



Housing Authority of the Township of Neptune

**Financial Statements and Supplementary Information
with Report of Independent Auditors**

For the Year Ended September 30, 2018

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
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FOR THE YEAR ENDED SEPTEMBER 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of the
Housing Authority of the Township of Neptune:

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Township of Neptune (the "Authority") as of and for the year ended September 30, 2018, and the related notes to the financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position (deficit) of the Authority as of September 30, 2018, and the changes in its net position (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change of Accounting Principle

As discussed in Note 12 to the financial statements, during the year ended September 30, 2018, the Authority adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. We did not modify our opinion regarding 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 required pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. The accompanying financial data schedule is also not a required part of the basic financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and financial data schedule are 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 our report dated August 1, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

August 1, 2019
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2018**

As management of the Housing Authority of the Township of Neptune ("the Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A. Financial Highlights

1. The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by (\$798,549) (net deficit) as opposed to \$3,216,222 net position for the prior fiscal year.
2. As of the close of the current fiscal year, the Authority reported ending unrestricted net deficit of (\$6,544,831).
3. The Authority's cash and cash equivalents balance (including restricted cash and tenant security deposits) at September 30, 2018 totaled \$1,380,577 representing an increase of \$407,180 from the prior fiscal year.
4. The Authority had total operating revenues of \$6,280,355 and total operating expenses of \$6,863,454 for the year ended September 30, 2018.
5. The Authority's Expenditures of Federal Awards amounted to \$4,875,053 for the fiscal year.

B. Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements including the notes to financial statements included in this report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for proprietary fund types.

2. Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows.

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2018**

B. Using the Annual Report (continued)

2. Basic Financial Statements (continued)

The Statement of Net Position presents information on all the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two groups reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent 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 unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The Statement of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

The Basic Financial Statements report on the Authority's activities. The 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 Basic Financial Statements can be found on Pages 10 through 14 in this report.

3. Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements. The Notes to Financial Statements can be found in this report after the Basic Financial Statements.

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey Circular 15-08. The Schedule of Expenditures of Federal Awards can be found on page 38 of this report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2018**

C. The Authority as a Whole

The Authority's Net Position decreased during the 2018 fiscal year as detailed on page 7. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's operating revenues were not sufficient to cover all expenses, excluding depreciation during the fiscal year.

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are not available for future spending. The unrestricted net position (deficit) of the Authority is available for future use to provide program services.

Significant account changes from 2017 to 2018 are detailed as follows:

- Cash and cash equivalents increased \$402,842 primarily due to an increase in HUD funding during the year ended September 30, 2018.
- Capital assets, net decreased \$59,950 as depreciation expense of \$512,570 exceeded capital asset additions of \$452,620.
- Accounts payable decreased \$75,760 primarily due to the accrual of PILOT owed to the Township of Neptune.
- HUD capital grants increased \$233,615 primarily due to the Authority increasing its CFP Expenditures in fiscal year 2018.
- Operating Expenses increased \$390,981 primarily due to the following reasons:
 - i. Housing assistance payment expenses increased \$183,338 due to an increase in units months leased during year ending 2018.
 - ii. Tenant services costs decreased \$9,322, as there was a decrease in employee benefits expenses.
 - iii. Utilities expense increased from \$1,005,280 in 2017 to \$1,018,412 in 2018 or \$13,132. Water, sewer and gas costs all increased from 2017 to 2018.
 - iv. Ordinary repairs and maintenance expenses decreased \$35,610 primarily due to decreases in materials and contract costs as well as employee benefits.

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2018**

C. The Authority as a Whole (continued)

Computations of Net Position (Deficit) is as follows:

	September 30, <u>2018</u>	September 30, <u>2017</u>
Cash and Other Assets	\$ 1,472,489	\$ 1,077,658
Capital Assets – Net	<u>5,670,290</u>	<u>5,730,240</u>
Total Assets	7,142,779	6,807,898
Deferred Outflows	976,950	1,223,092
Less: Total Liabilities	(5,726,668)	(3,763,073)
Deferred Inflows	<u>(3,191,610)</u>	<u>(1,051,695)</u>
Net Position	<u>\$ (798,549)</u>	<u>\$ 3,216,222</u>
Net Invested in Capital Assets	\$ 5,670,289	\$ 5,730,240
Restricted Net Position	75,993	70,809
Unrestricted Net Position (Deficit)	<u>(6,544,831)</u>	<u>(2,584,827)</u>
Total Net Position (Deficit)	<u>\$ (798,549)</u>	<u>\$ 3,216,222</u>

Computations of Changes in Net Position (Deficit) are as follows:

	September 30, <u>2018</u>	September 30, <u>2017</u>
<u>Revenues</u>		
Tenant Revenues	\$ 1,740,908	\$ 1,729,843
HUD Subsidies	4,334,447	3,936,443
Other Revenues	<u>205,000</u>	<u>172,282</u>
Total Operating Revenues	<u>6,280,355</u>	<u>5,838,568</u>
<u>Expenses</u>		
Other Operating Expenses	3,612,004	3,383,642
Housing Assistance Payments	2,738,880	2,555,542
Depreciation Expense	<u>512,570</u>	<u>533,289</u>
Total Operating Expenses	<u>6,863,454</u>	<u>6,472,473</u>
Operating loss	<u>(583,099)</u>	<u>(633,905)</u>
<u>Non-Operating Revenues</u>		
Interest on Investments	7,570	7,243
HUD Capital Grants	<u>452,620</u>	<u>219,005</u>
Total Non-operating revenues	<u>460,190</u>	<u>226,248</u>
Change in Net Position (Deficit)	(122,909)	(407,657)
Net Position, Beginning of Year	<u>3,216,222</u>	<u>3,623,879</u>
Change in Accounting Principle – Adoption of GASB 75	<u>(3,891,862)</u>	-
Net Position (Deficit), Beginning of Year (as restated)	<u>(675,640)</u>	<u>3,623,879</u>
Net Position (Deficit), End of Year	<u>\$ (798,549)</u>	<u>\$ 3,216,222</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2018**

D. Budgetary Highlights

For the year ended September 30, 2018, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. Also, the Authority adopted a comprehensive annual budget for the General Fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency. As indicated by the change in net position, the Authority's net position decreased during the fiscal year. This decrease is indicative that the Authority is having difficulty operating within its budgetary limitations in total, for all its programs resulting from increased costs and a continuing reduction in HUD subsidies.

E. Capital Assets and Debt Administration

1. Capital Assets

As of September 30, 2018, the Authority's capital assets were \$5,670,290 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Purchases of capital assets totaled \$452,620.

Additional information on the Authority's capital assets can be found in the Notes to the Financial Statements, which is included in this report.

2. Debt Administration

The Authority has no outstanding long-term debt at this time.

F. Economic Factors and Next Year's Budgets and Rates

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

1. The significant cut-back on HUD subsidies and grants.
2. The continued reduction in interest rates on funds invested.

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2018**

G. 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 Bart J. Cook, Executive Director, Housing Authority of the Township of Neptune, 881 Alberta Avenue, Neptune, NJ 07753.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
STATEMENT OF NET POSITION (DEFICIT)
SEPTEMBER 30, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,177,261
Tenant security deposits	127,323
Accounts receivable, net	54,837
Prepaid expenses	<u>37,075</u>
Total current assets	<u>1,396,496</u>
Non-current assets:	
Restricted cash	75,993
Capital assets, net	<u>5,670,290</u>
Total non-current assets	<u>5,746,283</u>
Total assets	<u>7,142,779</u>

DEFERRED OUTFLOW OF RESOURCES

State of New Jersey P.E.R.S.	845,889
State of New Jersey S.H.B.P.	<u>131,061</u>
Total deferred outflow of resources	<u>976,950</u>
Total assets and deferred outflow of resources	<u>\$ 8,119,729</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
STATEMENT OF NET POSITION (DEFICIT) (continued)
SEPTEMBER 30, 2018

LIABILITIES

Current liabilities:	
Accounts payable	\$ 88,475
Accrued expenses	9,884
Accrued compensated absences, current	27,548
Tenant security deposits	127,323
Prepaid rent	9,862
Other current liabilities	<u>5,708</u>
Total current liabilities	<u>268,800</u>
Non-current liabilities:	
Accrued compensated absences, non-current	247,924
Accrued pension liability	2,486,929
Accrued OPEB liability	<u>2,723,015</u>
Total non-current liabilities	<u>5,457,868</u>
Total liabilities	<u>5,726,668</u>

DEFERRED INFLOW OF RESOURCES

State of New Jersey P.E.R.S.	1,256,137
State of New Jersey S.H.B.P.	1,733,178
Grants received in advance	<u>202,295</u>
Total deferred inflow of resources	<u>3,191,610</u>

NET POSITION (DEFICIT)

Net position (deficit):	
Net investment in capital assets	5,670,290
Restricted	75,993
Unrestricted	<u>(6,544,832)</u>
Total net position (deficit)	<u>(798,549)</u>
Total liabilities, deferred inflow of resources and net position (deficit)	<u>\$ 8,119,729</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (DEFICIT)
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Operating revenues:	
Tenant revenue	\$ 1,740,908
HUD operating grants	4,334,447
Other revenues	<u>205,000</u>
Total operating revenues	<u>6,280,355</u>
Operating expenses:	
Administrative	1,238,109
Tenant services	120,937
Utilities	1,018,412
Ordinary repairs and maintenance	998,424
Insurance	147,460
General expenses	88,662
Housing assistance payments	2,738,880
Depreciation	<u>512,570</u>
Total operating expenses	<u>6,863,454</u>
Operating loss	(583,099)
Non-operating revenues:	
Investment income	<u>7,570</u>
Loss before capital grants	(575,529)
Capital grants	<u>452,620</u>
Change in net position (deficit)	(122,909)
Total net position, beginning of year	<u>3,216,222</u>
Change in accounting principle - adoption of GASB 75	<u>(3,891,862)</u>
Net position (deficit), beginning of year (as restated)	<u>(675,640)</u>
Total net position (deficit), end of year	<u>\$ (798,549)</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Cash Flows from Operating Activities:	
Cash received from grantors	\$ 4,536,742
Cash received from tenants and others	1,952,043
Cash paid to vendors and suppliers	(4,849,653)
Cash paid to employees	<u>(1,239,522)</u>
Net cash provided by operating activities	<u>399,610</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital grants	452,620
Purchase of capital assets	<u>(452,620)</u>
Net cash provided by capital and related financing activities	<u>-</u>
Cash Flows from Investing Activities:	
Investment income	<u>7,570</u>
Net cash provided by investing activities	<u>7,570</u>
Net increase in cash and cash equivalents	407,180
Cash and cash equivalents, beginning of year	<u>973,397</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,380,577</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Position (Deficit) is as follows:	
Cash and cash equivalents	\$ 1,177,261
Tenant security deposits	127,323
Restricted cash	<u>75,993</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,380,577</u></u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Reconciliation of operating loss to net cash
provided by operating activities:

Operating loss	\$	(583,099)
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Adjustments to reconcile operating loss to net cash
provided by operating activities:

Depreciation		512,570
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Changes in operating assets, deferred outflow of resources,
liabilities, and deferred inflow of resources:

Accounts receivable, net		9,600
Prepaid expenses		2,749
Deferred outflow of resources		246,142
Accounts payable		(75,760)
Accrued expenses		(1,413)
Tenant security deposits liability		(846)
Prepaid rent		(2,619)
Accrued compensated absences		(52,245)
Other liabilities		(9,078)
Accrued pension liability		(617,459)
Accrued OPEB liability		(1,168,847)
Deferred inflow of resources		1,937,620
Grants received in advance		<u>202,295</u>

Net cash provided by operating activities	\$	<u>399,610</u>
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See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the Township of Neptune (the "Authority") is a governmental, 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 Township of Neptune, New Jersey (the "Township"). The Authority is responsible for operating certain low-rent housing programs in the Township under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's Board of Commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statements Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

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

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended ("GASB 34"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position (Deficit), a Statement of Revenues, Expenses, and Changes in Net Position (Deficit) and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting / Financial Statements Presentation (continued)

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions* ("GASB 33"), 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.

On January 30, 2008, HUD issued PIH Notice 2008-9 which 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 as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the financial data schedule as unrestricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB 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 fee and HAP revenue in the reporting period as revenue for financial statement reporting.

In accordance with 2 CFR 200.305(b)(9), any investment income earned up to \$500 on these funds may be retained by the Authority. Amounts in excess of \$500 must be remitted annually to the Department of Health and Human Services, Payment Management System.

The Authority adopted GASB 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). GASB 68 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, GASB 68 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, GASB 68 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.

The Authority adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"). GASB 75 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with post employment benefits other than pensions ("OPEB") of State and Local Governments. For defined benefit OPEB, GASB 75 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, GASB 75 details the recognition and disclosure requirements for employers with liabilities to a defined benefit OPEB plan and for employers whose employees are provided with defined contribution OPEB.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statement No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

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

Based on the application of the above criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

D. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Public and Indian Housing Program

The Public and Indian Housing Program is designed to provide low-cost housing within the Township. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Section 8 Housing Choice Vouchers

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income households under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating household.

Public Housing Capital Fund Program

The purpose of the Public Housing Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflow of resources, liabilities and deferred inflow of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, and contingencies. Actual results could differ significantly from these estimates.

F. Cash and Cash Equivalents

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 the 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.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

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 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.

For the Statement of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

G. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, accounts receivable balances primarily consist of rents past due and vacated units. An allowance for doubtful accounts is established to provide for accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. Also included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accounts Receivable, Net (continued)

The Authority also recognizes a receivable from HUD and other governmental agencies for amounts earned and billed but not received and for amounts unbilled, but earned as of year end.

H. Allowance for Doubtful Accounts

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectible. If it is determined that an account or accounts may be uncollectible, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

I. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

J. Capital Assets, Net

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- | | | |
|---|-------------------------|-------------|
| • | Buildings | 40 Years |
| • | Leasehold Improvements | 15 Years |
| • | Furniture and Equipment | 3 - 5 Years |

The Authority has established a capitalization threshold of \$1,000.

K. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. During the year ended September 30, 2018, there were no impairment losses incurred.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Inter-Program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net to zero. In accordance with GASB 34, inter-program receivables and payables are eliminated for financial statement purposes, however they are reflected in the accompanying financial data schedule as required by HUD.

M. Accounts Payable and Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year-end. It also recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

N. Unearned Revenue

The Authority recognizes a liability for prepaid rents, which consists of the prepayment of rent by residents applicable to future periods and for grants received in advance, which consists of grants received in advance of meeting their timing requirements.

O. Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Employees may be compensated for sick leave at retirement or termination at one half of the earned, accrued and unused sick leave at the current salary to a maximum of 130 days or 182.5 days depending on length of service.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Other Post Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the net OPEB, and OPEB expense, and information about the fiduciary net position of the State Health Benefits Plan ("SHBP") and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan.

R. Deferred Outflow of Resources / Deferred Inflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

S. Equity Classifications

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

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

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

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

T. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. The Authority receives annual operating subsidies from HUD. Operating subsidies are recorded at the time eligible program expenditures occur and/or the Authority has complied with the subsidy requirements. Other contributions from HUD that are for development and modernization of capital assets are reflected as capital grants. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Taxes

The Authority is a unit of local government under the New Jersey law and is exempt from real estate, sales and income taxes by both the federal and state governments. However, the Authority will pay a payment in lieu of taxes to cover municipal services provided by the local government for certain properties owned throughout the Township.

V. Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal awards. All budgets are prepared on a HUD basis, which is materially consistent with GAAP. All appropriations lapse at HUD's program year end or at the end of grant periods. Pursuant to N.J.S.A. 40A:5A-10 and N.J.A.C. 5:31 each authority is required to submit a budget for each fiscal year to the Director of the Division of Local Government Services 60 days prior to the beginning of the fiscal year.

W. Economic Dependency

The Section 8 Housing Choice Vouchers and Public and Indian Housing programs of the Authority are economically dependent on operating grants and subsidies from HUD. The programs operate at a loss prior to receiving the grants.

X. 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 disaster. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund ("JIF"). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the previous three years.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 2. CASH AND CASH EQUIVALENTS

As of September 30, 2018, the Authority had funds on deposit in checking, savings and money market accounts. The carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$1,380,577 and the bank balances approximated \$1,407,838.

<u>Cash Category</u>	<u>Amount</u>
Unrestricted	\$ 1,177,261
Tenant security deposits	127,323
Restricted	<u>75,993</u>
Total cash and cash equivalents	<u>\$ 1,380,577</u>

Of the bank balances, \$508,952 was covered by federal depository insurance and the remaining \$898,886 was collateralized by GUDPA as of September 30, 2018.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of September 30, 2018, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE, NET

As of September 30, 2018, accounts receivable, net consisted of the following:

<u>Description</u>	<u>Amount</u>
Accounts receivable - tenants, net	\$ 21,927
Accounts receivable - miscellaneous	<u>32,910</u>
Total accounts receivable, net	<u>\$ 54,837</u>

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The balance is shown net of an allowance for doubtful accounts of \$36,716.

Accounts Receivable - Miscellaneous

Accounts receivable - miscellaneous consists of amounts owed to the Authority by tenants for miscellaneous items such as late fees and key replacements. Management estimates the amount to be fully collectible and therefore no allowance for doubtful accounts has been established.

NOTE 4. RESTRICTED DEPOSITS

As of September 30, 2018, restricted deposits consisted of the following:

<u>Description</u>	<u>Amount</u>
Housing assistance payment reserves	\$ 75,993
Tenant security deposits	<u>127,323</u>
Total restricted deposits	<u>\$ 203,316</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 4. RESTRICTED DEPOSITS (continued)

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

Tenant security deposits represent amounts held by the Authority on behalf of tenants participating in the Public and Indian Housing Program. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

NOTE 5. CAPITAL ASSETS, NET

The following is a summary of changes in capital assets during the year ended September 30, 2018:

Description	September 30, 2017	Additions	Disposals	Transfers	September 30, 2017
<u>Non-depreciable:</u>					
Land	\$ 656,954	\$ -	\$ -	\$ -	\$ 656,954
Construction in progress	<u>468,067</u>	<u>452,620</u>		<u>(295,339)</u>	<u>625,348</u>
Total	<u>1,125,021</u>	<u>452,620</u>		<u>(295,339)</u>	<u>1,282,302</u>
<u>Depreciable:</u>					
Buildings	18,311,724	-	-	237,703	18,549,427
Furniture and equipment	633,412	-	-	-	633,412
Leasehold improvements	<u>4,687,415</u>	<u>-</u>	<u>-</u>	<u>57,636</u>	<u>4,745,051</u>
Total	<u>23,632,551</u>	<u>-</u>	<u>-</u>	<u>295,339</u>	<u>23,927,890</u>
Less: accumulated depreciation	<u>19,027,332</u>	<u>512,570</u>	<u>-</u>	<u>-</u>	<u>19,539,902</u>
Net capital assets	<u>\$ 5,730,240</u>	<u>\$ (59,950)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,670,290</u>

Depreciation expense for the year ended September 30, 2018 amounted to \$512,570.

NOTE 6. ACCOUNTS PAYABLE

As of September 30, 2018, accounts payable consisted of the following:

Description	Amount
Accounts payable - vendors	\$ 18,266
Accounts payable - other government	<u>70,209</u>
Total accounts payable	<u>\$ 88,475</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 6. ACCOUNTS PAYABLE (continued)

Accounts Payable - Vendors

Accounts payable - vendors represents the amounts payable to contractors and vendors for materials received or services rendered.

Accounts Payable - Other Governments

Accounts payable - other governments represents amounts due and payable to the Township for payments in lieu of taxes.

NOTE 7. PAYMENTS IN LIEU OF TAXES

Under Federal, State and Local law, the Authority's 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 Township. Under the Cooperation Agreement, the Authority must pay the City the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the year ended September 30, 2018, the Authority incurred PILOT expense in the amount of \$70,209.

NOTE 8. NON-CURRENT LIABILITIES

Non-current liabilities activity during the year ended September 30, 2018 consisted of the following:

	September 30, 2017	Additions	Retirements	September 30, 2018	Due in One Year
Accrued compensated absences	\$ 327,717	\$ 136,516	\$ (188,761)	\$ 275,472	\$ 27,548
Accrued pension liability	3,104,388	-	(617,459)	2,486,929	-
Accrued OPEB liability	<u>3,891,862</u>	<u>-</u>	<u>1,168,847</u>	<u>2,723,015</u>	<u>-</u>
Total non-current liabilities	<u>\$ 7,323,967</u>	<u>\$ 136,516</u>	<u>\$ 1,975,067</u>	<u>\$ 5,485,416</u>	<u>\$ 27,548</u>

NOTE 9. PENSION PLAN

A. Plan Description

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 the Division's Comprehensive Annual Financial Report, which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

B. Benefits

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.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 9. PENSION PLAN (continued)

B. Benefits (continued)

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

Early retirement benefits are available to tiers 1 and 2 before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 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 includes 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.

The local employers' contribution amounts are based on the 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 full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. 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 the assets.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 9. PENSION PLAN (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions

At September 30, 2018, the Authority reported a liability of \$2,486,929, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017 and rolled forward to June 30, 2018.

For the year ended September 30, 2018, the Authority recognized pension benefit of \$35,814. At September 30, 2018, the Authority reported deferred outflow of resources and deferred inflow of resources from the following sources.

	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>
Changes of Assumptions	\$ 409,805	\$ 795,188
Changes in Proportion	388,658	424,799
Differences between expected and actual experience	47,426	12,823
Net differences between projected and actual earnings on pension plan investments	<u>-</u>	<u>23,327</u>
Total	<u>\$ 845,889</u>	<u>\$ 1,256,137</u>

Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30:</u>	<u>Amount</u>
2019	18,928
2020	(26,206)
2021	(187,919)
2022	(162,891)
2023	<u>(52,160)</u>
	<u>\$ (410,248)</u>

E. Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following assumptions:

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 9. PENSION PLAN (continued)

E. Actuarial Assumptions (continued)

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

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and 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).

F. Long-term Expected Rate of Return

The long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 9. PENSION PLAN (continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 the plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

H. Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 5.66 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.66 percent) or 1 percentage point higher (6.66 percent) than the current rate.

	1% Decrease (4.66%)	Discount Rate (5.66%)	1% Increase (6.66%)
Authority's proportionate share of the net pension liability	\$ <u>3,127,025</u>	\$ <u>2,486,928</u>	\$ <u>1,949,927</u>

NOTE 10. OTHER POST-RETIREMENT BENEFITS PLAN

A. Plan Description

The State Health Benefit Local Government Retired Employees Plan ("SHBP") is a cost-sharing multiple-employer defined benefit OPEB plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). It covers employees of local government employers that have adopted a resolution to participate in the SHBP. For additional information about SHBP, please refer to the Division's Comprehensive Annual Financial Report ("CAFR"), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 10. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

B. Benefits

SHBP provides medical and prescription drug to retirees and their covered dependents of the employers. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of services credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L., 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

C. OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB

At September 30, 2018, the Authority reported a liability of \$2,723,015, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and rolled forward to June 30, 2018.

For the year ended September 30, 2018, the Authority recognized OPEB expense of \$433,270. At September 30, 2018, the Authority reported deferred outflow of resources and deferred inflow of resources from the following sources.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of Assumptions	\$ -	\$ 690,728
Changes in Proportion	-	489,581
Differences between expected and actual experience	-	552,869
Net differences between projected and actual investment earnings on OPEB plan investments	1,439	-
Contributions made subsequent to the measurement date	<u>129,622</u>	<u>-</u>
Total	<u>\$ 131,061</u>	<u>\$ 1,733,178</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 10. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Other amounts reported as deferred outflow of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30:	<u>Amount</u>
2019	\$ (235,250)
2020	(235,250)
2021	(235,250)
2022	(235,446)
2023	(235,763)
Thereafter	<u>(425,160)</u>
	<u>\$ (1,602,119)</u>

D. Actuarial Assumptions

The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following assumptions:

Inflation Rate	2.50%
Salary increases:	
Through 2026	1.65 - 8.98%, based on age
Thereafter	2.65 - 9.98%, based on age

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weights Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2017 valuation were based on the results of the pension plans' experience studies of the State of New Jersey's defined benefit pension plans for which 100% of active members are considered to participate in the SHBP upon retirement.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 10. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.87% as of June 30, 2018. This represents the municipal bond return rate chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

F. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Authority's proportionate share of the net OPEB liability	\$ <u>3,194,816</u>	\$ <u>2,723,015</u>	\$ <u>2,346,152</u>

G. Health Care Trend Assumptions

For pre-Medicare preferred provider organization ("PPO") and health maintenance organization ("HMO") medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

H. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the healthcare trend rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Discount Rate	1% Increase
Authority's proportionate share of the net OPEB liability	\$ <u>2,271,431</u>	\$ <u>2,723,015</u>	\$ <u>3,307,432</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2018

NOTE 11. RESTRICTED NET POSITION

As of September 30, 2018, restricted net position consists of housing assistance payment reserves totaling \$75,993, which are restricted for use only in the Section 8 Housing Choice Vouchers Program.

NOTE 12. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended September 30, 2018, the Authority adopted GASB 75. As a result of adopting GASB 75, the Authority recorded a beginning OPEB liability and a charge to unrestricted net position (deficit) as of October 1, 2017 on the Authority's statement of net position (deficit) in the amount of \$3,891,862.

NOTE 13. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of September 30, 2018, the Authority estimates that no material liabilities will result from such audits.

NOTE 14. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through August 1, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events occurred that would require disclosure in the notes to the financial statements.



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CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners of the
Housing Authority of the Township of Neptune:

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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Township of Neptune (the "Authority"), which comprise the statement of net position (deficit) as of September 30, 2018, and the related statements of revenues, expenses and changes in net position (deficit), and cash flows for the year then ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 1, 2019.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Novogradac & Company LLP

August 1, 2019
Toms River, New Jersey



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
STATE OF NEW JERSEY OMB CIRCULAR 15-08**

To the Board of Commissioners of the
Housing Authority of the Township of Neptune:

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the Township of Neptune's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement and the State of New Jersey OMB Circular 15-08 that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2018. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of New Jersey OMB Circular 15-08. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority'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 and State of New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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 and the State of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

August 1, 2019
Toms River, New Jersey

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period From / To	Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
<u>U.S. Department of Housing and Urban Development</u>						
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers	14.871	N/A	10/1/2017 9/30/2018	\$ 2,961,477	\$ 3,049,463	\$ 3,049,463
Total Housing Voucher Cluster				2,961,477	3,049,463	3,049,463
Public and Indian Housing Program	14.850	N/A	1/1/2016 12/31/2018	3,114,065	1,148,966	3,114,065
Public Housing Capital Fund Program	14.872	N/A	4/13/2016 5/28/2020	1,793,273	676,624	1,085,249
Total U.S. Department of Housing and Urban Development				<u>\$ 7,868,815</u>	<u>\$ 4,875,053</u>	<u>\$ 7,248,777</u>

See Report of Independent Auditors.

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended September 30, 2018. The information in the 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) and State of New Jersey OMB Circular 15-08. Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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 principles contained in the Uniform Guidance and the State of New Jersey OMB Circular 15-08, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The Authority has not elected to use the ten percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 4. SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

The total amounts of Capital Fund Program Costs and Advances incurred and earned by the Authority as of and for the year ended September 30, 2018 are provided herein.

	<u>501-16</u>	<u>501-17</u>	<u>501-18</u>	<u>Totals</u>
Budget	<u>\$ 471,672</u>	<u>\$ 541,555</u>	<u>\$ 780,046</u>	<u>\$ 1,793,273</u>
<u>Advances:</u>				
Cumulative through 9/30/17	\$ 392,825	\$ -	\$ -	\$ 392,825
Current Year	<u>78,847</u>	<u>522,983</u>	<u>74,794</u>	<u>676,624</u>
Cumulative through 9/30/18	<u>471,672</u>	<u>522,983</u>	<u>74,794</u>	<u>1,069,449</u>
<u>Costs:</u>				
Cumulative through 9/30/17	392,825	-	-	392,825
Current Year	<u>78,847</u>	<u>522,983</u>	<u>74,794</u>	<u>676,624</u>
Cumulative through 9/30/18	<u>471,672</u>	<u>522,983</u>	<u>74,794</u>	<u>1,069,449</u>
Excess / (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Report of Independent Auditors.

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018**

I. Summary of Auditors' Results

Financial Statement Section

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | |
|----|--|------------|
| 1. | Internal control over compliance: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | No |
| 2. | Type of auditors' report on compliance for major programs: | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

14.871

Section 8 Housing Choice Vouchers

14.850

Public and Indian Housing Program

- | | | |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 6. | Auditee qualified as low-risk Auditee? | No |

HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2018

II. Financial Statement Findings

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

III. Federal Award Findings and Questioned Costs

There were no findings or questioned costs relating to federal awards.

IV. Schedule of Prior Year Federal Audit Findings

There were no findings or questioned costs in the prior year

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
REQUIRED PENSION INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS***

	September 30, <u>2014</u>	September 30, <u>2015</u>	September 30, <u>2016</u>	September 30, <u>2017</u>	September 30, <u>2018</u>
Contractually required contribution	\$ 119,197	\$ 108,731	\$ 94,022	\$ 123,543	\$ 125,635
Contributions in relation to the contractually required contribution	<u>119,197</u>	<u>108,731</u>	<u>94,022</u>	<u>123,543</u>	<u>125,635</u>
(Over) / under funded	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 1,162,939</u>	<u>\$ 1,136,756</u>	<u>\$ 1,033,658</u>	<u>\$ 1,054,138</u>	<u>\$ 1,042,408</u>
Contributions as a percentage of covered- employee payroll	<u>10.25 %</u>	<u>9.57 %</u>	<u>9.10 %</u>	<u>11.72 %</u>	<u>12.05 %</u>

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
REQUIRED PENSION INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET PENSION LIABILITY FOR THE LAST TEN FISCAL YEARS***

	September 30, <u>2014</u>	September 30, <u>2015</u>	September 30, <u>2016</u>	September 30, <u>2017</u>	September 30, <u>2018</u>
Authority's proportion of the net pension liability	<u>0.0145 %</u>	<u>0.0126 %</u>	<u>0.0106 %</u>	<u>0.0133 %</u>	<u>0.0126 %</u>
Authority's proportionate share of the net pension liability	<u>\$ 2,707,100</u>	<u>\$ 2,839,017</u>	<u>\$ 3,134,519</u>	<u>\$ 3,104,388</u>	<u>\$ 2,486,929</u>
Authority's covered-employee payroll	<u>\$ 1,162,939</u>	<u>\$ 1,136,756</u>	<u>\$ 1,033,658</u>	<u>\$ 1,054,138</u>	<u>\$ 1,042,408</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>232.78 %</u>	<u>249.75 %</u>	<u>303.25 %</u>	<u>294.50 %</u>	<u>238.58 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.08 %</u>	<u>47.93 %</u>	<u>40.14 %</u>	<u>48.10 %</u>	<u>53.60 %</u>

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS***

	September 30, <u>2017</u>	September 30, <u>2018</u>
Statutorily required contribution	\$ 492,235	\$ 482,144
Contributions in relation to the statutorily required contribution	<u>492,235</u>	<u>482,144</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 1,054,138</u>	<u>\$ 1,042,408</u>
Contributions as a percentage of covered- employee payroll	<u>46.70 %</u>	<u>46.25 %</u>

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE TOWNSHIP OF NEPTUNE
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET OPEB LIABILITY FOR THE LAST TEN FISCAL YEARS***

	September 30, <u>2017</u>	September 30, <u>2018</u>
Authority's proportion of the net OPEB liability	<u>0.0191 %</u>	<u>0.0174 %</u>
Authority's proportionate share of the net OPEB liability	<u>\$ 3,891,862</u>	<u>\$ 2,723,015</u>
Authority's covered-employee payroll	<u>\$ 1,054,138</u>	<u>\$ 1,042,408</u>
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	<u>369.20 %</u>	<u>261.22 %</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.03 %</u>	<u>1.97 %</u>

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

Housing Authority of the Township of Neptune							
NJ048							
Financial Data Schedule (FDS)							
September 30, 2018							
Line Item #		Account Description	Project Total	14,871 Housing Choice Vouchers	TOTAL		
ASSETS:							
CURRENT ASSETS:							
Cash:							
111		Cash - unrestricted	\$ 997,271	\$ 179,990	\$ 1,177,261		
112		Cash - restricted - modernization and development	-	-	-		
113		Cash - other restricted	-	75,993	75,993		
114		Cash - tenant security deposits	127,323	-	127,323		
115		Cash - restricted for payment of current liabilities	-	-	-		
100		Total cash	1,124,594	255,983	1,380,577		
Accounts and notes receivables:							
121		Accounts receivable - PHA projects	-	-	-		
122		Accounts receivable - HUD other projects	-	-	-		
124		Accounts receivable - other government	-	-	-		
125		Accounts receivable - miscellaneous	32,910	-	32,910		
126		Accounts receivable - tenants	43,856	-	43,856		
126.1		Allowance for doubtful accounts - tenant	(21,929)	-	(21,929)		
126.2		Allowance for doubtful accounts - other	-	-	-		
127		Notes and mortgages receivable - current	-	-	-		
128		Fraud recovery	14,787	-	14,787		
128.1		Allowance for doubtful accounts - fraud	(14,787)	-	(14,787)		
129		Accrued interest receivable	-	-	-		
120		Total receivables, net of allowances for doubtful accounts	54,837	-	54,837		
Current investments:							
131		Investments - unrestricted	-	-	-		
132		Investments - restricted	-	-	-		
135		Investments - restricted for payment of current liabilities	-	-	-		
142		Prepaid expenses and other assets	37,075	-	37,075		
143		Inventories	-	-	-		
143.1		Allowance for obsolete inventories	-	-	-		
144		Interprogram - due from	-	-	-		
145		Assets held for sale	-	-	-		
150		TOTAL CURRENT ASSETS	1,216,506	255,983	1,472,489		
NONCURRENT ASSETS:							
Fixed assets:							
161		Land	656,954	-	656,954		
162		Buildings	18,549,427	-	18,549,427		
163		Furniture, equipment & machinery - dwelling	-	-	-		
164		Furniture, equipment & machinery - administrative	633,412	-	633,412		
165		Leasehold improvements	4,745,051	-	4,745,051		
166		Accumulated depreciation	(19,539,902)	-	(19,539,902)		
167		Construction in Progress	625,348	-	625,348		
168		Infrastructure	-	-	-		
160		Total fixed assets, net of accumulated depreciation	5,670,290	-	5,670,290		
Other non-current assets:							
171		Notes and mortgages receivable - non-current	-	-	-		
172		Notes and mortgages receivable-non-current - past due	-	-	-		
173		Grants Receivable Non Current	-	-	-		
174		Other assets	-	-	-		
175		Undistributed debts	-	-	-		
176		Investment in joint venture	-	-	-		
180		TOTAL NONCURRENT ASSETS	5,670,290	-	5,670,290		
200		Deferred Outflows of Resources	780,185	196,765	976,950		
290		TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,666,981	\$ 452,748	\$ 8,119,729		

Housing Authority of the Township of Neptune						
NJ048						
Financial Data Schedule (FDS)						
September 30, 2018						
Line Item #		Account Description	Project Total	14,871 Housing Choice Vouchers	TOTAL	
LIABILITIES AND EQUITY						
Liabilities:						
Current Liabilities:						
311		Bank overdraft	\$ -	\$ -	\$ -	
312		Accounts payable < 90 days	12,739	5,527	18,266	
313		Accounts payable > 90 days past due	-	-	-	
321		Accrued wage/payroll taxes payable	9,884	-	9,884	
322		Accrued compensated absences - current portfolio	25,046	2,502	27,548	
324		Accrued contingency liability	-	-	-	
325		Accrued interest payable	-	-	-	
331		Accounts payable - HUD PHA programs	-	-	-	
332		Accounts payable - PHA project	-	-	-	
333		Accounts payable - other government	70,209	-	70,209	
341		Tenant security deposit	127,323	-	127,323	
342		Unearned revenue	9,862	-	9,862	
343		Current portion of L-T debt - capital project	-	-	-	
344		Current portion of L-T debt - operating borrowing	-	-	-	
345		Other current liabilities	5,708	-	5,708	
346		Accrued liabilities - other	-	-	-	
347		Interprogram - due to	-	-	-	
348		Loan liability - Current	-	-	-	
310		TOTAL CURRENT LIABILITIES	260,771	8,029	268,800	
NONCURRENT LIABILITIES						
351		Long-term debt, net of current - capital project	-	-	-	
352		Long-term debt, net of current - operating borrowing	-	-	-	
353		Non-current liabilities- other	-	-	-	
354		Accrued compensated absences - noncurrent	225,411	22,513	247,924	
355		Loan Liability - Non Current	-	-	-	
356		FASB 5 Liabilities	-	-	-	
357		Accrued pension and OPEB liabilities	4,262,107	947,837	5,209,944	
350		TOTAL NONCURRENT LIABILITIES	4,487,518	970,350	5,457,868	
300		TOTAL LIABILITIES	4,748,289	978,379	5,726,668	
400		Deferred Inflows of Resources:	2,444,160	747,450	3,191,610	
EQUITY:						
308.1		Invested in Capital Assets, Net of Related Deb	5,670,289	-	5,670,289	
511.1		Restricted Net Position	-	75,993	75,993	
512.1		Unrestricted Net Position	(5,195,757)	(1,349,074)	(6,544,831)	
513		TOTAL EQUITY	474,532	(1,273,081)	(798,549)	
600		TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 7,666,981	\$ 452,748	\$ 8,119,729	
Proof of concept						
			-	-	-	

Housing Authority of the Township of Neptune				
NJ048				
Financial Data Schedule (FDS)				
September 30, 2018				
Line Item #	Account Description	OPERATING	CAPITAL	14.871 Housing Choice Vouchers
TOTAL				
REVENUE:				
70300	Net tenant rental revenue	\$ 1,720,501	\$ -	\$ -
70400	Tenant revenue - other	20,407	-	-
70500	Total tenant revenue	1,740,908	-	-
70600	HUD PHA grants	1,148,966	214,004	2,961,477
70610	Capital grants	-	452,620	-
70710	Management fee	-	-	-
70720	Asset management fee	-	-	-
70730	Book-keeping fee	-	-	-
70740	Front-line service fee	-	-	-
70750	Other fees	-	-	-
70800	Other government grants	-	-	-
71100	Investment income - unrestricted	6,659	-	911
71200	Mortgage interest income	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-
71301	Cost of sale of assets	-	-	-
71400	Fund recovery	6,383	-	-
71500	Other revenue	198,618	-	-
71600	Gain or loss on sale of fixed asset	-	-	-
72000	Investment income - restricted	-	-	-
70000	TOTAL REVENUE	3,101,533	676,624	2,962,388
EXPENSES:				
Administrative				
91100	Administrative salaries	282,554	40,616	102,144
91200	Auditing fees	11,360	-	2,000
91300	Outside management fee	-	-	-
91310	Book-keeping fee	-	-	-
91400	Advertising and marketing	-	-	-
91500	Employee benefit contributions- administrative	478,441	11,539	151,352
91600	Office expenses	50,074	-	576
91700	Legal expenses	18,140	-	18,759
91800	Travel	-	31,570	7,016
91810	Allocated overhead	-	-	-
91900	Other	-	29,968	-
	Total Administrative	840,569	113,693	281,847
92000	Asset Management Fee	-	-	-
Tenant services				
92100	Tenant services - salaries	72,009	-	-
92200	Relocation costs	-	-	-
92300	Employee benefit contributions- tenant service	48,133	-	-
92400	Tenant services - other	795	-	-
	Total Tenant Services	120,937	-	-
Utilities				
93100	Water	176,975	-	-
93200	Electricity	72,040	-	-
93300	Gas	292,860	-	-
93400	Fuel	-	-	-
93500	Labor	191,027	-	-
93600	Sewer	159,160	-	-
93700	Employee benefit contributions- utility	126,350	-	-
93800	Other utilities expense	-	-	-
	Total Utilities	1,018,412	-	-
Ordinary maintenance & operation				
94100	Ordinary maintenance and operations - labor	384,605	-	-
94200	Ordinary maintenance and operations - materials & other	198,950	-	-
94300	Ordinary maintenance and operations - contract cost	174,202	-	-
94500	Employee benefit contributions- ordinary maintenance	240,667	-	-
	Total Ordinary Maintenance	998,424	-	-
Protective services				
95100	Protective services - labor	-	-	-
95200	Protective services- other contract cost	-	-	-
95300	Protective services - other	-	-	-
95500	Employee benefit contributions- protective service	-	-	-
	Total Protective Services	-	-	-

Housing Authority of the Township of Neptune					
NJ048					
Financial Data Schedule (FDS)					
September 30, 2018					
Line Item #	Account Description	OPERATING	CAPITAL	14.871 Housing Choice Vouchers	TOTAL
	General expenses				
96110	Property insurance	-	-	-	-
96120	Liability insurance	-	-	-	-
96130	Workmen's compensation	-	-	-	-
96140	All other insurance	132,355	-	15,105	147,460
	Total Insurance	132,355	-	15,105	147,460
96200	Other general expenses	-	-	1,295	1,295
96210	Compensated absences	-	-	12,336	12,336
96300	Payments in lieu of taxes	70,209	-	-	70,209
96400	Bad debt - tenant rents	4,822	-	-	4,822
96500	Bad debt- mortgages	-	-	-	-
96600	Bad debt - other	-	-	-	-
96700	Interest expense	-	-	-	-
96710	Interest of mortgage (or bonds) payable	-	-	-	-
96720	Interest on Notes Payable (Short and Long Term	-	-	-	-
96730	Amortization of bond issue cost	-	-	-	-
96800	Severance expense	-	-	-	-
	Total General Expenses	75,031	-	13,631	88,662
96900	TOTAL OPERATING EXPENSES	3,185,728	115,693	310,583	3,612,004
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(84,195)	560,931	2,651,805	3,128,541
97100	Extraordinary maintenance	-	-	-	-
97200	Casualty losses - non capitalizable	-	-	-	-
97300	Housing assistance payments	-	-	2,738,880	2,738,880
97350	HAP Portability - in	-	-	-	-
97400	Depreciation expense	512,570	-	-	512,570
97500	Fraud losses	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-
90000	TOTAL EXPENSES	3,698,298	115,693	3,049,463	6,863,454
	OTHER FINANCING SOURCES (USES)				
10010	Operating transfers in	108,311	-	-	108,311
10020	Operating transfers out	-	(108,311)	-	(108,311)
10030	Operating transfers from/to primary government	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-
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 program and project out	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	108,311	(108,311)	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(488,454)	452,620	(87,075)	(122,909)
MEMO ACCOUNT INFORMATION:					
11020	Required annual debt principal payments	-	-	-	-
11030	Beginning equity	2,900,805	468,066	(152,649)	3,216,222
11040	Prior period adjustments and equity transfers	(2,563,166)	(295,339)	(1,033,357)	(3,891,862)
11170	Administrative fee equity	-	-	(210,185)	(210,185)
11180	Housing assistance payments equity	-	-	75,993	75,993
		-	-	(134,192)	(134,192)
11190	Unit months available	4,140	-	3,816	7,956
11210	Number of unit months leased	4,033	-	2,715	6,748
	Equity Roll Forward Test:				
	Calculation from R/E Statement	\$ 474,532	\$ -	\$ (1,273,081)	\$ (798,549)
	B/S Line 51.3	\$ 474,532	\$ -	\$ (1,273,081)	\$ (798,549)
		\$ -	\$ -	\$ -	\$ -