

Report On Audit

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

**For the Year Ended
June 30, 2018**

Housing Authority of the City of Long Branch

Table of Contents

	<u>Page Number</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-17
Financial Statements	
Statement of Net Position	18-19
Statement of Revenue, Expenses and Changes in Net Position	20
Statement of Cash Flows	21-22
Notes to Financial Statements	23-59
Required Supplementary Information	
Schedule of Changes in Total OPEB Liabilities and Ratios	60
Schedule of Proportionate Share of the Net Pension Liability Of the Public Employee Retirement System (PERS)	61-62
Supplementary Information	
Schedule of Expenditures of Federal Awards	63-65
Statement on Certification of Actual Cost Capital Fund Program	66-67
Financial Data Schedule	68-74
Other Reports and Comments	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	75-76
Independent Auditors Report on Compliance for each Major Program and on Internal Control over Compliance Required by Uniform Guidance	77-79
Schedule of Findings and Questioned Cost	80
Independent Accountant's Report on Applying Agreed-upon Procedures – REAC	81-82



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550

467 Middletown-Lincroft Rd.

fax: 732-842-4551

Lincroft, NJ 07738

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 Monmouth County, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of June 30, 2018 and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate discretely present component unit of the of the Housing Authority of the City of Long Branch as of June 30, 2018, 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.

Change in Method of Accounting for Pensions

As discussed in Note 1 to the financial statements, the Authority changed its method for accounting and financial reporting of OPEB as a result of the adoption of Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an Amendment of GASB Statement No. 45*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 17 and pages 60-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the City of Long Branch. The accompanying supplemental information on pages 63-74 is presented for additional analysis and is not required part of the basic financial statements.

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 basic financial statements. The Capital Fund cost certification are also not required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Capital Fund cost certification 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 Schedule of Expenditures of Federal Awards, Capital Fund cost certification and the Financial Data Schedule, 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 26, 2018 on our consideration of the Housing Authority of the City of Long Branch's 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 solely 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 effectiveness of the Housing Authority of the City of Long Branch internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Long Branch's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: November 26, 2018

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

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 \$15,446,781 a decrease in the financial position of \$8,823,518 or 36% as compared to the prior year.

As noted above, the primary government net position of the Authority was \$15,446,781 as of June 30, 2018. Of this amount, the primary government unrestricted net position is \$1,363,735 representing a decrease of \$6,860,037 or 83% 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 increased \$291,935 or 2% percent for an ending balance of \$13,989,154.

The primary government restricted net position decreased \$2,255,416 from the previous year for an ending balance of \$93,892. 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, 2018 is \$8,470,522 representing an increase of \$145,143 or 2% percent from the prior fiscal year. Total restricted cash decreased \$548,971 or 23% percent for an ending balance of \$1,887,122. The Authority primary government sold investments in the amount of \$700,000 during the year. The full detail of the cash activities can be found in the Statement of Cash Flows on pages 21-22 of this report.

The Authority's total assets and deferred outflows for the primary government are \$39,114,501 of which capital assets net book value is \$14,984,153, other assets are \$9,932,964, deferred outflows in the amount of \$2,302,826, noncurrent restricted assets are \$1,887,122, leaving total current assets at \$10,007,436. Total primary government current assets decreased from the previous year by \$291,499 or 3% percent.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL HIGHLIGHTS - CONTINUED

Unrestricted cash and cash equivalents increase by \$145,143, investments decreased by \$700,000, accounts receivables increased by \$316,108, and prepaid expenses decreased by \$52,750.

Total noncurrent restricted assets decrease from the previous year by \$548,971 or 23% percent. Total noncurrent restricted assets consisted of restricted cash amounts.

The Authority's primary government capital assets reported an increase in the net book value of the capital assets in the amount of \$186,934 or 1% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$772,150, less the recording of depreciation expense in the amount of \$585,216. The Authority disposed and deleted of old assets in the amount of \$15,942 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 primary government had no change in other assets notes receivable noncurrent with an ending balance of \$9,932,964.

The Authority primary government reported a decrease in the deferred outflow for the pension cost in the amount of \$990,316 an ending balance of \$2,302,826. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$1,557,788 for an ending balance of \$1,850,444. 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 \$21,817,276, of which noncurrent liabilities are stated at \$20,715,556. The Authority's primary government total liabilities increased during the year as compared to the prior year in the amount of \$5,621,878 or 35% percent. The Authority's primary government total current liabilities increased during the year by \$67,049, leaving non-current liabilities for an increase of \$5,554,829 as compared to the previous year.

The Authority's primary government total current liabilities increased from the previous year by \$67,049 or 6% percent. Accounts payables increased by \$765,967, accrued liabilities decreased by \$3,564, unearned revenue decreased by \$648, other current liabilities decreased \$704,706. The current portion of the Capital Project Bonds payable increased \$10,000 from the prior year.

The Authority's primary government total noncurrent liabilities increased by \$5,554,829 or 37% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$77,612, with no offsetting assets, decreased \$1,964 from the previous year. Long term capital project bonds payable decreased \$115,001. Non-current liabilities – other decreased \$693,958 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, 2018**

FINANCIAL HIGHLIGHTS - CONTINUED

Accrued pension and OPEB liabilities increased \$6,365,752 or 51% percent. Additional information on GASB 75's effect and the Authority's accrued pension as well as the increase in accrued OPEB liability at June 30, 2018 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 \$14,724,654 as compared to \$16,237,464 from the prior year for a decrease of \$1,512,810 or 9% percent. The Authority primary government had total operating expenses of \$16,120,648 as compared to \$17,301,950 from the previous year for a decrease of \$1,181,302 or 7% percent, resulting in an excess expenses over revenue from operations in the amount of \$1,395,994 for the current year as compared to excess expenses from operations in the amount of \$1,064,486 for an increase in deficit of \$331,508 or 31% percent from the previous year.

The Authority's primary government total capital improvements contributions from HUD were in the amount of \$877,149 as compared to \$325,875 from the previous year for an increase of \$551,274 or 169% percent. The Authority's primary government had capital outlays in the amount of \$772,150 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development. 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 \$12,189,445 for the fiscal year 2018 as compared to \$12,894,361 for the previous fiscal year 2017 for a decrease of \$704,916 or 5% 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, 2018**

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 Flows
- 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 Flows– 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, 2018**

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, 2018. 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, 2018.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position of the primary government between June 30, 2018 and June 30, 2017:

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

	<u>Year Ended</u>		Increase
	June-18	June-17	(Decrease)
Cash	\$ 8,470,522	\$ 8,325,379	\$ 145,143
Other Current Assets	1,536,914	1,973,556	(436,642)
Noncurrent Restricted Assets	1,887,122	2,436,093	(548,971)
Capital Assets - Net	14,984,153	14,797,219	186,934
Other Assets	9,932,964	9,932,964	-
Deferred Outflows	2,302,826	3,293,142	(990,316)
Total Assets	39,114,501	40,758,353	(1,643,852)
Less: Current Liabilities	(1,101,720)	(1,034,671)	(67,049)
Less: Non Current Liabilities	(20,715,556)	(15,160,727)	(5,554,829)
Less: Deferred Inflows	(1,850,444)	(292,656)	(1,557,788)
Net Position	<u>\$ 15,446,781</u>	<u>\$ 24,270,299</u>	<u>\$ (8,823,518)</u>
Net Investment in Capital Assets	\$ 13,989,154	\$ 13,697,219	\$ 291,935
Restricted Net Position	93,892	2,349,308	(2,255,416)
Unrestricted Net Position	1,363,735	8,223,772	(6,860,037)
Net Position	<u>\$ 15,446,781</u>	<u>\$ 24,270,299</u>	<u>\$ (8,823,518)</u>

The Authority's primary government cash increased by \$145,143 or 2% percent. The Authority's primary government restricted cash decreased by \$548,971 or 23% percent. Net cash used by operating activities was \$1,017,087, net cash used by capital and related financing activities was \$201,831 and net cash provided by investing activities was \$815,090. 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 \$436,642. Investments decreased by \$700,000, accounts receivables increased by \$316,108, and prepaid expenses decreased by \$52,750.

The Authority's primary government capital assets reported an increase in the net book value of the capital assets in the amount of \$186,934 or 1% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$772,150, less the recording of depreciation expense in the amount of \$585,216. The Authority disposed and deleted of old assets in the amount of \$15,942 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.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority primary government had no change in other assets notes receivable noncurrent with an ending balance of \$9,932,964.

The Authority primary government reported a decrease in the deferred outflow for the pension cost in the amount of \$990,316 an ending balance of \$2,302,826. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$1,557,788 for an ending balance of \$1,850,444.

The Authority's primary government total current liabilities increased from the previous year by \$67,049 or 6% percent. Accounts payables increased by \$765,967, accrued liabilities decreased by \$3,564, unearned revenue decreased by \$648, other current liabilities decreased \$704,706. The current portion of the Capital Project Bonds payable increased \$10,000 from the prior year.

The Authority's primary government total noncurrent liabilities increased by \$5,554,829 or 37% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$77,612, with no offsetting assets, decreased \$1,964 from the previous year. Long term capital project bonds payable decreased \$115,001. Non-current liabilities – other decreased \$693,958 mainly due to the repayment of HUD overpayment of asset reposition fee in the prior years.

Accrued pension and OPEB liabilities increased \$6,365,752 or 51% percent. Additional information on GASB 75's effect and the Authority's accrued pension as well as the increase in accrued OPEB liability at June 30, 2018 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 \$15,446,781 which is made up of three categories. The net investment in capital assets in the amount of \$13,989,154 represents 91% 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, 2017	\$ 13,697,219
Fixed Asset Acquisitions	772,150
Payment of Principal on Debt	105,001
Depreciation Expense	(585,216)
Balance June 30, 2018	\$ 13,989,154

The Authority's primary government reported a restricted net position of \$93,892 a decrease of \$2,255,416 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, 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Housing Authority of the City of Long Branch primary government reported a decrease in its unrestricted position in the amount of \$6,860,037 or 83% percent resulting in an ending balance in the amount of \$1,363,735. During the year, the Authority adopted GASB #75 which resulted in a prior period adjust in the amount of \$8,421,546 as of reduction in the reserves. 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, 2018 and June 30, 2017:

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

	<u>Year Ending</u>		Increase
	June-18	June-17	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 961,820	\$ 985,564	\$ (23,744)
HUD Subsidies	11,312,296	12,568,486	(1,256,190)
Fraud Recovery	12,255	13,576	(1,321)
Other Revenues	2,438,283	2,669,838	(231,555)
Total Operating Income	<u>14,724,654</u>	<u>16,237,464</u>	<u>(1,512,810)</u>
<u>Expenses</u>			
Operating Expenses	15,535,432	16,758,889	(1,223,457)
Depreciation Expense	585,216	543,061	42,155
Total Operating Expenses	<u>16,120,648</u>	<u>17,301,950</u>	<u>(1,181,302)</u>
Operating Income before Non Operating Income	(1,395,994)	(1,064,486)	(331,508)
Interest Income	115,090	130,141	(15,051)
Gain on Sale of Fixed Assets	1,783	-	1,783
HUD Capital Grants	877,149	325,875	551,274
Change in Net Position	(401,972)	(608,470)	206,498
Net Position Prior Year	24,270,299	23,487,820	782,479
Prior Period Adjustment	(8,421,546)	1,390,949	(9,812,495)
Total Net Position	<u>\$ 15,446,781</u>	<u>\$ 24,270,299</u>	<u>\$ (8,823,518)</u>

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

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 7% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 16% percent of the total income. The Housing Authority of the City of Long Branch received from the capital fund program \$877,149 in grant money an increase of \$551,274 from the prior fiscal year. The Authority had capital expenditures of \$772,150. The current year additions included new appliances for the rental units, boiler upgrades, apartment renovations, upgrades to the security system, roof and gutter replacements.

The Authority's primary government operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 57% percent of total operating expenses. Administrative expenses accounted for 21% percent, tenant services accounted for 1% percent, utilities expense accounted for 3% percent, maintenance expense accounted for 7% percent, protective services expenses accounting for 1% percent, other operating expenses accounted for 6% percent, and depreciation accounted for the remaining 4% 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 \$1,395,994 from operations as compared to excess expenses from operations of \$1,064,486 for the previous year. The key elements for the increase 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 \$1,256,190 or 10% percent.
- The Authority reported a decrease in Tenant Rental Income the amount of \$23,744 or 2% percent.
- The Authority reported a decrease in Other Revenue Income the amount of \$227,312 or 9% percent.
- The Authority experienced decreases in the expenses listed below:
 - Administrative Expenses decreased \$747,654 or 18% percent.
 - Tenant Services decreased \$19,341 or 9% percent.
 - Utilities Expense decreased \$35,434 or 7% percent
 - Maintenance Expenses decreased \$162,541 or 13% percent
 - Protective Services decreased \$30,686 or 9% percent.
 - Other Operating Expense decreased \$31,730 or 3% percent.
 - Housing Assistance Payments decreased \$196,071 or 2% percent.
- The Authority experienced increases in the expenses listed below:
 - Depreciation Expense increased \$42,155 or 8% percent.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority primary government net cash used by operating activities during the year was \$1,017,087 as compared to cash used in the amount of \$167,050 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flows 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, 2018:

	June-18	June-17	June-16	June-15
Significant Income				
Total Tenant Revenue	\$ 961,820	\$ 985,564	\$ 937,602	\$ 950,692
HUD Operating Grants	11,312,296	12,568,486	13,100,009	13,702,952
HUD Capital Grants	877,149	325,875	386,829	317,371
Investment Income	115,090	130,141	11,485	3,798
Other Income	2,450,538	2,683,414	2,733,522	2,436,523
Total	\$ 15,716,893	\$ 16,693,480	\$ 17,169,447	\$ 17,411,336
Payroll Expense				
Administrative Salaries	\$ 1,741,906	\$ 1,975,555	\$ 1,730,894	\$ 1,940,199
Tenant Services Salaries	112,679	113,464	124,437	152,269
Maintenance Labor	439,654	497,360	568,424	644,575
Protective Services - Labor	266,722	304,521	142,284	197,052
Employee Benefits Expense	1,705,479	2,573,306	1,936,454	1,653,878
Total Payroll Expense	\$ 4,266,440	\$ 5,464,206	\$ 4,502,493	\$ 4,587,973
Other Significant Expenses				
Other Administrative Expenses	\$ 279,966	\$ 269,566	\$ 287,194	\$ 485,268
Utilities Expense	424,307	476,461	431,228	457,434
Maintenance Materials Cost	82,031	74,507	78,524	148,283
Maintenance Contract Cost	306,951	155,319	75,982	88,342
Insurance Premiums	205,152	226,238	217,449	223,825
Housing Assistance Payments	9,166,542	9,362,613	9,742,851	9,868,375
Total	\$ 10,464,949	\$ 10,564,704	\$ 10,833,228	\$ 11,271,527
Total Operating Expenses	\$ 16,120,648	\$ 17,301,950	\$ 16,601,919	\$ 17,686,175
Total of Federal Awards	\$ 12,189,445	\$ 12,894,361	\$ 13,486,838	\$ 14,021,323

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

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. By far, the largest portion, 91%, 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). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. 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, 2018**

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 2018 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 78% percent of its revenue from the Department of Housing and Urban Development, (2017 was 77% 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, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's primary government net investment in capital assets as of June 30, 2018 was \$14,984,153 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increase during the year in the Authority's investment in capital assets was \$186,934 or 1% percent. The Authority disposed and deleted of old assets in the amount of \$15,942 during the year. Major capital expenditures of \$772,150 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
- Roof and Gutter Replacement
-

	June-18	June-17	Increase (Decrease)
Land	\$ 5,376,000	\$ 5,376,000	\$ -
Building	14,841,963	15,766,819	(924,856)
Furniture, Equipment - Dwelling	1,368,098	1,180,923	187,175
Furniture, Equipment - Administration	2,386,304	1,102,758	1,283,546
Construction in Process	689,097	478,754	210,343
Total Capital Assets	24,661,462	23,905,254	756,208
Less: Accumulated Depreciation	(9,677,309)	(9,108,035)	(569,274)
Net Book Value	<u>\$ 14,984,153</u>	<u>\$ 14,797,219</u>	<u>\$ 186,934</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, 2018 is \$994,999. A full disclosure of the long term debt payable at June 30, 2018 can be found in Note- 17.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

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 2018 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, 2019.

- 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 Ms. Gloria J. Wright, 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, 2018**

	June 30, 2018		
	Primary Government	Component Units (Dec 2017)	Total (Memorandum)
Assets			
Current Assets:			
Cash and Cash Equivalents- Unrestricted	\$ 8,470,522	\$ 1,425,823	# \$ 9,896,345
Investments	714,790	-	714,790
Accounts Receivables, Net of Allowances	761,517	5,101	766,618
Prepaid Expenses	60,607	4,477	65,084
Total Current Assets	<u>10,007,436</u>	<u>1,435,401</u>	<u>11,442,837</u>
Noncurrent Restricted Assets			
Cash and Cash Equivalents - Restricted	1,887,122	-	1,887,122
Noncurrent Assets			
Capital Assets			
Land	5,376,000	263,043	5,639,043
Building	14,841,963	-	14,841,963
Furniture, Equipment - Dwelling	1,368,098	-	1,368,098
Furniture, Equipment - Administration	2,386,304	-	2,386,304
Construction in Process	689,097	-	689,097
Total Capital Assets	<u>24,661,462</u>	<u>263,043</u>	<u>24,924,505</u>
Less: Accumulated Depreciation	<u>(9,677,309)</u>	<u>-</u>	<u>(9,677,309)</u>
Net Book Value	<u>14,984,153</u>	<u>263,043</u>	<u>15,247,196</u>
Notes Receivable - Non Current	9,932,964	-	9,932,964
Investment in Joint Ventures	-	137,825	137,825
Total Other Assets	<u>9,932,964</u>	<u>137,825</u>	<u>10,070,789</u>
Total Assets	36,811,675	1,836,269	38,647,944
Deferred Outflow of Resources			
NJ P.E.R.S.	2,302,826	-	2,302,826
Total Assets and Deferred Outflow of Resources	<u>\$ 39,114,501</u>	<u>\$ 1,836,269</u>	<u>\$ 40,950,770</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	June 30, 2018		
	Primary Government	Component Units (Dec 2017)	Total (Memorandum)
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 897,419	\$ 415,004	\$ 1,312,423
Accrued Liabilities	87,416	368	87,784
Unearned Revenue	1,885	-	1,885
Other Current Liabilities	-	-	-
Long Term Debt - Current	115,000	-	115,000
Total Current Liabilities	<u>1,101,720</u>	<u>415,372</u>	<u>1,517,092</u>
Noncurrent Liabilities			
Long Term Debt - Non Current	879,999	-	879,999
Accrued Compensated Absences - Long-Term	77,612	-	77,612
Non Current Liabilities - Other	866,738	-	866,738
Loan Liability - Non Current	-	400,000	400,000
Accrued Other Post-Employment Benefits Liabilities	18,891,207	-	18,891,207
Total Noncurrent Liabilities	<u>20,715,556</u>	<u>400,000</u>	<u>21,115,556</u>
Total Liabilities	<u>21,817,276</u>	<u>815,372</u>	<u>22,632,648</u>
Deferred Inflow of Resources			
NJ P.E.R.S.	<u>1,850,444</u>	<u>-</u>	<u>1,850,444</u>
Net Position:			
Net Investment in Capital Assets	13,989,154	263,043	14,252,197
Restricted	93,892	-	93,892
Unrestricted	1,363,735	757,854	2,121,589
Total Net Position	<u>15,446,781</u>	<u>1,020,897</u>	<u>16,467,678</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 39,114,501</u>	<u>\$ 1,836,269</u>	<u>\$ 40,950,770</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, 2018**

	June 30, 2018		
	Primary Government	Component Units (Dec 2017)	Total (Memorandum)
Revenue:			
Tenant Rental Revenue	\$ 961,820	\$ -	\$ 961,820
HUD PHA Operating Grants	11,312,296	-	11,312,296
Fraud Recovery	12,255	-	12,255
Other Revenue	2,438,283	605,425	3,043,708
Total Revenue	<u>14,724,654</u>	<u>605,425</u>	<u>15,330,079</u>
Operating Expenses:			
Administrative Expense	3,413,392	308,362	3,721,754
Tenant Services	201,389	-	201,389
Utilities Expense	441,027	336	441,363
Maintenance Expense	1,054,096	70,238	1,124,334
Protective Services Expense	323,897	-	323,897
Other Operating Expenses	935,089	350,550	1,285,639
Housing Assistance Payments	9,166,542	-	9,166,542
Depreciations Expense	585,216	-	585,216
Total Operating Expenses	<u>16,120,648</u>	<u>729,486</u>	<u>16,850,134</u>
Excess Expenses Over Revenue From Operations	<u>(1,395,994)</u>	<u>(124,061)</u>	<u>(1,520,055)</u>
Non Operating Income:			
Investment Income	115,090	-	115,090
Capital Grants	877,149	-	877,149
Gain on Sale of Capital Assets	1,783	-	1,783
Total Non Operating Income	<u>994,022</u>	<u>-</u>	<u>994,022</u>
Change in Net Position	<u>(401,972)</u>	<u>(124,061)</u>	<u>(526,033)</u>
Beginning Net Position	24,270,299	1,144,958	25,415,257
Prior Period Adjustments	(8,421,546)	-	(8,421,546)
Beginning Net Position, Restated	<u>15,848,753</u>	<u>1,144,958</u>	<u>16,993,711</u>
Ending Net Position	<u>\$ 15,446,781</u>	<u>\$ 1,020,897</u>	<u>\$ 16,467,678</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018

	June 30, 2018		
	Primary Government	Component Units (Dec 2017)	Total (Memorandum)
Cash Flow From Operating Activities			
Receipts from Tenants	\$ 975,828	\$ -	\$ 975,828
Receipts from Federal Grants	11,314,381	-	11,314,381
Receipts from Misc. Sources	1,671,844	674,346	2,346,190
Payments to Vendors and Suppliers	(1,092,187)	(251,376)	(1,343,563)
Payments for Housing Assistance Payments	(9,166,542)	-	(9,166,542)
Payments to Employees	(2,590,961)	(167,130)	(2,758,091)
Payment of Employee Benefits	(1,705,479)	(7,914)	(1,713,393)
Payment of Utilities Expenses	(423,971)	(336)	(424,307)
Net Cash (Used) Provided by Operating Activities	<u>(1,017,087)</u>	<u>247,590</u>	<u>(769,497)</u>
Cash Flow From Capital and Related Financing Activities			
Receipts from Capital Grants	877,149	-	877,149
Acquisitions and Construction of Capital Assets	(772,150)	-	(772,150)
(Decrease) in Long Term Compensated Absences	(1,964)	-	(1,964)
Increase in Non Current Liabilities - Other	(693,958)	-	(693,958)
Principal Payment on Debt	(105,001)	-	(105,001)
Increase in Pension and OPEB Liabilities	6,365,752	-	6,365,752
Net Effect of Deferred Inflows and Outflows	2,548,104	-	2,548,104
(Increase) in Notes Receivable - Non Current	-	(7,080)	(7,080)
Gain on Sale of Fixed Assets	1,783	-	1,783
Prior Period Adjustment - Net of Adjustment	(8,421,546)	-	(8,421,546)
Net Cash (Used) by Capital and Related Financing Activities	<u>(201,831)</u>	<u>(7,080)</u>	<u>(208,911)</u>
Cash Flow From Investing Activities			
Interest Income	115,090	-	115,090
Receipt of Investment	700,000	-	700,000
Net Cash Provided by Investing Activities	<u>815,090</u>	<u>-</u>	<u>815,090</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(403,828)	240,510	(163,318)
Beginning Cash	<u>10,761,472</u>	<u>1,185,313</u>	<u>11,946,785</u>
Ending Cash	<u>\$ 10,357,644</u>	<u>\$ 1,425,823</u>	<u>\$ 11,783,467</u>
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	\$ 8,470,522	\$ 1,425,823	\$ 9,896,345
Other Restricted	1,698,845	-	1,698,845
HAP Reserve - Restricted	90,744	-	90,744
HCV - FSS Escrows	97,533	-	97,533
Total Ending Cash	<u>\$ 10,357,644</u>	<u>\$ 1,425,823</u>	<u>\$ 11,783,467</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018**

	June 30, 2018		
	Primary Government	Component Units (Dec 2017)	Total (Memorandum)
(Used) Provided by Operating Activities	\$ (1,395,994)	\$ (124,061)	\$ (1,520,055)
Excess of Expenses Over Revenue			
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:			
Depreciation Expense	585,216	-	585,216
(Increase) Decrease in:			
Accounts Receivables	(316,108)	68,921	(247,187)
Prepaid Expenses	52,750	965	53,715
Increase (Decrease) in:			
Accounts Payable	765,967	301,397	1,067,364
Accrued Liabilities	(3,564)	368	(3,196)
Unearned Revenues	(648)	-	(648)
Other Current Liabilities	(704,706)	-	(704,706)
Net Cash (Used) Provided by Operating Activities	<u>\$ (1,017,087)</u>	<u>\$ 247,590</u>	<u>\$ (769,497)</u>
Interest expense paid during the year	<u>\$ 49,713</u>	<u>\$ -</u>	<u>\$ 49,713</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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

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.

The Authority manages the financial affairs of the Maestro Community Development Corporation and Shorepoint Corporation.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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 Section 8 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, 2018

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.

New Accounting Standards Adopted

Statement No. 75 of the Government Accounting Standards Board ("GASB 75") *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued June 2015. GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information.

The Authority adopted this accounting standards effective July 1, 2017. As a result of adopting GASB 75, which was applied retroactively, the Authority restated its other postemployment benefit liability and its net position as of June 30, 2017 by (\$8,319,815).

Basis of Accounting –

In proprietary 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, and other revenue. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low income families.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

Basis of Accounting – Continued

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.

Other revenue composed primarily of miscellaneous services fees and resident's 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.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

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.

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.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

Report Presentation –

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges, designated to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

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.

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.

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.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

Other accounting policies are as follows:

- 1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- 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 does not have any infrastructure assets for its Enterprise Fund.
- 9 – 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.
- 10- Advertising cost is charged to expense when incurred.
- 11- 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.
- 12- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

Other accounting policies - Continued

13- 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.

14 - Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Under federal, state, and local law, the Authority's program is 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 pay the municipality a 10% of its net shelter rent.

15 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*, the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

Other accounting policies - Continued

15 - Net Position -Continued

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

16-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2018.

Budgetary and Policy Control -

The Authority submits its annual operating subsidy forms 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.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<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	881

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). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. 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

Notes to Financial Statements

June 30, 2018

Activities- Continued

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.

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.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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.

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:
<http://www.state.nj.us/treasury/pensions/pdf/financial/2016divisioncombined.pdf>

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 7.34% of base wages.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 3 - PENSION PLAN - CONTINUED

Funding Policy -Continued

The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2018 amounted to \$268,814.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance 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.

NOTE 4 - CASH, CASH EQUIVALENTS

The Housing Authority of the City of Long Branch 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.

Concentration of Credit Risk

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.

Risk Disclosures

Collateral for Deposits

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

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, 2018, 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 and investments 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>Primary Government</u>
Insured	\$ 503,223
Collateralized held by pledging bank's trust department in the Authority's name	10,569,211
Investments	<u>\$ 11,072,434</u>

Restricted Cash

The Authority primary government has total restricted cash at June 30, 2018 in the amount of \$1,887,122 which consists of the following:

	<u>June-18</u>
HCV HAP Reserves	\$ 90,744
FSS Participants	97,533
Current Payment for CFFP bond	3,148
Seaview Sale Proceeds	1,695,697
Total Restricted Cash	<u>\$ 1,887,122</u>

The restricted cash in the amount of \$90,744 for 2018 was reported under the Housing Choice Voucher Program as a HAP reserve for future use.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable for the Authority primary government at June 30, 2018 and the component unit as of December 31, 2017 consists of the following:

	Primary Government	Component Units
Tenants Accounts Receivable - Present	\$ 3,345	\$ -
Less: Allowance for Doubtful Accounts	(334)	-
Net Tenants Accounts Receivable	3,011	-
Accounts Receivable - Fraud Recovery	193,457	-
Less: Allowance for Doubtful Accounts	(193,457)	-
Net Fraud Recovery Receivable	-	-
Accounts Receivable - HUD		-
Accounts Receivable - Other Revenue Fees	39,013	5,101
Accounts Receivable - Other Governmental	28,986	-
Accounts Receivable - Limited Partnerships	689,907	-
Accounts Receivable - Repayment Agreements	9,044	-
Accounts Receivable - Predevelopment	-	78,458
Allowance for Doubtful Accounts - Other	(8,444)	(78,458)
Net Other Receivables	758,506	5,101
Net Accounts Receivable	\$ 761,517	\$ 5,101

The Housing Authority of the City of Long Branch carries its accounts receivable at cost less an allowance for doubtful accounts. 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. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2018, the allowance for doubtful accounts was \$202,235.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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, 2018 and the component unit as of December 31, 2017 consists of the following:

	Primary Government	Component Units
Prepaid Insurance Premiums	\$ 51,856	\$ 4,477
Inventories - Net of Allowance	8,751	-
Total Prepaid Expenses	<u>\$ 60,607</u>	<u>\$ 4,477</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, 2018 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 Expense

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, 2018

NOTE 8 - FIXED ASSETS - CONTINUED

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2018.

Below is a schedule of changes in fixed assets for the Authority primary government for the twelve months ending June 30, 2018:

	June 30, 2017	Additions	Disposal	Transfers	June 30, 2018
Land and Improvements	\$ 5,376,000	\$ -			\$ 5,376,000
Building	15,766,819	-		(924,856)	14,841,963
Furniture, Equipment - Dwelling	1,180,923	-		187,175	1,368,098
Furniture, Equipment - Administration	1,102,758	-	(15,942)	1,299,488	2,386,304
Construction in Process	478,754	772,150		(561,807)	689,097
Total Fixed Assets	23,905,254	772,150	(15,942)	-	24,661,462
Accumulated Depreciation	(9,108,035)	(585,216)	15,942	-	(9,677,309)
Net Book Value	\$ 14,797,219	\$ 186,934	\$ -	\$ -	\$ 14,984,153

Below is a schedule of the net book value of the fixed assets for the Authority primary government as of June 30, 2018:

	Primary Government
Land and Improvements	\$ 5,376,000
Building	6,937,947
Furniture, Equipment - Dwelling	346,961
Furniture, Equipment - Administration	1,634,148
Construction in Process	689,097
Net Book Value	\$ 14,984,153

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 9- NOTES RECEIVABLE

The Authority primary government has five (5) notes receivable non-current. The account balance at June 30, 2018 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, 2018

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, 2018 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 \$137,825.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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
	<hr/>	<hr/>
Differences Between Expected and Actual Experiences	\$ 159,051	\$ -
Changes in Assumptions	1,360,851	1,355,861
Net Difference Between Projected and Actual Earning on Pension Plan Investments	45,995	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	464,470	494,583
Contributions Subsequent to the Measurement Date	272,459	-
Total	<hr/> <u>\$ 2,302,826</u>	<hr/> <u>\$ 1,850,444</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 \$159,051.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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 \$1,360,851 and \$1,355,861.

Net Difference between Projected and Actual Investments Earning 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 \$45,995 and \$-0-.

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 ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$464,470 and \$494,583.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 12 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position section of the primary government as of June 30, 2018. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. The Authority primary government accounts payable at June 30, 2018 in the amount of \$897,419 consists of the following:

	Primary Government	Component Units
Accounts Payable Vendors	\$ 35,014	\$ 415,004
Accounts Payable - HUD	806,437	-
Accounts Payable - P.I.L.O.T.	55,968	-
Total Accounts Payable	\$ 897,419	\$ 415,004

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 10% of its net shelter rent. 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, 2018 PILOT expense of \$55,968 was incurred.

NOTE 14 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position section of the primary government as of June 30, 2018. Accrued expenses are liabilities covering expenses incurred on or before June 30, and are payable at some future date. Accrued liabilities at June 30, 2018 consisted of the following:

	Primary Government	Component Units
Compensated Absences - Current Portion	\$ 78,988	\$ -
Accrued Wages / Payroll Taxes	201	368
Accrued Expenses	525	-
Accrued Interest Payable	7,702	-
Total Accrued Liabilities	\$ 87,416	\$ 368

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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, 2018 as follows:

	<u>June-18</u>
Accumulated Sick Time	\$ 72,096
Accumulated Vacation Time	73,374
Accrued Payroll Taxes	<u>11,130</u>
Total	156,600
Compensated Absences - Current Portion	<u>(78,988)</u>
Total Compensated Absences - Noncurrent	<u>\$ 77,612</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, 2018. 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, 2018 is \$1,885 which consisted of prepaid rent for the month of July.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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, 2019	\$	115,000
June 30, 2020		120,000
June 30, 2021		125,000
June 30, 2022		135,000
June 30, 2023		135,000
Sub Total		<u>630,000</u>
Til Maturity June, 2026		364,999
Total Outstanding Balance	\$	<u><u>994,999</u></u>

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

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, 2018	\$	806,437	Current Portion
December 1, 2019		704,705	
Total HUD Payable	\$	<u>1,511,142</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, 2018. Noncurrent liability at June 30, 2018 consisted of the following:

	<u>June-18</u>	
HCV- FSS Payable	\$	97,533
NJHMFA - Unredeemed Bonds		64,500
Repayment of HUD Subsidy		<u>704,705</u>
Total NonCurrent Liabilities - Other	\$	<u>866,738</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, 2018

NOTE 20 – OTHER POST EMPLOYMENT BENEFITS

The Authority as of June 30, 2018 reported accrued pension and OPEB liability amounts as follows:

	<u>June-18</u>
Accrued OPEB Liability	\$ 12,136,451
Accrued Pension Liability	6,754,756
Total OPEB and Pension Liability	<u>\$ 18,891,207</u>

These amounts arose due to adoption of GASB #75 this year as well as GASB #68 which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 21 will discuss the effect of GASB #68 and the liability which arose from that.

OPEB Liability – Plan Description and Benefits Provided

Plan Description: The Authority administers a single-employer defined-benefit post-employment healthcare plan. Spouses are eligible for coverage under the plan and benefits may continue to the surviving spouses.

Benefits Provided: Retirees, that are vested, are eligible for a retirement benefit under Medicare Supplemental and or New Jersey Small Business Exchange, may elect to continue participating under the Authority’s health plans. The Authority pays 100% of member premiums and 100% of retiree spouse’s premium plus Medicare Part D.

Employees covered by benefits terms: At July 1, 2017 (the census date), the following employees were covered by the benefits terms:

Retired Employees Receiving Benefits	12
Actives Eligible for Benefits	3
Active Employees	<u>31</u>
Total Employees	<u>46</u>

Assets: The Authority has not accumulated plan assets in an irrevocable trust designated for plan participants.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 20 – ACCRUED OPEB LIABILITIES – CONTINUED

Net OPEB Liability

The Authority's net OPEB liability was measured as of July 1, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB Liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Discount Rate:	3.50%, net of OPEB plan investment expense, including inflation.
Assets	Not valued since benefit is unfunded
Information for Valuation	All information provided by Authority
Covered Benefits	Employees that retire are eligible for subsidized postemployment medical, including prescription drug coverage. Benefits are provided for dental, vision, and Medicare Part B premium
Insurance Coverage and Funding Basis	Medical, including prescription drugs, are fully insured through the NJ State Health Benefits Program for Local Government Employer Groups.
Actuarial Cost Method	Projected Unit Credit
Retirement System	Valuation is based on NJ Public Employees' Retirement System (PERS). Decrement tables used in this valuation are from the July 1, 2016 Annual Report of the Actuary.
Mortality	RP 2014 Healthy Male and Femal Tables are base don the Combined Healthy Table for both pre & post reitirement projected with mortality improvements using Projection Scale AA for 2 years plus 7 years for generational improvement.

Change in Assumptions: Effective July 1, 2017.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 20 – ACCRUED OPEB LIABILITIES – CONTINUED

Changes in Net OPEB Liability:

Balance as of June 30, 2017	<u>\$ 11,809,233</u>
 <i><u>Changes For the Current Year</u></i>	
Service Cost	191,184
Interest	408,554
Benefit Payments	<u>(272,520)</u>
Net Changes	<u>327,218</u>
 Balance as of June 30, 2018	 <u><u>\$ 12,136,451</u></u>

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	<u>\$ 14,998,110</u>	<u>\$ 12,136,451</u>	<u>\$ 10,031,583</u>

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	<u>\$ 9,859,388</u>	<u>\$ 12,136,451</u>	<u>\$ 15,352,998</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized an OPEB expense of \$327,218. As of June 30, 2018, the Authority did not report a deferred outflows of resources and deferred inflows of resources in relation to OPEB.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 21 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of June 30, 2018 reported a net pension liability in the amount of \$6,754,756 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2017, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 13,014,932
Plan Net Position	<u>(6,260,175)</u>
Employer Net Pension Liability	<u>\$ 6,754,756</u>

The Authority allocation percentage is 0.0290172682% as of June 30, 2017.

Plan Description

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. 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.gov/treasury/pensions/financial-reports.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS 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).

The following represents the membership tiers for PERS:

- 1) Tier 1 – Members who enrolled prior to July 1, 2007
- 2) Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3) Tier 3 – Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
- 4) Tier 4 – Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 5) Tier 5 – Members who were eligible to enroll on or after June 28, 2011.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 21 – ACCRUED PENSION LIABILITY - CONTINUED

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, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2017.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017 the State's pension contribution was less than the actuarial determined amount.

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.

Allocation Percentage Methodology -continued

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. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 21 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions

The total pension liability for June 30, 2017 measurement dates were determined by using an actuarial valuation as of July 1, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. The actuarial valuations used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65-4.15%, based on age
Thereafter	2.65-5.15%, based on age
Investment Rate of Return	7.00%

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 2 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 retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members 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. 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).

The actuarial assumptions used in the July 1, 2016 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 (7.00% at June 30, 2017) 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.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 21 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions - Continued

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, 2017 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 21 – ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate -Continued

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 2014. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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 5.00% 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 (4.00% percent) or 1 percentage-point higher (6.00% 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 (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,379,734	\$ 6,754,756	\$ 5,400,949

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2018	\$ 159,014
Year Ending June 30, 2019	239,955
Year Ending June 30, 2020	145,401
Year Ending June 30, 2021	(193,383)
Year Ending June 30, 2022	(140,951)
Total	<u>\$ 210,036</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72, and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 21 – ACCRUED PENSION LIABILITY - CONTINUED

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2017, are as follows:

Service Cost	\$	315,059
Interest on the Total Pension Liability		571,719
Member Contributions		(149,869)
Administrative Expenses		3,922
Expected Investment Return Net of Investment Expenses		(408,203)
Pension Expense Related to Specific Liabilities of Individual Employers		(4,433)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		50,097
Changes of Assumptions		116,737
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		(7,820)
Total	\$	<u>487,209</u>

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 22 – RESTRICTED NET POSITION

The Authority restricted net position for the Authority primary government account balance at June 30, 2018 is \$93,892. The detail of the restricted reserve account balances is as follows:

	<u>June-18</u>
HCV- HAP Reserves	\$ 90,744
CFFP Bonds Proceeds	<u>3,148</u>
Total Restricted Net Position	<u><u>\$ 93,892</u></u>

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

	<u>HAP Reserve</u>
Balance June 30, 2017	\$ 650,602
Decrease in HAP Reserve	<u>(559,858)</u>
Balance June 30, 2018	<u><u>90,744</u></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, 2018 was \$1,394,353.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 23 – UNRESTRICTED NET POSITION

The Authority’s primary government unrestricted net position account balance at June 30, 2018 is \$1,363,735. The detail of the account balance is as follows:

	PIH Program Reserves	HCV Program Reserve	Business Activities	COCC	Total
Balance June 30, 2017	\$ 12,342,639	\$ (1,094,559)	\$ 2,367,807	\$ (5,392,115)	\$ 8,223,772
Increase During the Year	575,841	-	1,667,476	-	2,243,317
Decrease During the Year	-	(111,368)	-	(570,440)	(681,808)
Prior Period Adjustments	(1,777,994)	(1,469,900)	-	(5,173,652)	(8,421,546)
Balance June 30, 2018	\$ 11,140,486	\$ (2,675,827)	\$ 4,035,283	\$ (11,136,207)	\$ 1,363,735

The Authority unrestricted net position reflects a balance of \$1,363,735, as of June 30, 2018, because of the requirement to adopt GASB #75 (OPEB) and GASB #68 pension liability. The Authority recorded OPEB liability to date of \$12,136,451 which has a direct effect on the reserves. The Authority recorded an accrued pension liability to date of \$6,754,756 which also has a direct effect on the reserves. GASB #75 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, 2018, 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, 2018

NOTE 25 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended June 30, 2018 were \$1,622,769.

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 program provides 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 and related administrative expense. HUD contributions for the Housing Choice Voucher for June 30, 2018 was in the amount of \$9,344,949.

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.

Total financial support by HUD was \$12,189,445 to the Authority which represents approximately 78% percent of the Authority's total revenue for the year ended June 30, 2018.

NOTE 27 - CONTINGENCIES

Litigation – At June 30, 2018, 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.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Notes to Financial Statements

June 30, 2018

NOTE 28 – PRIOR PERIOD ADJUSTMENT

For year ending June 30, 2018

As of June 30, 2018 the Authority had a prior period adjustment in the amount of (\$8,319,815) while recording GASB #75 Net OPEB Liability as detailed below:

Net OPEB Liability GASB #45 - June 30, 2017 Liability	\$	3,489,418
Adoption of GASB #75 - July 2017		(11,809,233)
Prior Period Adjustment - July 2017	\$	<u>(8,319,815)</u>

For year ending June 30, 2018

As of June 30, 2018, the Authority had a prior period adjustment in the amount of \$(101,731) for adjusting the AFR recapture of fees by HUD.

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 26, 2018; 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

Required Supplementary Information

June 30, 2018

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

<u>Total OPEB Liability</u>	<u>2018</u>
Service Cost	\$ 191,184
Interest	408,554
Changes in Benefit Terms	-
Difference Between Expected and Actual Experiences	-
Changes in Assumptions or Other Inputs	-
Benefit Payments	<u>(272,520)</u>
Net Change in Total OPEB Liability	327,218
Total OPEB Liability, Beginning	<u>11,809,233</u>
 Total OPEB Liability, Ending	 <u><u>\$ 12,136,451</u></u>
 Covered, Employee Payroll	 \$ 1,954,930
Total OPEB Liability as a percentage of covered employee payroll	620.81%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Required Supplementary Information
June 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

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.

	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.00226178%	0.01177889%	0.03230531%	0.02746919%
Housing Authority's proportionate share of the net pension liability	\$ 6,754,756	\$ 9,036,037	\$ 7,251,894	\$ 5,142,983
Housing Authority's covered employee payroll	\$ 2,714,386	\$ 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	248.85%	349.58%	275.01%	170.10%
Plan fiduciary net position as a percentage of the total pension liability	48.01%	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

Required Supplementary Information
June 30, 2018

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

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

	2018	2017	2016	2015
Contractually required contribution	\$ 268,814	\$ 271,042	\$ 277,739	\$ 226,452
Contribution in relation to the contractually required contribution	(268,814)	(271,042)	(277,739)	(226,452)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 2,714,386	\$ 2,584,804	\$ 2,637,001	\$ 3,023,565
Contribution as a percentage of covered employee payroll	9.90%	10.49%	10.53%	7.49%

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

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE TWELVE MONTHS ENDED JUNE 30, 2018

Programs funded by:

U.S. Department of Housing and Urban Development

CFDA # Program	Grant Period		Grant Award	Fiscal Year	Fiscal Year	Cumulative Expenditures
	From	To		Cash Receipts	Expenditures	
Public and Indian Housing Program						
NJ008-00000617D	1/1/2017	12/31/2017	\$ 87,156	\$ 43,629	\$ 43,629	\$ 87,068
NJ008-00000618D	1/1/2018	12/31/2018	101,402	55,064	55,064	55,064
NJ008-00000717D	1/1/2017	12/31/2017	597,185	298,945	298,945	596,581
NJ008-00000718D	1/1/2018	12/31/2018	601,383	326,563	326,563	326,563
NJ008-00001117D	1/1/2017	12/31/2017	135,661	67,911	67,911	135,524
NJ008-00001118D	1/1/2018	12/31/2018	88,953	48,304	48,304	48,304
NJ008-00001217D	1/1/2017	12/31/2017	171,955	86,079	86,079	171,781
NJ008-00001218D	1/1/2018	12/31/2018	151,928	82,500	82,500	82,500
NJ008-00001317D	1/1/2017	12/31/2017	178,877	89,544	89,544	178,696
NJ008-00001318D	1/1/2018	12/31/2018	153,732	83,480	83,480	83,480
NJ008-00001417D	1/1/2017	12/31/2017	152,875	76,528	76,528	152,721
NJ008-00001418D	1/1/2018	12/31/2018	141,205	76,678	76,678	76,678
NJ008-00001517D	1/1/2017	12/31/2017	62,027	31,050	31,050	61,965
NJ008-00001518D	1/1/2018	12/31/2018	62,246	33,801	33,801	33,801
NJ008-00001717D	1/1/2017	12/31/2017	22,005	8,638	8,638	21,983
NJ008-00001718D	1/1/2018	12/31/2018	16,263	8,831	8,831	8,831
NJ008-00001817D	1/1/2017	12/31/2017	114,165	33,118	33,118	114,098
NJ008-00001818D	1/1/2018	12/31/2018	35,338	29,556	29,556	29,556
NJ008-00001817D	1/1/2017	12/31/2017	54,198	57,150	57,150	54,083
NJ008-00001818D	1/1/2018	12/31/2018	55,666	28,041	28,041	28,041
NJ008-00001917D	1/1/2017	12/31/2017	32,750	27,111	27,111	32,696
NJ008-00001918D	1/1/2018	12/31/2018	44,980	30,248	30,248	30,248
Grant Subtotal			<u>3,061,950</u>	<u>1,622,769</u>	<u>1,622,769</u>	<u>2,410,262</u>

Public Housing Capital Fund Program

NJ39P008501-10	7/15/2010	7/14/2014	944,661	26	26	944,661
NJ39P008501-13	9/9/2013	9/8/2017	739,590	2,500	2,500	739,590
NJ39P008501-14	5/13/2014	5/12/2018	844,648	22,647	22,647	844,648
NJ39P008501-15	4/13/2015	4/12/2019	977,305	159,849	159,849	930,080
NJ39P008501-16	4/13/2016	4/12/2020	988,344	353,273	353,273	915,058
NJ39P008501-17	8/16/2017	8/15/2021	1,094,931	387,709	387,709	387,709
NJ39R008502-13	9/9/2013	9/8/2017	84,519	65,519	65,519	84,519
NJ39R008501-13	9/9/2013	9/8/2017	8,247	8,247	8,247	8,247
NJ39R008501-14	5/13/2014	5/12/2016	132,432	132,432	132,432	132,432
NJ39R008502-14	5/13/2014	5/12/2016	89,525	89,525	89,525	89,525
Grant Subtotal			<u>5,904,202</u>	<u>1,221,727</u>	<u>1,221,727</u>	<u>5,076,469</u>

Section 8 Housing Choice Voucher Program

NJ39P008	7/1/2017	6/30/2018	9,344,949	9,344,949	9,344,949	9,344,949
Grant Subtotal			<u>9,344,949</u>	<u>9,344,949</u>	<u>9,344,949</u>	<u>9,344,949</u>
Total Financial Assistance			<u>\$ 18,311,101</u>	<u>\$ 12,189,445</u>	<u>\$ 12,189,445</u>	<u>\$ 16,831,680</u>

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018**

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, 2018. 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 flows 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.

Note 3. Indirect Cost Rate

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 4. Loans Outstanding:

The Housing Authority of the City of Long Branch had \$994,999 as a loan balance outstanding at June 30, 2018. Note 17 presented on page 45 of this report have full disclosure regarding the loan activity for the Housing Authority of the City of Long Branch.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2018.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018**

Note 6. Sub-recipients:

Expenditures and Expenses

When monies are received by the Housing Authority of the City of Long Branch and redistributed (expended) to sub-recipients, the federal financial assistance is reflected in the Authority's accounts. The total expenditures for sub recipients amounted to \$581,146 during the year ended June 30, 2018.

	CFDA #s	June-18 Expenditures
Seaview Housing Urban Renewal Associates	14.850	\$ 81,351
Grant Court Housing Urban Renewal Associates	14.850	84,290
Garfield Court Urban Renewal Associates	14.850	86,512
Garfield Two Housing Urban Renewal LP	14.850	153,206
Gregory Urban Renewal Associates	14.850	28,889
Gregory Phase 2 Associates	14.850	3,712
Woodrow Wilson Housing Urban Renewal Associates	14.850	43,872
Woodrow Wilson Housing Urban Renewal Associates II	14.850	59,634
Woodrow Wilson Housing Three	14.850	39,680
Total Pass-Thru		\$ 581,146

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF JUNE 30, 2018**

	NJ39R008501-10		
	Approved Budget	Actual Cost	Overrun
Development Activity	\$ 522,868	\$ 522,868	\$ -
Total	\$ 522,868	\$ 522,868	\$ -
Funds Advanced	\$ 522,868		
Funds Expended	522,868		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Replacement Housing Factor Program 501-10 was completed on January 27, 2017.
4. There were no budget overruns noted.

**HOUSING AUTHORITY OF THE CITY OF LONG BRANCH
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF JUNE 30, 2018**

	NJ39R008501-11		
	Approved Budget	Actual Cost	Overrun
Development Activity	\$ 71,961	\$ 71,961	\$ -
Total	\$ 71,961	\$ 71,961	\$ -
Funds Advanced	\$ 71,961		
Funds Expended	71,961		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Replacement Housing Factor Program 501-11 was completed on January 27, 2017.
4. There were no budget overruns noted.

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14.871	6.1	1 Business Activities	COCC	Subtotal	ELIM	Total
	Housing Choice Vouchers	Component Unit - Discretely					
111 Cash - Unrestricted	\$4,864,691	\$1,425,823	\$1,865,424	\$1,163,435	\$9,896,345		\$9,896,345
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted	\$3,148		\$1,695,697		\$1,887,122		\$1,887,122
114 Cash - Tenant Security Deposits							
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$4,867,839	\$1,425,823	\$3,561,121	\$1,163,435	\$11,783,467	\$0	\$11,783,467
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous	\$9,044	\$83,559	\$76,774	\$681,132	\$850,509		\$850,509
126 Accounts Receivable - Tenants	\$3,345				\$3,345		\$3,345
126.1 Allowance for Doubtful Accounts - Tenants	-\$334				-\$334		-\$334
126.2 Allowance for Doubtful Accounts - Other	-\$8,444		\$0	\$0	-\$86,902		-\$86,902
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud	\$193,457				\$193,457		\$193,457
129 Accrued Interest Receivable	-\$193,457				-\$193,457		-\$193,457
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,611	\$5,101	\$76,774	\$681,132	\$766,618	\$0	\$766,618
131 Investments - Unrestricted	\$714,790				\$714,790		\$714,790
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$29,385	\$4,477		\$9,623	\$56,333		\$56,333
143 Inventories	\$8,945				\$8,945		\$8,945
143.1 Allowance for Obsolete Inventories	-\$194				-\$194		-\$194
144 Inter Program Due From							
145 Assets Held for Sale			\$68,109	\$0	\$68,109	-\$68,109	\$0
150 Total Current Assets	\$5,624,376	\$1,435,401	\$3,706,004	\$1,854,190	\$13,398,068	-\$68,109	\$13,329,959
161 Land							
162 Buildings	\$2,786,000	\$263,043	\$2,590,000		\$5,639,043		\$5,639,043
163 Furniture, Equipment & Machinery - Dwellings	\$14,336,782		\$505,181		\$14,841,963		\$14,841,963
164 Furniture, Equipment & Machinery - Administration	\$1,368,098				\$1,368,098		\$1,368,098
165 Leasehold Improvements	\$2,098,970			\$217,706	\$2,386,304		\$2,386,304
166 Accumulated Depreciation	-\$9,334,293		-\$104,197	-\$176,750	-\$9,677,309		-\$9,677,309

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14.871	6.1	1 Business Activities	COCC	Subtotal	ELIM	Total
	Housing Choice Vouchers	Component Unit - Discretely					
Project Total							
167 Construction in Progress	\$689,097				\$689,097		\$689,097
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$11,944,654	\$263,043	\$2,990,984	\$40,956	\$15,247,196	\$0	\$15,247,196
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		\$137,825			\$137,825		\$137,825
180 Total Non-Current Assets	\$21,477,618	\$400,868	\$3,390,984	\$40,956	\$25,317,985	\$0	\$25,317,985
200 Deferred Outflow of Resources	\$486,484			\$1,412,258	\$2,302,826		\$2,302,826
290 Total Assets and Deferred Outflow of Resources	\$27,588,478	\$1,836,269	\$7,096,988	\$3,307,404	\$41,018,879	-\$68,109	\$40,950,770
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$15,208	\$415,004	\$6,221	\$13,585	\$450,018		\$450,018
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable		\$368		\$201	\$569		\$569
322 Accrued Compensated Absences - Current Portion	\$13,929			\$49,938	\$78,988		\$78,988
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$7,702				\$7,702		\$7,702
331 Accounts Payable - HUD PHA Programs				\$806,437	\$806,437		\$806,437
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$55,968				\$55,968		\$55,968
341 Tenant Security Deposits							
342 Unearned Revenue	\$1,885				\$1,885		\$1,885
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$115,000				\$115,000		\$115,000
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities							
346 Accrued Liabilities - Other	\$525			\$68,109	\$68,109	-\$68,109	\$0
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$210,217	\$415,372	\$6,221	\$938,270	\$1,585,201	-\$68,109	\$1,517,092

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14,871	Housing Choice Vouchers	Component Unit - Discretely	1 Business Activities	COCC	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$879,999					\$879,999		\$879,999
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other	\$97,533	\$97,533		\$64,500	\$704,705	\$866,738		\$866,738
354 Accrued Compensated Absences - Non Current	\$21,547	\$20,924			\$35,141	\$77,612		\$77,612
355 Loan Liability - Non Current			\$400,000			\$400,000		\$400,000
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$3,994,668	\$3,301,201			\$11,595,338	\$18,891,207		\$18,891,207
350 Total Non-Current Liabilities	\$4,896,214	\$3,419,658	\$400,000	\$64,500	\$12,335,184	\$21,115,556	\$0	\$21,115,556
300 Total Liabilities	\$5,106,431	\$3,434,779	\$815,372	\$70,721	\$13,273,454	\$22,700,757	-\$68,109	\$22,632,648
400 Deferred Inflow of Resources	\$388,758	\$332,485			\$1,129,201	\$1,850,444		\$1,850,444
508.3 Nonspendable Fund Balance								
508.4 Net Investment in Capital Assets	\$10,949,655	\$7,559	\$263,043	\$2,990,984	\$40,956	\$14,252,197		\$14,252,197
509.3 Restricted Fund Balance								
510.3 Committed Fund Balance								
511.3 Assigned Fund Balance								
511.4 Restricted Net Position	\$3,148	\$90,744				\$93,892		\$93,892
512.3 Unassigned Fund Balance								
512.4 Unrestricted Net Position	\$11,140,486	-\$2,675,827	\$757,854	\$4,035,283	-\$11,136,207	\$2,121,589		\$2,121,589
513 Total Equity - Net Assets / Position	\$22,093,289	-\$2,577,524	\$1,020,897	\$7,026,267	-\$11,095,251	\$16,467,678	\$0	\$16,467,678
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$27,588,478	\$1,189,740	\$1,836,269	\$7,096,988	\$3,307,404	\$41,018,879	-\$68,109	\$40,950,770

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14,871	6.1	1 Business	COCC	Subtotal	ELIM	Total
	Housing	Component	Activities				
	Choice	Unit -					
	Vouchers	Discretely					
70300 Net Tenant Rental Revenue	\$939,061				\$939,061		\$939,061
70400 Tenant Revenue - Other	\$22,759				\$22,759		\$22,759
70500 Total Tenant Revenue	\$961,820	\$0	\$0	\$0	\$961,820	\$0	\$961,820
70600 HUD PHA Operating Grants	\$1,967,347	\$9,344,949			\$11,312,296		\$11,312,296
70610 Capital Grants	\$877,149				\$877,149		\$877,149
70710 Management Fee				\$279,620	\$279,620	-\$279,620	\$0
70720 Asset Management Fee				\$26,100	\$26,100	-\$26,100	\$0
70730 Book Keeping Fee				\$86,312	\$86,312	-\$86,312	\$0
70740 Front Line Service Fee							
70750 Other Fees				\$353,828	\$353,828		\$353,828
70700 Total Fee Revenue				\$745,860	\$745,860	-\$392,032	\$353,828
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$23,331			\$5,832	\$29,163		\$29,163
71200 Mortgage Interest Income	\$85,903				\$85,903		\$85,903
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery	\$12,255				\$12,255		\$12,255
71500 Other Revenue	\$142,350	\$605,425	\$1,464,336	\$477,769	\$2,689,880		\$2,689,880
71600 Gain or Loss on Sale of Capital Assets	\$1,783				\$1,783		\$1,783
72000 Investment Income - Restricted	\$24				\$24		\$24
70000 Total Revenue	\$4,059,707	\$9,357,204	\$1,464,336	\$1,229,461	\$16,716,133	-\$392,032	\$16,324,101
91100 Administrative Salaries	\$287,556	\$311,426	\$261,192	\$881,732	\$1,909,036		\$1,909,036
91200 Auditing Fees	\$7,862	\$6,400			\$19,512		\$19,512
91300 Management Fee	\$170,000	\$109,620			\$279,620	-\$279,620	\$0
91310 Book-keeping Fee	\$17,800	\$68,512			\$86,312	-\$86,312	\$0
91400 Advertising and Marketing		\$5,342			\$5,342		\$5,342
91500 Employee Benefit contributions - Administrative	\$225,158	\$252,499	\$169,777	\$736,172	\$1,391,520		\$1,391,520
91600 Office Expenses	\$9,592	\$10,912		\$40,319	\$81,225		\$81,225
91700 Legal Expense	\$440	\$13,864			\$65,132		\$65,132
91800 Travel		\$5,694			\$62,532		\$62,532
91810 Allocated Overhead							
91900 Other	\$61,407	\$8,975		\$117,073	\$187,455		\$187,455
91000 Total Operating - Administrative	\$779,815	\$793,244	\$430,969	\$1,775,296	\$4,087,686	-\$365,932	\$3,721,754
92000 Asset Management Fee	\$26,100				\$26,100	-\$26,100	\$0

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely	1 Business Activities	COCC	Subtotal	ELIM	Total
92100 Tenant Services - Salaries	\$34,510			\$78,169		\$112,679		\$112,679
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$28,526			\$50,831		\$79,357		\$79,357
92400 Tenant Services - Other	\$9,353					\$9,353		\$9,353
92500 Total Tenant Services	\$72,389	\$0	\$0	\$129,000	\$0	\$201,389	\$0	\$201,389
93100 Water	\$52,352					\$52,352		\$52,352
93200 Electricity	\$138,847					\$138,847		\$138,847
93300 Gas	\$159,524					\$159,524		\$159,524
93400 Fuel								
93500 Labor	\$13,705					\$13,705		\$13,705
93600 Sewer	\$73,248		\$336			\$73,584		\$73,584
93700 Employee Benefit Contributions - Utilities	\$3,351					\$3,351		\$3,351
93800 Other Utilities Expense								
93000 Total Utilities	\$441,027	\$0	\$336	\$0	\$0	\$441,363	\$0	\$441,363
94100 Ordinary Maintenance and Operations - Labor	\$123,349			\$302,600		\$425,949		\$425,949
94200 Ordinary Maintenance and Operations - Materials and Other	\$68,615	\$9,057	\$6,848		\$4,359	\$88,879		\$88,879
94300 Ordinary Maintenance and Operations Contracts	\$87,025	\$1,395	\$63,390	\$216,492	\$2,039	\$370,341		\$370,341
94500 Employee Benefit Contributions - Ordinary Maintenance	\$51,037			\$188,128		\$239,165		\$239,165
94000 Total Maintenance	\$330,026	\$10,452	\$70,238	\$707,220	\$6,398	\$1,124,334	\$0	\$1,124,334
95100 Protective Services - Labor	\$131,626			\$135,096		\$266,722		\$266,722
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services	\$21,273			\$35,902		\$57,175		\$57,175
95000 Total Protective Services	\$152,899	\$0	\$0	\$170,998	\$0	\$323,897	\$0	\$323,897
96110 Property Insurance								
96120 Liability Insurance								
96130 Workmen's Compensation								
96140 All Other Insurance	\$97,974	\$34,601	\$5,725	\$54,370	\$18,207	\$210,877		\$210,877
96100 Total Insurance Premiums	\$97,974	\$34,601	\$5,725	\$54,370	\$18,207	\$210,877	\$0	\$210,877
96200 Other General Expenses	\$583,658	\$23,591	\$258,767			\$866,016		\$866,016
96210 Compensated Absences	\$2,632					\$2,632		\$2,632
96300 Payments in Lieu of Taxes	\$55,968					\$55,968		\$55,968

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	Housing Choice Vouchers	Component Unit - Discretely	1 Business Activities	COCC	Subtotal	ELIM	Total
96400 Bad debt - Tenant Rents	\$5,813	14,871	6.1			\$5,813		\$5,813
96500 Bad debt - Mortgages								
96600 Bad debt - Other	\$9,328		\$86,058			\$95,386		\$95,386
96800 Severance Expense								
96000 Total Other General Expenses	\$657,399	\$23,591	\$344,825	\$0	\$0	\$1,025,815	\$0	\$1,025,815
96710 Interest of Mortgage (or Bonds) Payable	\$48,947					\$48,947		\$48,947
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$48,947	\$0	\$0	\$0	\$0	\$48,947	\$0	\$48,947
96900 Total Operating Expenses	\$2,606,576	\$861,888	\$729,486	\$1,492,557	\$1,799,901	\$7,490,408	-\$392,032	\$7,098,376
97000 Excess of Operating Revenue over Operating Expenses	\$1,453,131	\$8,495,316	-\$124,061	-\$28,221	-\$570,440	\$9,225,725	\$0	\$9,225,725
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$9,166,542				\$9,166,542		\$9,166,542
97350 HAP Portability-In								
97400 Depreciation Expense	\$554,893	\$3,024		\$12,630	\$14,669	\$585,216		\$585,216
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$3,161,469	\$10,031,454	\$729,486	\$1,505,187	\$1,814,570	\$17,242,166	-\$392,032	\$16,850,134
10010 Operating Transfer In	\$236,528					\$236,528		\$236,528
10020 Operating transfer Out	-\$236,528					-\$236,528		-\$236,528
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								
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								

Long Branch Housing Authority (NJ008)
LONG BRANCH, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely	1 Business Activities	COCC	Subtotal	ELIM	Total
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$898,238	-\$124,061	-\$40,851	-\$585,109	-\$526,033	\$0	-\$526,033
11020 Required Annual Debt Principal Payments	\$115,001	\$0	\$0	\$0	\$115,001		\$115,001
11030 Beginning Equity	\$22,973,045	\$1,144,958	\$7,067,118	-\$5,336,490	\$25,415,257		\$25,415,257
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,777,994			-\$5,173,652	-\$8,421,546		-\$8,421,546
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition							
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	-\$2,668,268				-\$2,668,268		-\$2,668,268
11180 Housing Assistance Payments Equity	\$90,744				\$90,744		\$90,744
11190 Unit Months Available	5520			0	14666		14666
11210 Number of Unit Months Leased	5296			0	14434		14434
11270 Excess Cash	\$5,214,485				\$5,214,485		\$5,214,485
11610 Land Purchases	\$0			\$0	\$0		\$0
11620 Building Purchases	\$0			\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$772,149			\$0	\$772,149		\$772,149
11660 Infrastructure Purchases	\$0			\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$105,000			\$0	\$105,000		\$105,000
13901 Replacement Housing Factor Funds	\$0			\$0	\$0		\$0



Hymanson, Parnes & Giampaolo

Certified Public Accountants

*tele: 732-842-4550
fax: 732-842-4551*

*467 Middletown-Lincroft Rd.
Lincroft, NJ 07738*

**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, 2018, 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 26, 2018.

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 26, 2018



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

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

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, 2018. 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, 2018.

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 26, 2018

HOUSING AUTHORITY OF THE CITY OF LONG BRANCH

Schedule of Findings and Questioned Cost

Year Ended June 30, 2018

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	\$ 9,344,949

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



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

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, 2018, and have issued our reports thereon dated November 26, 2018. 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, 2018, 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 26, 2018

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"/>