Cash Flow on pages 21-22 of this report.

The Authority's total assets and deferred outflows for the primary government are \$40,758,353 of which capital assets net book value is \$14,797,219, other assets are \$9,932,964, deferred outflows in the amount of \$3,293,142 leaving total current assets at \$12,735,028. Total primary government current assets increased from the previous year by \$27,015 or less than 1% percent.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

FINANCIAL HIGHLIGHTS - CONTINUED

Unrestricted cash and cash equivalents increase by \$347,888, restricted cash and cash equivalents increase by \$273,993, investments decreased by \$56,125, accounts receivables decreased by \$542,914, and prepaid expenses increased by \$4,173.

The Authority's primary government capital assets reported a decrease in the net book value of the capital assets in the amount of \$542,389 or 4% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$272,513, less the recording of depreciation expense in the amount of \$543,061. The Authority disposed and deleted of old assets in the amount of \$271,841 net of depreciation adjustment during the year. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority had an increase in other assets notes receivable noncurrent in the amount of \$1,663,330 with an ending balance of \$9,932,964. During the year, the Authority advanced additional funds to the tax credits limited partnerships.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$1,255,772 for an ending balance of \$3,293,142. The Authority also reported an increase in the deferred inflow for the pension cost in the amount of \$176,059 for an ending balance of \$292,656. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements section Note – 11 Deferred Outflows/Inflows of Resources.

The Authority's primary government total liabilities are reported at \$16,195,398, of which noncurrent liabilities are stated at \$15,160,727. The Authority's primary government total liabilities increased during the year as compared to the prior year in the amount of \$1,445,190 or 10% percent. The Authority's primary government total current liabilities decreased during the year by \$184,366, leaving non-current liabilities for an increase of \$1,629,556 as compared to the previous year.

The Authority's primary government total current liabilities decreased from the previous year by \$184,366 or 15% percent. Accounts payables decreased by \$154,492, accrued liabilities decreased by \$30,336, unearned revenue increased by \$937, other current liabilities decreased \$475. The current portion of the Capital Project Bonds payable remained the same amount as the prior year.

The Authority's primary government total noncurrent liabilities increased by \$1,629,556 or 12% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$79,576, with no offsetting assets, decreased \$3,573 from the previous year. Long term capital project bonds payable decreased \$105,000. Non-current liabilities – other decreased \$688,624 mainly due to the repayment of HUD overpayment of asset reposition fee in the prior years.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

FINANCIAL HIGHLIGHTS - CONTINUED

Accrued pension and OPEB liabilities increased \$2,426,753 or 24% percent. Additional information on GASB 68's effect and the Authority's accrued pension as well as the increase in accrued OPEB liability at June 30, 2017 can be found in Notes 20-21 to the financial statements, which is included in this report.

The Authority's primary government had total operating revenue of \$16,237,464 as compared to \$16,771,133 from the prior year for a decrease of \$533,669 or 3% percent. The Authority primary government had total operating expenses of \$17,301,950 as compared to \$16,601,919 from the previous year for an increase of \$700,031 or 4% percent, resulting in an excess expenses over revenue from operations in the amount of \$1,064,486 for the current year as compared to excess revenue from operations in the amount of \$169,214 for an increase in deficit of \$1,233,700 or 729% percent from the previous year.

The Authority's primary government total capital improvements contributions from HUD were in the amount of \$325,875 as compared to \$386,829 from the previous year for a decrease of \$60,954 or 16% percent. The Authority's primary government had capital outlays in the amount of \$272,513 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$325,875. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$12,894,361 for the fiscal year 2017 as compared to \$13,486,838 for the previous fiscal year 2016 for a decrease of \$592,477 or 4% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing Program
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's primary government financial statements. The financial statements are prepared on an entity wide basis excluding the discretely presented component units and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flow
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 22.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flow– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 60.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 61-63 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of Long Branch are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended June 30, 2017. Type B programs for the Housing Authority of the City of Long Branch are those which are less than \$750,000 in expenditures for the fiscal year ended June 30, 2017.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position of the primary government between June 30, 2017 and June 30, 2016:

Computations of Net Position of the primary government are as follows:

	<u>Year Ended</u>		Increase
	June-17	June-16	(Decrease)
Cash	\$ 10,761,472	\$ 10,139,591	\$ 621,881
Other Current Assets	1,973,556	2,568,422	(594,866)
Capital Assets - Net	14,797,219	15,339,608	(542,389)
Other Assets	9,932,964	8,269,634	1,663,330
Deferred Outflows	3,293,142	2,037,370	1,255,772
Total Assets	<u>40,758,353</u>	<u>38,354,625</u>	2,403,728
Less: Current Liabilities	(1,034,671)	(1,219,037)	184,366
Less: Non Current Liabilities	(15,160,727)	(13,531,171)	(1,629,556)
Less: Deferred Inflows	(292,656)	(116,597)	(176,059)
Net Position	<u>\$ 24,270,299</u>	<u>\$ 23,487,820</u>	\$ 782,479
Net Investment in Capital Assets	\$ 13,697,219	\$ 14,134,657	\$ (437,438)
Restricted Net Position	2,349,308	2,091,396	257,912
Unrestricted Net Position	8,223,772	7,261,767	962,005
Net Position	<u>\$ 24,270,299</u>	<u>\$ 23,487,820</u>	\$ 782,479

The Authority's primary government cash increased by \$621,881 or 6% percent. Net cash used by operating activities was \$167,050, net cash provided by capital and related financing activities was \$602,665 and net cash provided by investing activities was \$186,266. The full detail of this amount can be found in the Statement of Cash Flow on pages 21-22 of this audit report.

Other current assets decreased \$594,866. Investments decreased by \$56,125, accounts receivables decreased by \$542,914, and prepaid expenses increased by \$4,173.

The Authority's primary government capital assets reported a decrease in the net book value of the capital assets in the amount of \$542,389 or 4% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$272,513, less the recording of depreciation expense in the amount of \$543,061. The Authority disposed and deleted of old assets in the amount of \$271,841 net of depreciation adjustment during the year. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 8 Fixed Assets.

The Authority had an increase in other assets notes receivable noncurrent in the amount of \$1,663,330 with an ending balance of \$9,932,964. During the year, the Authority advanced additional funds to the tax credits limited partnerships.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$1,255,772 for an ending balance of \$3,293,142. The Authority also reported an increase in the deferred inflow for the pension cost in the amount of \$176,059 for an ending balance of \$292,656.

The Authority's primary government total current liabilities decreased from the previous year by \$184,366 or 15% percent. Accounts payables decreased by \$154,492, accrued liabilities decreased by \$30,336, unearned revenue increased by \$937, other current liabilities decreased \$475. The current portion of the Capital Project Bonds payable remained the same amount as the prior year.

The Authority's primary government total noncurrent liabilities increased by \$1,629,556 or 12% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$79,576, with no offsetting assets, decreased \$3,573 from the previous year. Long term capital project bonds payable decreased \$105,000. Non-current liabilities – other decreased \$688,624 mainly due to the repayment of HUD overpayment of asset reposition fee in the prior years.

Accrued pension and OPEB liabilities increased \$2,426,753 or 24% percent. Additional information on GASB 68's effect and the Authority's accrued pension as well as the increase in accrued OPEB liability at June 30, 2017 can be found in Notes 20-21 to the financial statements, which is included in this report.

The Authority's primary government reported a net position of \$24,270,299 which is made up of three categories. The net investment in capital assets in the amount of \$13,697,219 represents 56% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance June 30, 2016	\$ 14,134,657
Fixed Asset Acquisitions	272,513
Fixed Asset Disposition	(271,890)
Payment of Principal on Debt	105,000
Depreciation Expense	(543,061)
Balance June 30, 2017	\$ 13,697,219

The Authority's primary government reported a restricted net position of \$2,349,308 an increase of \$257,912 from the prior year. Additional information on can be found in Note 22 Restricted Net Position.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Housing Authority of the City of Long Branch primary government reported an increase in its unrestricted position in the amount of \$962,005 or 13% percent resulting in an ending balance in the amount of \$8,223,772. During the year, the Authority had two (2) prior period adjustments totaling in the amount of \$1,390,949 which resulted from prior period advances of noncurrent notes receivable and an adjustment for prior period depreciation expense. A full detail of this account can be found in the Notes to the Financial Statements section Note – 23.

The following summarizes the changes in Net Position of the primary government between June 30, 2017 and June 30, 2016:

Computation of Changes in Net Position of the primary government are as follows:

	<u>Year Ending</u>		Increase
	June-17	June-16	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 985,564	\$ 937,602	\$ 47,962
HUD Subsidies	12,568,486	13,100,009	(531,523)
Fraud Recovery	13,576	19,657	(6,081)
Other Revenues	2,669,838	2,713,865	(44,027)
Total Operating Income	<u>16,237,464</u>	<u>16,771,133</u>	<u>(533,669)</u>
<u>Expenses</u>			
Operating Expenses	16,758,889	15,993,099	765,790
Depreciation Expense	543,061	608,820	(65,759)
Total Operating Expenses	<u>17,301,950</u>	<u>16,601,919</u>	<u>700,031</u>
Operating Income before Non Operating Income	(1,064,486)	169,214	(1,233,700)
Interest Income	130,141	11,485	118,656
HUD Capital Grants	325,875	386,829	(60,954)
Change in Net Position	(608,470)	567,528	(1,175,998)
Net Position Prior Year	23,487,820	30,978,301	(7,490,481)
Prior Period Adjustment	1,390,949	(8,058,009)	9,448,958
Total Net Position	<u>\$ 24,270,299</u>	<u>\$ 23,487,820</u>	<u>\$ 782,479</u>

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Approximately 77% percent of the Authority's primary government total operating revenue was provided by HUD operating subsidy, while 6% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 17% percent of the total income. The Housing Authority of the City of Long Branch received from the capital fund program \$325,875 in grant money a decrease of \$60,954 from the prior fiscal year. The Authority had capital expenditures of \$272,513. The current year additions included new appliances for the rental units, boiler upgrades, apartment renovations, upgrades to the security system, elevator upgrades, and site lighting upgrades.

The Authority's primary government operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 54% percent of total operating expenses. Administrative expenses accounted for 24% percent, tenant services accounted for 1% percent, utilities expense accounted for 3% percent, maintenance expense accounted for 7% percent, protective services expenses accounting for 2% percent, other operating expenses accounted for 6% percent, and depreciation accounted for the remaining 3% percent of the total operating expenses.

The Authority primary government operating expenses exceeded its operating income resulting in an excess of expenses from operations in the amount of \$1,064,486 from operations as compared to excess income from operations of \$169,214 for the previous year. The key elements for the decrease in deficit in comparison to the prior year are as follow:

- The Authority reported a decrease in HUD PHA operating grants in the amount of \$531,523 or 4% percent.
- The Authority reported a decrease in Other Governmental grants in the amount of \$241,508 or 100 percent.
- The Authority reported an increase in Other Revenue in the amount of \$197,481 or 8% percent.
- The Authority experienced decreases in the expenses listed below:
 - Tenant Services decreased \$9,262 or 4% percent.
 - Housing Assistance Payments decreased \$380,238 or 4% percent.
- The Authority experienced increases in the expenses listed below:
 - Administrative Expenses increased \$800,573 or 24% percent.
 - Utilities Expense increased \$29,998 or 7% percent.
 - Maintenance Expenses increased \$51,044 or 4% percent
 - Protective Services increase \$179,452 or 102% percent.
 - Other Operating Expense increased \$94,223 or 11% percent.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority primary government net cash used by operating activities during the year was \$167,050 as compared to cash provided in the amount of \$866,974 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flow on pages 21-22 of this report.

The following are financial highlights of significant items for the primary government for a four year period of time ending on June 30, 2017:

	June-17	June-16	June-15	June-14
Significant Income				
Total Tenant Revenue	\$ 985,564	\$ 937,602	\$ 950,692	\$ 951,903
HUD Operating Grants	12,568,486	13,100,009	13,702,952	11,632,364
HUD Capital Grants	325,875	386,829	317,371	524,678
Investment Income	130,141	11,485	3,798	17,318
Other Income	2,683,414	2,733,522	2,436,523	2,243,749
Total	\$ 16,693,480	\$ 17,169,447	\$ 17,411,336	\$ 15,370,012
Payroll Expense				
Administrative Salaries	\$ 1,975,555	\$ 1,730,894	\$ 1,940,199	\$ 1,906,908
Tenant Services Salaries	113,464	124,437	152,269	180,653
Maintenance Labor	11,824	568,424	644,575	530,775
Protective Services - Labor	497,360	142,284	197,052	238,627
Employee Benefits Expense	2,573,306	1,936,454	1,653,878	1,756,179
Total Payroll Expense	\$ 5,171,509	\$ 4,502,493	\$ 4,587,973	\$ 4,613,142
Other Significant Expenses				
Other Administrative Expenses	\$ 269,566	\$ 287,194	\$ 485,268	\$ 424,968
Utilities Expense	476,461	431,228	457,434	471,392
Maintenance Materials Cost	74,507	78,524	148,283	156,297
Maintenance Contract Cost	155,319	75,982	88,342	126,873
Insurance Premiums	226,238	217,449	223,825	216,871
Housing Assistance Payments	9,362,613	9,742,851	9,868,375	9,675,316
Total	\$ 10,564,704	\$ 10,833,228	\$ 11,271,527	\$ 11,071,717
Total Operating Expenses	\$ 17,301,950	\$ 16,601,919	\$ 17,686,175	\$ 17,152,474
Total of Federal Awards	\$ 12,894,361	\$ 13,486,838	\$ 14,021,323	\$ 12,157,042

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

THE AUTHORITY AS A WHOLE

The Authority's primary government revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

By far, the largest portion, 56%, of the Authority's primary government net position reflects its net investment in capital assets of the Authority. The net investment in capital assets (e.g., land, buildings, equipment, and construction in progress) uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH PROGRAMS

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the City of Long Branch flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

BUDGETARY HIGHLIGHTS

The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency. The Authority submits its annual operating subsidy and capital budgets to HUD.

The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

NEW INITIATIVES

For the fiscal year 2017 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 77% percent of its revenue from the Department of Housing and Urban Development, (2016 was 79% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of the operations, all the while increasing the occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of Long Branch all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's primary government net investment in capital assets as of June 30, 2017 was \$14,797,219 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$542,389 or 4% percent. The Authority disposed and deleted of old assets in the amount of \$271,841 net of depreciation adjustment during the year. Major capital expenditures of \$272,513 were made during the year. Major capital assets events during the fiscal year included the following:

- New Tenant Appliances
- Boiler Upgrades
- Apartment Renovations
- Upgrades to the Security System
- Elevator Upgrades
- Site Lighting upgrades

	June-17	June-16	Increase (Decrease)
Land	\$ 5,376,000	\$ 5,376,000	\$ -
Building	15,766,819	15,532,402	234,417
Furniture, Equipment - Dwelling	1,180,923	1,336,888	(155,965)
Furniture, Equipment - Administration	1,102,758	864,579	238,179
Leasehold Improvements	-	11,392	(11,392)
Construction in Process	478,754	846,445	(367,691)
Total Capital Assets	23,905,254	23,967,706	(62,452)
Less: Accumulated Depreciation	(9,108,035)	(8,628,098)	(479,937)
Net Book Value	<u>\$ 14,797,219</u>	<u>\$ 15,339,608</u>	<u>\$ (542,389)</u>

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 - Debt Administration

The Authority has participated in the New Jersey pooled leveraging program. The Capital Project Bond payable at June 30, 2017 is \$1,100,000. A full disclosure of the long term debt payable at June 30, 2017 can be found in Note- 17.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the City of Long Branch is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2017 fiscal year have already been submitted to HUD for approval and no major changes were made. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2018.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Thomas Sahlin, Acting Executive Director, Housing Authority of The City of Long Branch, 2 Hope Lane P.O. Box 337, Long Branch, NJ or call (732) 222-3747.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	June 30, 2017		
	<u>Primary Government</u>	<u>Component Units (Dec 2016)</u>	<u>Total (Memorandum)</u>
Assets			
Current Assets:			
Cash and Cash Equivalents- Unrestricted	\$ 8,325,379	\$ 1,185,313	\$ 9,510,692
Cash and Cash Equivalents- Restricted	2,436,093	-	2,436,093
Investments	1,414,790	-	1,414,790
Accounts Receivables, Net of Allowances	445,409	74,022	519,431
Prepaid Expenses	113,357	5,442	118,799
Total Current Assets	<u>12,735,028</u>	<u>1,264,777</u>	<u>13,999,805</u>
Noncurrent Assets			
Capital Assets			
Land	5,376,000	263,043	5,639,043
Building	15,766,819	-	15,766,819
Furniture, Equipment - Dwelling	1,180,923	-	1,180,923
Furniture, Equipment - Administration	1,102,758	-	1,102,758
Construction in Process	478,754	-	478,754
Total Capital Assets	<u>23,905,254</u>	<u>263,043</u>	<u>24,168,297</u>
Less: Accumulated Depreciation	<u>(9,108,035)</u>	<u>-</u>	<u>(9,108,035)</u>
Net Book Value	<u>14,797,219</u>	<u>263,043</u>	<u>15,060,262</u>
Notes Receivable - Non Current	9,932,964	-	9,932,964
Investment in Joint Ventures	-	130,745	130,745
Total Other Assets	<u>9,932,964</u>	<u>130,745</u>	<u>10,063,709</u>
Total Assets	37,465,211	1,658,565	39,123,776
Deferred Outflow of Resources			
State of New Jersey P.E.R.S.	<u>3,293,142</u>	<u>-</u>	<u>3,293,142</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 40,758,353</u>	<u>\$ 1,658,565</u>	<u>\$ 42,416,918</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	June 30, 2017		
	Primary Government	Component Units (Dec 2016)	Total (Memorandum)
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 131,452	\$ 113,607	\$ 245,059
Accrued Liabilities	90,980	-	90,980
Unearned Revenue	2,533	-	2,533
Other Current Liabilities	704,706	-	704,706
Long Term Debt - Current	105,000	-	105,000
Total Current Liabilities	<u>1,034,671</u>	<u>113,607</u>	<u>1,148,278</u>
Noncurrent Liabilities			
Long Term Debt - Non Current	995,000	-	995,000
Accrued Compensated Absences - Long-Term	79,576	-	79,576
Non Current Liabilities - Other	1,560,696	-	1,560,696
Loan Liability - Non Current	-	400,000	400,000
Accrued Other Post-Employment Benefits Liabilities	12,525,455	-	12,525,455
Total Noncurrent Liabilities	<u>15,160,727</u>	<u>400,000</u>	<u>15,560,727</u>
Total Liabilities	<u>16,195,398</u>	<u>513,607</u>	<u>16,709,005</u>
Deferred Inflow of Resources			
State of New Jersey P.E.R.S.	<u>292,656</u>	<u>-</u>	<u>292,656</u>
Net Position:			
Net Investment in Capital Assets	13,697,219	263,043	13,960,262
Restricted	2,349,308	-	2,349,308
Unrestricted	8,223,772	881,915	9,105,687
Total Net Position	<u>24,270,299</u>	<u>1,144,958</u>	<u>25,415,257</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 40,758,353</u>	<u>\$ 1,658,565</u>	<u>\$ 42,416,918</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2017**

	June 30, 2017		
	Primary Government	Component Units (Dec 2016)	Total (Memorandum)
Revenue:			
Tenant Rental Revenue	\$ 985,564	\$ -	\$ 985,564
HUD PHA Operating Grants	12,568,486	-	12,568,486
Fraud Recovery	13,576	-	13,576
Other Government Grants	4,243		4,243
Other Revenue	2,665,595	850,010	3,515,605
Total Revenue	<u>16,237,464</u>	<u>850,010</u>	<u>17,087,474</u>
Operating Expenses:			
Administrative Expense	4,161,046	355,801	4,516,847
Tenant Services	220,730	-	220,730
Utilities Expense	476,461	312	476,773
Maintenance Expense	1,216,637	12,842	1,229,479
Protective Services Expense	354,583	-	354,583
Other Operating Expenses	966,819	56,084	1,022,903
Housing Assistance Payments	9,362,613	-	9,362,613
Depreciations Expense	543,061	-	543,061
Total Operating Expenses	<u>17,301,950</u>	<u>425,039</u>	<u>17,726,989</u>
Excess Expenses Over Revenue From Operations	<u>(1,064,486)</u>	<u>424,971</u>	<u>(639,515)</u>
Non Operating Income and (Expenses):			
Investment Income	130,141	-	130,141
Capital Grants	325,875	-	325,875
Total Non Operating (Expenses) and Income	<u>456,016</u>	<u>-</u>	<u>456,016</u>
Change in Net Position	<u>(608,470)</u>	<u>424,971</u>	<u>(183,499)</u>
Beginning Net Position	23,487,820	719,987	24,207,807
Prior Period Adjustments	1,390,949	-	1,390,949
Beginning Net Position, Restated	<u>24,878,769</u>	<u>719,987</u>	<u>25,598,756</u>
Ending Net Position	<u>\$ 24,270,299</u>	<u>\$ 1,144,958</u>	<u>\$ 25,415,257</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED JUNE 30, 2017

	June 30, 2017		
	Primary Government	Component Units (Dec 2016)	Total (Memorandum)
Cash Flow From Operating Activities			
Receipts from Tenants	\$ 976,865	\$ -	\$ 976,865
Receipts from Federal Grants	12,566,401	-	12,566,401
Receipts from Misc. Sources	2,669,838	850,010	3,519,848
Payments to Vendors and Suppliers	(1,087,285)	(452,266)	(1,539,551)
Payments for Housing Assistance Payments	(9,362,613)	-	(9,362,613)
Payments to Employees	(2,902,724)	(91,288)	(2,994,012)
Payment of Employee Benefits	(2,573,306)	(11,498)	(2,584,804)
Payment of Utilities Expenses	(454,226)	(312)	(454,538)
Net Cash (Used) Provided by Operating Activities	<u>(167,050)</u>	<u>294,646</u>	<u>127,596</u>
Cash Flow From Capital and Related Financing Activities			
Receipts from Capital Grants	325,875	-	325,875
Acquisitions and Construction of Capital Assets	(272,513)	-	(272,513)
Deletion of Fixed Assets	271,890	-	271,890
Payment in Long Term Compensated Absences	(3,573)	-	(3,573)
Increase in Non Current Liabilities - Other	(688,624)	-	(688,624)
Principal Payment on Debt	(105,000)	-	(105,000)
Increase in Pension and OPEB Liabilities	2,426,753	-	2,426,753
Net Effect of Deferred Inflows and Outflows	(1,079,713)	-	(1,079,713)
Decrease in Investment in Joint Ventures	-	28,292	28,292
(Increase) in Notes Receivable - Non Current	(1,663,330)	-	(1,663,330)
Prior Period Adjustment	1,390,900	-	1,390,900
Net Cash Provided by Capital and Related Financing Activities	<u>602,665</u>	<u>28,292</u>	<u>630,957</u>
Cash Flow From Investing Activities			
Interest Income	130,141	-	130,141
Sale of Investment	56,125	-	56,125
Net Cash Provided by Investing Activities	<u>186,266</u>	<u>-</u>	<u>186,266</u>
Net Increase in Cash and Cash Equivalents	621,881	322,938	944,819
Beginning Cash	<u>10,139,591</u>	<u>862,375</u>	<u>11,001,966</u>
Ending Cash	<u>\$ 10,761,472</u>	<u>\$ 1,185,313</u>	<u>\$ 11,946,785</u>
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	\$ 8,325,379	\$ 1,185,313	\$ 9,510,692
Other Restricted	1,698,706	-	1,698,706
HAP Reserve - Restricted	650,602	-	650,602
HCV - FSS Escrows	86,785	-	86,785
Total Ending Cash	<u>\$ 10,761,472</u>	<u>\$ 1,185,313</u>	<u>\$ 11,946,785</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED JUNE 30, 2017**

	June 30, 2017		
	Primary Government	Component Units (Dec 2016)	Total (Memorandum)
(Used) Provided by Operating Activities			
Excess of Expenses Over Revenue	\$ (1,064,486)	\$ 424,971	\$ (639,515)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:			
Depreciation Expense	543,061	-	543,061
(Increase) Decrease in:			
Accounts Receivables	542,914	(30,096)	512,818
Prepaid Expenses	(4,173)	(788)	(4,961)
Increase (Decrease) in:			
Accounts Payable	(154,492)	(99,441)	(253,933)
Accrued Liabilities	(30,336)	-	(30,336)
Unearned Revenues	937	-	937
Other Current Liabilities	(475)	-	(475)
Net Cash (Used) Provided by Operating Activities	<u>\$ (167,050)</u>	<u>\$ 294,646</u>	<u>\$ 127,596</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Long Branch in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in Long Branch. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of Long Branch and City Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the City of Long Branch reporting entity.

Based on the following criteria, the Authority has identified two (2) entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The organization is fiscal dependency on the primary government.
- C. The organization has potential to impose a financial benefit or burden on the primary government.
- D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
- E. The primary government is able to impose its will on the organization.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are 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. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

On January 30, 2008, HUD issued *PIH Notice 2008-9* which among other things requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both administrative fees and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fees and HAP revenue in the reporting period as revenue for financial statement reporting.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

Significant Accounting Policies -Continued

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

Basis of Accounting –

In Enterprise fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the City of Long Branch's flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by June 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

Basis of Accounting – Continued

The Capital Fund Grant program contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Other revenue is income composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available. Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

Component Unit – Discretely Presented

The Authority has identified two entities Maestro Community Development Corporation and Shorepoint Corporation as discretely presented component units. The method of accounting for the component units are in accordance with accounting principles generally accepted in the United States of America. The accounting year end for the Maestro Community Development Corporation and Shorepoint Corporation are December 31.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

Report Presentation -

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

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

Net Investment in Capital Assets.

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Restricted.

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

Unrestricted.

The net position consists of net assets that do not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

Report Presentation - Continued

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

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

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

9 – The Authority does not have any infrastructure assets for its Enterprise Fund.

10 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

11- Advertising cost is charged to expense when incurred.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

Other accounting policies - Continued

12- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

13- When expenses are incurred where both restricted and unrestricted net position are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

14- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

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

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

Other accounting policies - Continued

16- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

Budgetary and Policy Control –

The Authority submits its annual operating subsidy and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Activities - The only programs or activities administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-008	449
Public Housing Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39-VO-008	866

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

Activities- Continued

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the City of Long Branch flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Component Units

Maestro Community Development Corporation is organized as a not for profit corporation and Shorepoint Corporation is organized as for profit corporations. These corporations operate on a calendar year that ended on December 31. In accordance with GASB Statement No. 61, due to the Authority manages the financial affairs of these nonprofit corporation; these entities are being reported as a discretely presented component units. Therefore the activities of these nonprofit corporations are presented as component units on the Authority's electronically filed financial data schedule.

Taxes - Under federal, state, and local law, the Authority's program are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 - ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 3 - PENSION PLAN -CONTINUED

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web :www.state.nj.us/treasury/pension/financial

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.20% of base wages.

The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2017 amounted to \$271,042.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects of GASB #68 can be found in Note 21- Accrued Pension Liability.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 4 - CASH, CASH EQUIVALENTS

The Authority's primary government cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

The book balances for the Authority primary government unrestricted cash at June 30, 2017 for was in the amount of \$8,325,379, restricted cash of \$2,436,093 and investments of \$1,414,790 as discussed below:

	<u>June-17</u>
Bank of America	\$ 7,630,666
Investors Savings Bank	4,542,512
Bank of New York Mellon	3,009
Petty Cash	<u>75</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 12,176,262</u>

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED

The Authority primary government has total restricted cash at June 30, 2017 in the amount of \$2,436,093 which consists of the following:

	<u>June-17</u>
HCV HAP Reserves	\$ 650,602
FSS Participants	86,785
Current Payment for CFFP bond	3,009
Seaview Sale Proceeds	<u>1,695,697</u>
Total Restricted Cash	<u><u>\$ 2,436,093</u></u>

The restricted cash in the amount of \$650,602 for 2017 was reported under the Housing Choice Voucher Program as a HAP reserve for future use.

Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At June 30, 2017, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities. The Authority's checking accounts are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it.

The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>June-17</u>
Insured	\$ 503,009
Collateralized held by pledging bank's trust department in the Authority's name	<u>11,673,253</u>
Total Cash, Cash Equivalents and Investments	<u><u>\$ 12,176,262</u></u>

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable for the Authority primary government at June 30, 2017 consists of the following:

	<u>June-17</u>
Tenants Accounts Receivable - Present	\$ 17,353
Less: Allowance for Doubtful Accounts	(1,735)
Net Tenants Accounts Receivable	<u>15,618</u>
Accounts Receivable - Fraud Recovery	192,446
Less: Allowance for Doubtful Accounts	(192,446)
Net Fraud Recovery Receivable	<u>-</u>
Accounts Receivable - HUD	2,085
Accounts Receivable - Other Revenue Fees	48,667
Accounts Receivable - Other Governmental	15,000
Accounts Receivable - Limited Partnerships	364,039
Accounts Receivable - Repayment Agreements	9,694
Allowance for Doubtful Accounts - Other	(9,694)
Net Other Receivables	<u>429,791</u>
Net Accounts Receivable Total	<u>\$ 445,409</u>

The Housing Authority of the City of Long Branch carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 6 - PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expense for the Authority primary government at June 30, 2017 consists of the following:

	<u>June-17</u>
Prepaid Insurance Premiums	\$ 103,942
Inventories - Net of Allowance	<u>9,415</u>
Total Prepaid Expenses	<u>\$ 113,357</u>

NOTE 7 - INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at June 30, 2017 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value.

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized.

Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$5,000 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 8 - FIXED ASSETS - CONTINUED

The Housing Authority of the City of Long Branch has given consideration to the GASBS #42, Accounting for the Impairment or Disposal of Long-Lived Assets, in the preparation of these financial statements.

The carrying value of long-live assets in accordance with GASBS #42, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at June 30, 2017.

Below is a schedule of changes in fixed assets for the Authority primary government for the twelve months ending June 30, 2017:

	June 30, 2016	Additions	Deletion	Disposal	Transfers	June 30, 2017
Land and Improvements	\$ 5,376,000					\$ 5,376,000
Building	15,532,402		(275,829)		510,246	15,766,819
Furniture, Equipment - Dwelling	1,336,888				(155,965)	1,180,923
Furniture, Equipment - Administration	864,579	52,182		(59,676)	245,673	1,102,758
Leasehold Improvements	11,932	-			(11,932)	-
Construction in Process	846,445	220,331			(588,022)	478,754
Total Fixed Assets	23,968,246	272,513	(275,829)	(59,676)	-	23,905,254
Accumulated Depreciation	(8,628,098)	(543,061)	3,448	59,676	-	(9,108,035)
Net Book Value	\$ 15,340,148	\$ (270,548)	\$ (272,381)	\$ -	\$ -	\$ 14,797,219

Below is a schedule of the net book value of the fixed assets for the Authority primary government as of June 30, 2017:

	June 30, 2017
Land and Improvements	\$ 5,376,000
Building	8,433,824
Furniture, Equipment - Dwelling	198,088
Furniture, Equipment - Administration	310,553
Leasehold Improvements	-
Construction in Process	478,754
Net Book Value	<u>\$ 14,797,219</u>

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 9- NOTES RECEIVABLE

The Authority primary government has five (5) notes receivable non-current. The account balance at June 30, 2017 consists of:

	Original Note	Accrued Interest	Present Value	Allowance for Doubtful	Net Book Value
Grant Court Housing Urban Renewal Assoc., LLC	\$ 1,604,208	\$ 980,463	\$ 2,584,671	\$ (980,463)	\$ 1,604,208
Seaview Housing Urban Renewal Assoc., LLC	1,460,359	-	1,460,359	-	1,460,359
Garfield Two Housing Urban Renewal, LP	2,272,529	-	2,272,529	-	2,272,529
Garfield Court Urban Renewal Housing Assoc., LLC	3,920,039	1,692,688	5,612,727	(1,692,688)	3,920,039
Woodrow Wilson Housing UR Associates II, LP	275,829	-	275,829	-	275,829
Maestro Loan	400,000	-	400,000	-	400,000
Total	\$ 9,932,964	\$ 2,673,151	\$ 12,606,115	\$ (2,673,151)	\$ 9,932,964

Grant Court Housing Urban Renewal Associates, LLC.

The Authority advanced a permanent mortgage loan to Grant Court Housing Urban Renewal Associates, LLC on October 4, 2006 in connection with development and construction of 53 units of low income housing. The principal balance of the note bears interest at 5.02% compounded annually. All principal and accrued interest is due Jan 1, 2049, forty (40) years from the completion date of January 1, 2009.

Seaview Housing Urban Renewal Associates, LLC

The Authority advanced a permanent mortgage loan to Seaview Housing Urban Renewal Associates, LLC on December 14, 2006 in connection with the development and construction of low income housing units. The principal balance of \$1,460,359 bears no interest. All principal is due January 1, 2047, forty (40) years from the project completion date of January 1, 2007.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 9- NOTES RECEIVABLE - CONTINUED

Garfield Two Housing Urban Renewal, LP

The Authority advanced a permanent mortgage loan to Garfield Two Housing Urban Renewal, LP on October 26, 2011 in connection with development and construction of 61 low income housing units. The principal balance of \$2,272,529 bears interest at 4.00% compounded annually. All principal and accrued interest is due May 1, 2061, fifty-one (51) years from the completion date of May 1, 2010.

Garfield Court Urban Renewal Housing Associates, LLC

The Authority advanced a permanent mortgage loan to Garfield Court Urban Renewal Housing Associates, LLC on January 22, 2009 in connection with development of low income housing tax credit units. The principal balance of the note bears interest at 4.46% compounded annually. All principal and accrued interest is due January 1, 2050, forty (40) years from the completion date of January 1, 2010.

Woodrow Wilson Housing Urban Renewal Associates II, LP

The Authority advanced a permanent mortgage loan to Woodrow Wilson Housing Urban Renewal Associates II, LP through funds received from the United States Housing and Urban Development (HUD) including Replacement Housing Factor Funds (RHF Funds) under a loan Dated December 12, 2012. The loan is noninterest bearing and matures 50 years after substantial completion (November 2063). The principal balance at June 30, 2017 was \$275,829.

Maestro Loan

The Authority advanced to Maestro Community Development Corporation a loan in the amount of \$400,000 in connection with the development of low income housing units. The principal balance of \$400,000 bears no interest.

NOTE 10 - INVESTMENT IN JOINT VENTURES - COMPONENT UNIT

Garfield Two Housing Urban Renewal, LP

Garfield Two Housing Urban Renewal, LP is a limited partnership, which was formed in November 1, 2009 pursuant to the laws of the State of New Jersey to acquire, renovate, own and operate 61 unit low-income rental apartments in Long Branch, New Jersey. The units are to be used and occupied in such a manner as to fully utilize low-income housing credits in accordance with Section 42 of the Internal Revenue Code.

On November 1, 2009, the Partnership Agreement was signed. The terms of the Partnership Agreement provide that profit and loss be shared 99.999% by the special investment limited partners, and 0.001% by the managing general partner (subject to regulations under Section 704(b) of the Internal Revenue Code). The equity balance in Garfield Two Housing Urban Renewal, LP as of December 31, 2017 was \$130,745.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The Pension Liability discussed in Note 21 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experiences	\$ 168,043	\$ -
Changes in Assumptions	1,871,784	-
Net Difference Between Projected and Actual Earning on Pension Plan Investments	344,552	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	636,150	292,656
Contributions Subsequent to the Measurement Date	272,613	-
Total	<u>\$ 3,293,142</u>	<u>\$ 292,656</u>

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$168,043.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$1,871,784

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$344,552 and \$-0-.

Changes in Proportion

The change in employer proportionate share is the amount of difference between the employer proportionate share of net pension liability in the prior year compared to the current year. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a *five* year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$636,150 and \$292,656.

NOTE 12 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position section of the primary government as of June 30, 2017. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. The Authority accounts payable at June 30, 2017 in the amount of \$131,452 consists of the following:

	<u>June-17</u>
Accounts Payable Vendors	\$ 60,105
Accounts Payable - Other Government	54,180
Accounts Payable - Portabilities	17,167
Total Accounts Payable	<u>\$ 131,452</u>

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements June 30, 2017

NOTE 13 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's primary government programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of Long Branch. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. This agreement was amended by the City of Long Branch, and now the Authority PILOT Payable for certain developments have been abated for further notice from the City of Long Branch. During the fiscal year ended June 30, 2017 PILOT expense of \$54,180 incurred. PILOT payable at June 30, 2017 consists of the following:

Total PILOT Payable June 30, 2016	\$	52,702
PILOT Expense for June 30, 2017		54,180
Less: Payments		(52,702)
Total PILOT Payable June 30, 2017	\$	<u>54,180</u>

NOTE 14 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position section of the primary government as of June 30, 2017. Accrued expenses are liabilities covering expenses incurred on or before June 30, and are payable at some future date. Accrued liabilities at June 30, 2017 consisted of the following:

		<u>June-17</u>
Compensated Absences - Current Portion	\$	81,938
Accrued Expenses		575
Accrued Interest Payable		8,467
Total Accrued Liabilities	\$	<u>90,980</u>

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements
June 30, 2017

NOTE 15 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered. Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of retirement, an employee is compensated for one for two unused sick days up to a maximum of \$5,000 under the Authority’s current personnel policy. Generally, unused vacation may be carried over for a one year period. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

The Authority has determined that the potential liability for accumulated vacation and sick time for the Authority primary government at June 30, 2017 as follows:

	<u>June-17</u>
Accumulated Sick Time	\$ 73,922
Accumulated Vacation Time	76,115
Accrued Payroll Taxes	<u>11,477</u>
Total	161,514
Compensated Absences - Current Portion	<u>(81,938)</u>
Total Compensated Absences - Noncurrent	<u>\$ 79,576</u>

NOTE 16 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position section of the primary government as of June 30, 2017. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The deferred revenue for June 30, 2017 is \$2,533 which consisted of prepaid rent for the month of July.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 17 – LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND

The Authority participated on December 23, 2004 with other New Jersey Housing Authorities in the issuance of \$79,860,000 in Series 2004 HMFA Bonds. The Authority portion of the Series 2004 HMFA Bonds is \$3,340,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Public and Indian Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2027.

The faith and credit of the Housing Authority of the City of Long Branch was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

Interest on the Bonds is payable on November 1 and May 1. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the BNY Mellon Bank, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

June 30, 2018	\$	105,000
June 30, 2019		115,000
June 30, 2020		120,000
June 30, 2021		125,000
June 30, 2022		135,000
Sub Total		<u>600,000</u>
Til Maturity June, 2026		500,000
Total Outstanding Balance	\$	<u><u>1,100,000</u></u>

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 18 – ACCOUNTS PAYABLE HUD

During the year, HUD performed a reconciliation of the Asset Repositioning Fees for the Housing Authority of the City of Long Branch. It was determined that an overpayment was made in the amount of \$2,818,822, which will be repaid in 4 installments. The current portion is reported in Other Current Liabilities.

December 1, 2017	\$	704,706	Current Portion
December 1, 2018		704,705	
December 1, 2019		704,706	
Total HUD Payable	\$	<u>2,114,117</u>	

NOTE 19 – NON CURRENT LIABILITY

The Authority reported non-current liability on its Statement of Net Position section of the primary government as of June 30, 2017. Noncurrent liability at June 30, 2017 consisted of the following:

		<u>June-17</u>
HCV- FSS Payable	\$	86,785
NJHMFA - Unredeemed Bonds		64,500
Repayment of HUD Subsidy		1,409,411
Total NonCurrent Liabilities - Other	\$	<u>1,560,696</u>

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 20 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of March 31, 2017 reported accrued pension and OPEB liability amounts as follows:

	<u>June-17</u>
Accrued OPEB Liability	\$ 3,489,418
Accrued Pension Liability	<u>9,036,037</u>
Total OPEB and Pension Liability	<u><u>\$ 12,525,455</u></u>

These amounts arose due to adoption of GASB 45 several years ago as well as GASB 68 which was just adopted this fiscal year. This note will discuss the liability associated with GASB 45, which is accrued other postemployment benefits. Note - 21 will discuss the effect of GASB 68 and the liability which arose from that.

OPEB Liability

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC") , an amount actuarially determined in accordance with parameters of GASB Statement No. 45 . The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

The following table shows the components of the Authority's primary government annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

	<u>June-17</u>
Annual Required Contribution	\$ 599,166
Interest on net OPEB obligation	88,168
Adjustment to annual required contribution	<u>105,813</u>
Annual OPEB cost (expense)	793,147
Contributions made	<u>(150,537)</u>
Increase in net OPEB obligation	642,610
Net OPEB Obligation – beginning of year	<u>2,846,808</u>
Net OPEB Obligation – end of year	<u><u>\$ 3,489,418</u></u>

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 20 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June-14	\$ 685,768	17%	\$ 1,634,905
June-15	\$ 685,768	17%	\$ 2,204,198
June-16	\$ 786,384	18%	\$ 2,846,808
June-17	\$ 793,147	19%	\$ 3,489,418

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2015, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$6,754,555, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,754,555.

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

EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event that healthcare trend rates were 1% percent higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$7,917,619 or by 20% percent and the corresponding Normal Cost would increase to \$277,471 or by 31% percent.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 20 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED
ACTUARIAL METHODS AND ASSUMPTIONS

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

- Actuarial Cost Method Projected Unit Credit
- Investment Rate of Return 5.00% per annum
- Healthcare Trend Rates:

	<u>Year</u>	<u>Pre - 65</u>	<u>Post - 65</u>
Initial Trend	January-12	10.00%	10.00%
Ultimate Trend	2017 or Later	5.00%	5.00%
Grading per Year		1.00%	1.00%

- General Inflation Assumption: 3.5% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Amortized as level dollar amount over 11 years at transition
- Remaining Amortization Period: 11 years at July 1, 2013

Reconciliation of Plan Participation (As of July 1, 2015) Active Employees:

	<u>July-15</u>
Number of Active Employees	34
Average Age - Actives	46.8
Average Years of Service - Actives	12.2
Actives Eligible for Retirement	3
Number of Retired Employees	11
Average Age - Retirees	73.7

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 20 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

Summary of changes to Unfunded Accrued Liability

Below is a schedule the items that caused the increase in the UAL from the initial actuarial valuation of the unfunded accrued liability to the most recent valuation as of July 1, 2015:

Initial Valuation of UAL July 1, 2013	\$ 4,914,966
Impact due to chages in discount rate	1,098,704
Impact of including Medicare Part B premium reimbursements	1,019,606
Impact due to change in retirement eligibility requirements	479,291
Impact due to active population having less years of service	(839,519)
Impact due to changes in other assumptions since prior valuation	81,507
Total UAL as of July 1, 2015	<u>\$ 6,754,555</u>

NOTE 21 – ACCRUED PENSION LIABILITY

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PER provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

Contributions

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements
June 30, 2017

NOTE 21 – ACCRUED PENSION LIABILITY - CONTINUED

Measurement Date

The net pension liability for fiscal year ending June 30, 2017 is determined at a measurement date of June 30, 2016. The total pension liability as of June 30, 2016 was determined by rolling forward the Plan's total pension liability as of July 1, 2015 to June 30, 2016. The plan fiduciary net position is the market value of plan assets as of June 30, 2016.

Net Pension Liability Information

The Authority as of June 30, 2017 reported a net pension liability in the amount of \$9,036,037 due to the adoption of GASB 68.

The component of the current year net pension liability of the Authority as of June 30, 2016, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 15,094,481
Plan Net Position	<u>(6,058,443)</u>
Employer Net Pension Liability	<u>\$ 9,036,037</u>

The Authority allocation percentage is 0.0305094955% as of June 30, 2016.

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2016 and 2015 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2016 and 2015, respectively. For this first year implementation there was a change in allocation percentage from June 30, 2015 to June 30, 2016.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 21 – ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Long-Term Expected Rate of Return

The arithmetic mean return on the portfolio 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. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016. The capital market assumptions are per Buck's investment consulting practice for 2016.

The determination of each employer's projected long term contribution effort is accomplished by computing the actuarially determined indexed present value of future compensation using census data as of June 30, 2016. The indexed present value of future compensation for each employer is calculated by multiplying the present value of future projected compensation for current employees (that is, on a closed basis) by the applicable cost index for each participant.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 21 – ACCRUED PENSION LIABILITY - CONTINUED

Long-Term Expected Rate of Return -Continued

The present value of future compensation for a participant incorporates:

- 1) Current employee demographics, including age, years of service, and salary,
- 2) Projected salary increases, and
- 3) Decrements (probabilities of retirement, death, and withdrawal).

The cost indexes are designed to reflect the relative cost of benefits for groups of employees with a common benefit in relation to other groups within each GASB plan. These cost indexes are also used in the determination of annual required contributions. The cost indexes are based on a new entrant valuation where the most recent set of new members to

- 1) An PERS regular plan (retirement eligibility based on age and service),
- 2) An PERS special plan (retirement eligibility based on service alone), and

These new entrant rates are the employer contribution rates that would be paid over the employee's career assuming all valuation assumptions are realized without gains or losses. The ratio of new entrant rates between plans establishes the relative plan lucrativeness, or index.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 3.98% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.98% percent) or 1 percentage-point higher (4.98% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (2.98%)	Current Discount (3.98%)	1% Increase (4.98%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,072,609	\$ 9,036,037	\$ 7,354,671

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 21 – ACCRUED PENSION LIABILITY – CONTINUED

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of PERS members (active and inactive members), respectively.

The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow or resources or a deferred inflow of resources.

Actuarial Assumptions

The total pension liability for June 30, 2016 measurement dates were determined by using an actuarial valuation as of July 1, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The actuarial valuations used the following actuarial assumptions:

Inflation	3.08%
Salary Increases:	
Through 2026	1.65-4.15%, based on age
Thereafter	2.65-5.15%, based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 7 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements June 30, 2017

NOTE 21 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions -Continued

The actuarial assumptions used in the July 1, 2015 evaluation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return 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.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation - Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	100%	

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements
June 30, 2017

NOTE 21 – ACCRUED PENSION LIABILITY – CONTINUED

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

Year Ending June 30, 2017	\$	536,821
Year Ending June 30, 2018	\$	536,821
Year Ending June 30, 2019	\$	621,926
Year Ending June 30, 2020	\$	522,508
Year Ending June 30, 2021	\$	166,303

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2017 is \$970,331.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements
June 30, 2017

NOTE 22 – RESTRICTED NET POSITION

The Authority restricted net position for the Authority primary government account balance at June 30, 2017 is \$2,349,308. The detail of the restricted reserve account balances is as follows:

	<u>June-17</u>
HCV- HAP Reserves	\$ 650,602
CFFP Bonds Proceeds	3,009
Seaview Sale Proceeds	<u>1,695,697</u>
Total Restricted Net Position	<u>\$ 2,349,308</u>

The detail of the HAP reserve account balances is as follows:

	<u>HAP Reserve</u>
Balance June 30, 2015	\$ 340,619
Increase in HAP Reserve	<u>52,197</u>
Balance June 30, 2016	392,816
Increase in HAP Reserve	<u>257,786</u>
Balance June 30, 2017	<u>\$ 650,602</u>

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority at June 30, 2017 was \$440,464.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 23 – UNRESTRICTED NET POSITION

The Authority's primary government unrestricted net position account balance at June 30, 2017 is \$8,223,772. The detail of the account balance is as follows:

	PIH Program Reserves	HCV Program Reserve	Business Activities	COCC	Total
Balance June 30, 2016	\$ 10,497,745	\$ (923,479)	\$ 2,326,115	\$ (4,638,614)	\$ 7,261,767
Increase During the Year	453,945	-	41,692	-	495,637
Decrease During the Year	-	(171,080)	-	(753,501)	(924,581)
Prior Period Adjustments	1,390,949	-	-	-	1,390,949
Balance June 30, 2017	<u>\$ 12,342,639</u>	<u>\$ (1,094,559)</u>	<u>\$ 2,367,807</u>	<u>\$ (5,392,115)</u>	<u>\$ 8,223,772</u>

The Authority unrestricted net position reflects a balance of \$8,223,772, as of June 30, 2017, because of the requirement to adopt GASB #45 (OPEB) and GASB #68 pension liability. The Authority recorded OPEB liability to date of \$3,489,418 which has a direct effect on the reserves. The Authority recorded an accrued pension liability to date of \$9,036,037 which also has a direct effect on the reserves. GASB #45 and GASB #68 do not require the Authority to fund the liability.

NOTE 24 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended June 30, 2017, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of all its buildings for the purpose of determining potential liability issues.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 25 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended June 30, 2017 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended June 30, 2017 were \$1,595,574.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family. HUD contributions for the Housing Choice Voucher for June 30, 2017 were \$10,416,307.

NOTE 26 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Governmental Accounting Standards Boards Statements (GASBS) requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was \$12,894,361 to the Authority which represents approximately 77% percent of the Authority's total revenue for the fiscal year June 30, 2017.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2017

NOTE 27 - CONTINGENCIES

Litigation – At June 30, 2017, the Authority is subject of several legal proceeding, claims, and litigation arising in the ordinary course of business. While the outcome of this matter is currently undeterminable, management does not expect that the ultimate cost to resolve these matters will have a material adverse effect on the Authority's financial position, results of operations or cash flows. Majority of these matters have been turned over to the Authority's insurance company, and are being handled through the insurer.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 28 – PRIOR PERIOD ADJUSTMENT

For year ending June 30, 2017

As of June 30, 2017, the Authority had a prior period adjustment in the amount of \$1,387,501 for the total advances for the notes receivable for the tax credits entities in the prior years.

For year ending June 30, 2017

As of June 30, 2017, the Authority had a prior period adjustment in the amount of \$3,448 for adjusting the total depreciation expense for the deleted fixed assets.

NOTE 29 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru November 29, 2017; the date which the financial statements were available for issue 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.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED JUNE 30, 2017**

Programs funded by:
 U.S. Department of Housing and Urban Development

	CFDA #'s	Grant Period		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
		From	To				
Public and Indian Housing Program							
NJ008-00000616D	14.850	1/1/2016	12/31/2016	\$ 104,432	\$ 52,566	\$ 52,566	\$ 104,432
NJ008-00000617D	14.850	1/1/2017	12/31/2017	72,333	43,439	43,439	43,439
NJ008-00000716D	14.850	1/1/2016	12/31/2016	605,629	304,847	304,847	605,629
NJ008-00000717D	14.850	1/1/2017	12/31/2017	495,613	297,636	297,636	297,636
NJ008-00001116D	14.850	1/1/2016	12/31/2016	126,343	63,595	63,595	126,343
NJ008-00001117D	14.850	1/1/2017	12/31/2017	112,587	67,613	67,613	67,613
NJ008-00001216D	14.850	1/1/2016	12/31/2016	213,282	107,356	107,356	213,282
NJ008-00001217D	14.850	1/1/2017	12/31/2017	142,708	85,702	85,702	85,702
NJ008-00001316D	14.850	1/1/2016	12/31/2016	153,211	77,119	77,119	153,211
NJ008-00001317D	14.850	1/1/2017	12/31/2017	148,453	89,152	89,152	89,152
NJ008-00001416D	14.850	1/1/2016	12/31/2016	151,920	76,470	76,470	151,920
NJ008-00001417D	14.850	1/1/2017	12/31/2017	126,873	76,193	76,193	126,873
NJ008-00001516D	14.850	1/1/2016	12/31/2016	49,419	24,875	24,875	49,419
NJ008-00001517D	14.850	1/1/2017	12/31/2017	51,478	30,915	30,915	30,915
NJ008-00001616D	14.850	1/1/2016	12/31/2016	18,633	18,633	18,633	18,633
NJ008-00001617D	14.850	1/1/2017	12/31/2017	18,263	13,345	13,345	13,345
NJ008-00001716D	14.850	1/1/2016	12/31/2016	37,309	18,780	18,780	37,309
NJ008-00001717D	14.850	1/1/2017	12/31/2017	54,907	32,974	32,974	54,907
NJ008-00001816D	14.850	1/1/2016	12/31/2016	27,746	13,966	13,966	27,746
NJ008-00001817D	14.850	1/1/2017	12/31/2017	94,748	56,900	56,900	94,748
NJ008-00001916D	14.850	1/1/2016	12/31/2016	32,750	16,485	16,485	32,750
NJ008-00001917D	14.850	1/1/2017	12/31/2017	44,980	27,013	27,013	44,980
Grant Subtotal				<u>2,883,617</u>	<u>1,595,574</u>	<u>1,595,574</u>	<u>2,341,556</u>
Public Housing Capital Fund Program							
NJ39P008501-13	14.872	9/9/2013	9/8/2017	739,590	2,500	2,500	737,090
NJ39P008501-14	14.872	5/13/2014	5/12/2018	844,648	71,211	71,211	839,660
NJ39P008501-15	14.872	4/13/2015	4/12/2019	977,305	232,733	232,733	770,231
NJ39P008501-16	14.872	4/13/2016	4/12/2020	988,344	561,786	561,786	478,688
NJ39R008502-13	14.872	9/9/2013	9/8/2017	84,519	14,250	14,250	14,250
Grant Subtotal				<u>3,634,406</u>	<u>882,480</u>	<u>882,480</u>	<u>2,839,919</u>
Section 8 Housing Choice Voucher Program							
NJ39P008	14.871	7/1/2016	6/30/2017	10,416,307	10,416,307	10,416,307	10,416,307
Grant Subtotal				<u>10,416,307</u>	<u>10,416,307</u>	<u>10,416,307</u>	<u>10,416,307</u>
Total Awards				<u>\$ 16,934,330</u>	<u>\$ 12,894,361</u>	<u>\$ 12,894,361</u>	<u>\$ 15,597,782</u>

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2017**

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of Long Branch is under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the City of Long Branch, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the City of Long Branch.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Housing Authority of the City of Long Branch has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 3. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2017.

Note 4. Loans Outstanding:

Housing Authority of the City of Long Branch primary government activities had Capital Project Bonds payable in the amount of \$1,100,000 outstanding at June 30, 2017. See Note 17 on pages 45 of this report for full detail.

The debt requirements for Capital Project Bonds as to principal reduction of the loan for long term debt until exhausted are as follows:

June 30, 2018	\$	105,000	\$	105,000
June 30, 2019		115,000		105,000
June 30, 2020		120,000		115,000
June 30, 2021		125,000		120,000
June 30, 2022		135,000		125,000
Sub Total		600,000		570,000
Til Maturity June, 2026		500,000		635,000
Total Outstanding Balance		\$ 1,100,000		\$ 1,205,000

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2017**

Note 5. Sub recipients:

Expenditures and Expenses

When monies are received by the Housing Authority of the City of Long Branch and redistributed (expended) to a sub recipients, the federal financial assistance is reflected in the Authority's accounts. The total expenditures for sub recipients amounted to \$559,888 during the year ended June 30, 2017.

	CFDA #s	June-17 Expenditures
Seaview Housing Urban Renewal Associates	14.850	\$ 91,724
Grant Court Housing Urban Renewal Associates	14.850	75,197
Garfield Court Urban Renewal Associates	14.850	67,812
Garfield Two Housing Urban Renewal LP	14.850	175,090
Gregory Urban Renewal Associates	14.850	30,676
Gregory Phase 2 Associates	14.850	3,200
Woodrow Wilson Housing Urban Renewal Associates	14.850	36,192
Woodrow Wilson Housing Urban Renewal Associates II	14.850	49,580
Woodrow Wilson Housing Three	14.850	30,417
Total Pass-Thru		\$ 559,888

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)
 June 30, 2017

REQUIRED SUPPLEMENTAL INFORMATION

GASB 68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.01177889%	0.03230531%	0.02746919%
Housing Authority's proportionate share of the net pension liability	\$ 9,036,037	\$ 7,251,894	\$ 5,142,983
Housing Authority's covered employee payroll	\$ 2,584,804	\$ 2,637,001	\$ 3,023,565
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	349.58%	275.01%	170.10%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)
 June 30, 2017

REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2017	2016	2015
Contractually required contribution	\$ 271,042	\$ 277,739	\$ 226,452
Contribution in relation to the contractually required contribution	(271,042)	(277,739)	(226,452)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 2,584,804	\$ 2,637,001	\$ 3,023,565
Contribution as a percentage of covered employee payroll	10.49%	10.53%	7.49%

**The amounts determined for each fiscal year were determined as of June 30.*

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	14.871	Component Unit - Discretely	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted							
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted							
114 Cash - Tenant Security Deposits							
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	14.871	6.1					
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous							
126 Accounts Receivable - Tenants							
126.1 Allowance for Doubtful Accounts - Tenants							
126.2 Allowance for Doubtful Accounts - Other							
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts							
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets							
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets							
161 Land							
162 Buildings							
163 Furniture, Equipment & Machinery - Dwellings							
164 Furniture, Equipment & Machinery - Administration							
165 Leasehold Improvements							
166 Accumulated Depreciation							

See accompanying notes to the financial statements

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	14.871 Housing Choice Vouchers	Component Unit - Discretely	1 Business Activities	COCC	Subtotal	ELIM	Total
167 Construction in Progress	\$478,754				\$478,754		\$478,754
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$11,727,397	\$263,043	\$3,003,614	\$55,625	\$15,060,262		\$15,060,262
171 Notes, Loans and Mortgages Receivable - Non-Current	\$9,532,964		\$400,000		\$9,932,964		\$9,932,964
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures		\$130,745			\$130,745		\$130,745
180 Total Non-Current Assets	\$21,260,361	\$393,788	\$3,403,614	\$55,625	\$25,123,971		\$25,123,971
200 Deferred Outflow of Resources	\$694,451			\$2,016,351	\$3,293,142		\$3,293,142
290 Total Assets and Deferred Outflow of Resources	\$26,904,440	\$1,658,565	\$7,140,675	\$4,764,055	\$42,416,918		\$42,416,918
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$44,613	\$113,607	\$9,057	\$6,435	\$173,712		\$173,712
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable							
322 Accrued Compensated Absences - Current Portion	\$12,739			\$49,491	\$81,938		\$81,938
324 Accrued Contingency Liability	\$8,467				\$8,467		\$8,467
325 Accrued Interest Payable				\$0	\$0		\$0
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects	\$54,180				\$17,167		\$17,167
333 Accounts Payable - Other Government					\$54,180		\$54,180
341 Tenant Security Deposits							
342 Unearned Revenue	\$2,533				\$2,533		\$2,533
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$105,000				\$105,000		\$105,000
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities				\$704,706	\$704,706		\$704,706
346 Accrued Liabilities - Other	\$575				\$575		\$575
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$228,107	\$113,607	\$9,057	\$760,632	\$1,148,278		\$1,148,278

See accompanying notes to the financial statements

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	14.871	6.1	1 Business Activities	COCC	Subtotal	ELIM	Total
	Housing Choice Vouchers	Component Unit - Discretely					
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$995,000				\$995,000		\$995,000
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other	\$86,785		\$64,500	\$1,409,411	\$1,560,696		\$1,560,696
354 Accrued Compensated Absences - Non Current	\$22,107			\$37,366	\$79,576		\$79,576
355 Loan Liability - Non Current		\$400,000			\$400,000		\$400,000
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$2,184,707			\$7,714,185	\$12,525,455		\$12,525,455
350 Total Non-Current Liabilities	\$2,293,599	\$400,000	\$64,500	\$9,160,962	\$15,560,727		\$15,560,727
300 Total Liabilities	\$3,869,773	\$513,607	\$73,557	\$9,921,594	\$16,709,005		\$16,709,005
400 Deferred Inflow of Resources	\$61,622			\$178,951	\$292,656		\$292,656
508.3 Nonspendable Fund Balance							
508.4 Net Investment in Capital Assets	\$10,583	\$263,043	\$3,003,614	\$55,625	\$13,960,262		\$13,960,262
509.3 Restricted Fund Balance							
510.3 Committed Fund Balance							
511.3 Assigned Fund Balance							
512.3 Unassigned Fund Balance	\$3,009	\$650,602	\$1,695,697		\$2,349,308		\$2,349,308
512.4 Unrestricted Net Position	\$12,342,639	\$881,915	\$2,367,807	-\$5,392,115	\$9,105,687		\$9,105,687
513 Total Equity - Net Assets / Position	\$22,973,045	\$1,144,958	\$7,067,118	-\$5,336,490	\$25,415,257		\$25,415,257
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$26,904,440	\$1,658,565	\$7,140,675	\$4,764,055	\$42,416,918		\$42,416,918

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	Housing Choice Vouchers	Component Unit - Discretely	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$962,080					\$962,080		\$962,080
70400 Tenant Revenue - Other	\$23,484					\$23,484		\$23,484
70500 Total Tenant Revenue	\$985,564	\$0	\$0	\$0	\$0	\$985,564	\$0	\$985,564
70600 HUD PHA Operating Grants	\$2,152,179	\$10,416,307				\$12,568,486		\$12,568,486
70610 Capital Grants	\$325,875					\$325,875		\$325,875
70710 Management Fee					\$285,817	\$285,817	-\$285,817	\$0
70720 Asset Management Fee					\$25,800	\$25,800	-\$25,800	\$0
70730 Book Keeping Fee					\$89,822	\$89,822	-\$89,822	\$0
70740 Front Line Service Fee								
70750 Other Fees					\$319,385	\$319,385		\$319,385
70700 Total Fee Revenue					\$720,824	\$720,824	-\$401,439	\$319,385
70800 Other Government Grants	\$4,243					\$4,243		\$4,243
71100 Investment Income - Unrestricted	\$119,024				\$10,991	\$130,015		\$130,015
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$13,576				\$13,576		\$13,576
71500 Other Revenue	\$115,087	\$3,581	\$850,010	\$1,560,320	\$667,222	\$3,196,220		\$3,196,220
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted	\$126					\$126		\$126
70000 Total Revenue	\$3,702,098	\$10,433,464	\$850,010	\$1,560,320	\$1,399,037	\$17,944,929	-\$401,439	\$17,543,490
91100 Administrative Salaries	\$403,860	\$272,690	\$90,231	\$283,028	\$1,015,977	\$2,065,786		\$2,065,786
91200 Auditing Fees	\$9,262	\$5,000	\$3,000			\$17,262		\$17,262
91300 Management Fee	\$172,500	\$113,317				\$285,817	-\$285,817	\$0
91310 Book-keeping Fee	\$19,000	\$70,822				\$89,822	-\$89,822	\$0
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	\$438,913	\$411,875	\$11,498	\$183,978	\$881,159	\$1,927,423		\$1,927,423
91600 Office Expenses	\$25,006	\$2,749	\$83,401		\$32,000	\$83,401		\$83,401
91700 Legal Expense	\$954	\$6,536	\$72,345		\$8,896	\$62,051		\$62,051
91800 Travel						\$88,731		\$88,731
91810 Allocated Overhead	\$86,816	\$20,290	\$93,030		\$72,057	\$272,193		\$272,193
91900 Other	\$1,156,311	\$903,279	\$355,801	\$467,006	\$2,010,089	\$4,892,486	-\$375,639	\$4,516,847
91000 Total Operating - Administrative								

See accompanying notes to the financial statements

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	14.871	Housing Choice Vouchers	Component Unit - Discretely	1 Business Activities	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee		\$25,800				\$25,800	-\$25,800	\$0
92100 Tenant Services - Salaries		\$34,092		\$79,372		\$113,464		\$113,464
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services		\$44,070		\$51,602		\$95,672		\$95,672
92400 Tenant Services - Other		\$11,594				\$11,594		\$11,594
92500 Total Tenant Services		\$89,756	\$0	\$130,974	\$0	\$220,730	\$0	\$220,730
93100 Water		\$55,501				\$55,501		\$55,501
93200 Electricity		\$158,612				\$158,612		\$158,612
93300 Gas		\$169,481				\$169,481		\$169,481
93400 Fuel								
93500 Labor		\$11,824				\$11,824		\$11,824
93600 Sewer		\$70,632	\$312			\$70,944		\$70,944
93700 Employee Benefit Contributions - Utilities		\$10,411				\$10,411		\$10,411
93800 Other Utilities Expense								
93000 Total Utilities		\$476,461	\$312	\$0	\$0	\$476,773	\$0	\$476,773
94100 Ordinary Maintenance and Operations - Labor		\$106,410	\$1,057	\$379,685	\$5,633	\$498,417		\$498,417
94200 Ordinary Maintenance and Operations - Materials and Other		\$49,289	\$11,485		\$4,614	\$74,507		\$74,507
94300 Ordinary Maintenance and Operations Contracts		\$95,742	\$300	\$54,729	\$2,038	\$155,319		\$155,319
94500 Employee Benefit Contributions - Ordinary Maintenance		\$192,647	\$8,211	\$246,799	\$53,579	\$501,236		\$501,236
94000 Total Maintenance		\$444,088	\$25,472	\$681,213	\$65,864	\$1,229,479	\$0	\$1,229,479
95100 Protective Services - Labor		\$174,041		\$130,480		\$304,521		\$304,521
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services		\$19,826		\$30,236		\$50,062		\$50,062
95000 Total Protective Services		\$193,867	\$0	\$160,716	\$0	\$354,583	\$0	\$354,583
96110 Property Insurance								
96120 Liability Insurance								
96130 Workmen's Compensation								
96140 All Other Insurance		\$81,253	\$33,678	\$78,719	\$24,403	\$226,238		\$226,238
96100 Total Insurance Premiums		\$81,253	\$33,678	\$78,719	\$24,403	\$226,238	\$0	\$226,238

See accompanying notes to the financial statements

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	14.871	1 Business Activities	COCC	Subtotal	ELIM	Total
	Housing Choice Vouchers	Component Unit - Discretely				
		6.1				
96200 Other General Expenses	\$601,438	\$47,899		\$664,489		\$664,489
96210 Compensated Absences	\$3,581			\$10,145		\$10,145
96300 Payments in Lieu of Taxes	\$54,180			\$54,180		\$54,180
96400 Bad debt - Tenant Rents	\$11,453			\$11,453		\$11,453
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$670,652	\$47,899	\$0	\$740,267	\$0	\$740,267
96710 Interest of Mortgage (or Bonds) Payable	\$56,398			\$56,398		\$56,398
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$56,398	\$0	\$0	\$56,398	\$0	\$56,398
96900 Total Operating Expenses	\$3,194,586	\$425,039	\$2,100,356	\$8,222,754	-\$401,439	\$7,821,315
97000 Excess of Operating Revenue over Operating Expenses	\$507,512	\$424,971	-\$701,319	\$9,722,175	\$0	\$9,722,175
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments	\$9,359,096			\$9,359,096		\$9,359,096
97350 HAP Portability-In	\$3,517			\$3,517		\$3,517
97400 Depreciation Expense	\$511,169		\$16,238	\$543,061		\$543,061
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense	\$3,705,755	\$10,349,782	\$2,116,594	\$18,128,428	-\$401,439	\$17,726,989
90000 Total Expenses	\$3,705,755	\$425,039	\$2,116,594	\$18,128,428	-\$401,439	\$17,726,989
10010 Operating Transfer In	\$197,668			\$197,668	-\$197,668	\$0
10020 Operating transfer Out	-\$197,668			-\$197,668	\$197,668	\$0
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						

See accompanying notes to the financial statements

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	14.871	Housing Choice Vouchers	Component Unit - Discretely	1 Business Activities	COCC	Subtotal	ELIM	Total
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)		\$83,682	\$424,971	\$29,062	-\$717,557	-\$183,499	\$0	-\$183,499
Total Expenses								
11020 Required Annual Debt Principal Payments	\$105,946	\$0	\$0	\$0	\$0	\$105,946		\$105,946
11030 Beginning Equity	\$21,585,753	-\$517,056	\$719,987	\$7,038,056	-\$4,618,933	\$24,207,807		\$24,207,807
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$1,390,949				\$0	\$1,390,949		\$1,390,949
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity		-\$1,083,976				-\$1,083,976		-\$1,083,976
11180 Housing Assistance Payments Equity		\$650,602				\$650,602		\$650,602
11190 Unit Months Available	5368	10392			0	15760		15760
11210 Number of Unit Months Leased	5325	9443			0	14768		14768
11270 Excess Cash	\$4,493,310					\$4,493,310		\$4,493,310
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$178,352				\$0	\$178,352		\$178,352
11630 Furniture & Equipment - Dwelling Purchases	\$26,243				\$0	\$26,243		\$26,243
11640 Furniture & Equipment - Administrative Purchases	\$16,279				\$0	\$16,279		\$16,279
11650 Leasehold Improvements Purchases	\$0				\$0	\$0		\$0
11660 Infrastructure Purchases	\$0				\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$105,001				\$0	\$105,001		\$105,001
13901 Replacement Housing Factor Funds	\$14,250				\$0	\$14,250		\$14,250



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

Board of Commissioners
Housing Authority of the City of Long Branch
2 Hope Lane
Long Branch, New Jersey 07740

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Long Branch as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Long Branch basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: November 29, 2017



Hymanson, Parnes & Giampaolo

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

**(Unmodified Opinion on Compliance for Each Major Program:
No Material Weakness or Significant Deficiencies
in Internal Control Over Compliance Identified)**

Board of Commissioners
Housing Authority of the City of Long Branch
2 Hope Lane
Long Branch, New Jersey 07740

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Long Branch compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the City of Long Branch major federal programs for the year ended June 30, 2017. Housing Authority of the City of Long Branch 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Long Branch 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 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 Housing Authority of the City of Long Branch compliance with those requirements and performing such other procedures as we consider 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 Housing Authority of the City of Long Branch compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Long Branch 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 June 30, 2017.

Report on Internal Control Over Compliance

Management of Housing Authority of the City of Long Branch 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 Housing Authority of the City of Long Branch's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Housing Authority of the City of Long Branch 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.

Purpose of This Report

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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: November 29, 2017

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Schedule of Findings and Questioned Cost

Year Ended June 30, 2017

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements,

_____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Vouchers Program	\$ 10,416,307

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as a low-risk auditee X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of Long Branch
2 Hope Lane
Long Branch, New Jersey 07740

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the City of Long Branch and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. Housing Authority of the City of Long Branch is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the City of Long Branch as of and for the year ended June 30, 2017, and have issued our reports thereon dated November 29, 2017. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated June 30, 2017, was expressed in relation to the basic financial statements of Housing Authority of the City of Long Branch taken as a whole.

A copy of the reporting package required by OMB Uniform Guidance, which includes the auditor's reports, is available in its entirety from Housing Authority of the City of Long Branch. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of Housing Authority of the City of Long Branch and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
November 29, 2017

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURE

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>