

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA**

YEAR ENDED DECEMBER 31, 2018

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FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

Member of American and Pennsylvania
Institutes of Certified Public Accountants

6225 Rising Sun Avenue
Philadelphia, PA 19111
Voice: 215-742-3428

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Borough of Freehold
Freehold, New Jersey 07728

Report on the Financial Statements

I have audited the accompanying financial statements of Housing Authority of the Borough of Freehold, NJ , as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Freehold's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Borough of Freehold, NJ, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, Schedule of the authority's contributions and Authority's share of Net OPEB liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying financial information, the combining statements of net position, activities and changes in net position and Financial Data Schedule as listed in other supplementary Information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The combining statement of net position, activities and changes in net position, 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 my opinion, the combining statements of net position, activities and changes in net position, 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*, I have also issued my report July 30, 2019 on my consideration of the Housing Authority of the Borough of Freehold's internal control over financial reporting and on my 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 my 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 Highlands Housing Authority's internal control over financial reporting and compliance.

Francis McConnell

Francis J. McConnell
Certified Public Accountant

July 30, 2019

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

As management of the Housing Authority of the Borough of Freehold, New Jersey we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

2018

- The Liabilities and deferred outflows of the Authority exceeded its assets by \$149,401 (deficit net position) – this was caused by the required adoption of “GASB 75” the recording of the post employment retirement liability.
- The Authority's unrestricted cash balance at December 31, 2018 was \$413,675 representing a decrease of \$6,954 from December 31, 2017.
- The Authority had intergovernmental revenues of \$165,481 HUD operating grants for the year ended December 31, 2018.
- The Authority adopted accounting principle “GASB 75” the financial reporting for other post employment retirement benefits. This principle caused the recording of an adjustment of over \$900 thousand dollars.

2017 – not restated

- The assets and deferred outflows of the Authority exceeded liabilities by \$858,525 at the close of the fiscal year December 31, 2017.
- The Authority's unrestricted cash balance at December 31, 2017 was \$420,629. .
- The Authority had intergovernmental revenues of \$137,922 HUD operating grants for the year ended December 31, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- Statement of Net Position – reports the Authority's current financial resources (short term spend able resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses and Changes in Fund Net Position – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position: may serve over time as a useful indicator of an agency's financial position. In the case of the Freehold Housing Authority was in a deficit position by \$135 thousand at the close of the most recent fiscal year. The following table shows a summary of changes from the prior years

		(not restated)
	<u>2018</u>	<u>2017</u>
Current and Other Assets	468,518	507,429
Capital Assets, net of depreciation	1,050,940	1,147,171
Total Assets	<u>1,519,458</u>	<u>1,654,600</u>
Deferred Outflows of Resources	116,771	133,968
Current Liabilities	178,218	231,547
Noncurrnt Liabilities	1,150,956	618,223
Total Liabilities	<u>1,329,174</u>	<u>849,770</u>
Deferred Inflows of Resources	456,456	80,273
Net Investment in Capital Assets	870,940	947,171
Unrestricted	(1,020,341)	(88,646)
Net Position	<u>(149,401)</u>	<u>858,525</u>

* Net position is reflective of the adoption of GASB 75, financial reporting for other post employment retirement benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The following table summarizes the changes in capital assets between fiscal years 2018 and 2017:

	2018	2017
LAND	\$ 145,000	\$ 145,000
BUILDINGS AND IMPROVEMENTS	4,860,868	4,792,368
EQUIPMENT	118,757	118,757
CONSTRUCTION IN PROGRESS	-	56,300
TOTAL CAPITAL ASSETS	<u>5,124,625</u>	<u>5,112,425</u>
ACCUMULATED DEPRECIATION	<u>4,073,685</u>	<u>3,965,254</u>
NET CAPITAL ASSETS	<u>1,050,940</u>	<u>1,147,171</u>

Debt

At the end of December 31, 2018 the Authority had outstanding debt in the amount of \$ 180,000 from the Authority entering into a Capital Fund Leveraging Pool in 2004.

Statement of Activities. The Statement of Activities shows the sources of FHA's changes in net position as they arise through its various programs and functions. A condensed Statement of Activities comparing fiscal year 2018 and 2017.

	12/31/2018	12/31/2017	Diff
tenant revenue	563,929	562,936	993
hud revenue	165,481	137,922	27,559
other revenue	8,301	15,665	(7,364)
total revenue	<u>737,711</u>	<u>716,523</u>	<u>21,188</u>
Operating expenses			-
admin	218,085	228,182	(10,097)
tenant services	-	13,772	(13,772)
utilities	185,425	192,740	(7,315)
maint	210,160	243,907	(33,747)
Other operating	74,323	75,576	(1,253)
Depreciation	108,431	108,548	(117)
total expenses	<u>796,424</u>	<u>862,725</u>	<u>(66,301)</u>
Oper inc (loss)	(58,713)	(146,202)	87,489
Non Operating	(8,425)	(9,544)	1,119
Change in Net Position	(67,138)	(155,746)	88,608

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Statement of Activities – continued

Governmental operating revenue includes the annual operating subsidies for the low rent and capital grants made available by the U.S. Housing and Urban Development (“HUD”). FHA also generated over 500 thousand in tenant revenue which helped offset FHA’s administrative expenses.

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 information should be addressed to the Office of the Executive Director, Housing Authority of the Borough of Freehold, New Jersey, 107 Throckmorton Street,, Freehold, New Jersey 07728.

FINANCIAL SECTION

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
STATEMENTS OF NET POSITION
DECEMBER 31, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 413,675
Restricted cash and cash equivalents	46,608
Accounts receivable, net	8,027
Prepaid Expenses	208
Total Current Assets	468,518
Noncurrent assets	
Capital assets, net of depreciation	1,050,940
Total Noncurrent Assets	1,050,940
Deferred Outflow of Resources	
Deferred outflows related to pensions and OPEB	116,771
Total deferred outflows of resources	116,771
Total Assets and Deferred Outflow of Resources	1,636,229

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

LIABILITIES:	
Current Liabilities	
Accounts Payable	32,970
Accrued Liabilities	35,904
Accounts payable - Other Government	24,916
Compensated Absences	17,777
Trusts and deposits	46,608
Deferred credits and other liabilities	43
Current portion of long-term debt	20,000
Total Current Liabilities	178,218
Noncurrent liabilities	
Long-term debt, net of current portion	160,000
Accrued Pension and OPEB	948,684
Compensated Absences - net of current	42,272
Total Noncurrent Liabilities	1,150,956
Total Liabilities	1,329,174
Deferred Inflow of Resources	
Deferred inflows related to pensions	456,456
Total Deferred Inflow of Resources	456,456
NET POSITION	
Net Investments in capital assets	870,940
Unrestricted net assets (Deficit)	(1,020,341)
Total net position	(149,401)
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 1,636,229

The accompanying notes are an integral part of this statement

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018**

	2018
OPERATING REVENUES	
Tenant Revenue	\$ 563,929
HUD Operating grants	165,481
Other Income	8,301
Total operating revenues	737,711
OPERATING EXPENSES	
Administrative	218,085
Utilities	185,425
Maintenance	210,160
General	74,323
Depreciation Expense	108,431
Total Operating Expenses	796,424
NET OPERATING INCOME (LOSS)	(58,713)
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	(9,051)
Investment Income	626
Total nonoperating revenues	(8,425)
Income (loss) before capital grants	(67,138)
Capital Grants	-
Change in net position	(67,138)
Total net position - beginning	858,525
Prior Period Adjustments	(940,788)
Total net position - ending	\$ (149,401)

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
hud operating grants	\$ 202,581
Receipts from residents and others	563,929
Payments to suppliers	(502,554)
Payments to and on behalf of employees	(227,112)
Net cash provided by (used) in operating activities	36,844
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of capital assets	(12,200)
Interest paid on debt	(9,051)
Principal payments on long term debt	(20,000)
Net cash (used) in capital and related financing activities	(41,251)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment Income	626
Net cash provided by investing activities	626
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(3,781)
<u>CASH AND CASH EQUIVALENTS, JANUARY 1</u>	464,064
<u>CASH AND CASH EQUIVALENTS, DECEMBER 31</u>	\$ 460,283
DECEMBER 31, CASH AND CASH EQUIVALENTS	
Unrestricted	\$ 413,675
Restricted	46,608
Total Unrestricted and Restricted	\$ 460,283

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

2018

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Loss	\$ (58,713)
Add back non-cash Items:	
Depreciation expense	108,431
Bad Debts	801
Pension/OPEB Credit	71,530
Decrease	-
Accounts Receivable	(35,232)
	<u>86,817</u>
Increase (Decrease) in Liabilities	
Accounts Payable and Accrued Expenses	(52,586)
other Liabilities and deferred credits	2,613
	<u>(49,973)</u>
 Net Cash provided by operating activities	 \$ <u><u>36,844</u></u>

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Program Description

The Housing Authority of the Borough of Freehold, New Jersey was organized under the laws of the State of New Jersey and operates under an Annual Contributions Contract (ACC) with the United States Department of Housing and Urban Development (HUD) to provide low-income housing to eligible participants under the United States Housing Act of 1937, as amended. The formation and operation of the Housing Authority is governed by the Act, and administered by HUD under the Annual Contributions Contracts.

The Authority is governed by a board of Directors appointed locally. An Executive Director is appointed by the housing authority's Board to manage the day to day operations of the Authority.

Low Rent Housing Program

This program provides low-rent housing to qualified residents of the Borough of Freehold, New Jersey. All units are owned and operated by the Housing Authority and were purchased with financing arranged or provided through HUD. The operations of the program are subsidized by HUD through an Annual Contributions Contract. Operating subsidy contributions for the year ended December 31, 2018 was \$119,108 and is included in operating subsidies in the combined statement of revenues, expenses and changes in net assets.

Capital Fund Program Grants

Capital fund grants are recognized as revenues in the combined statement of revenues, expenses and changes in net assets in accordance with GASB Statement No. 34. Capital grants support the development, modernization and operation of public housing developments.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(continued)

B Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is made by applying the criteria set forth by GASB. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financial accountable. Based on these criteria, There are no additional agencies which should be included in the financial statements of Freehold Housing Authority..

C - Basis of Accounting

The Authority's financial statements represent the net position and results of operations of FHA and have been prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America as applied to governmental entities.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. FHA maintains their accounts substantially in accordance with the chart of accounts prescribed by HUD and are organized utilizing the fund accounting model. A fund is an independent entity with a self-balancing set of accounts.

FHA accounts for its operations in a single enterprise fund. Enterprise funds account for those operations financed and operated in a manner similar to a private business or where FHA has decided that determination of revenue earned, costs incurred and net revenue over expenses is necessary for management accountability.

Enterprise funds are proprietary funds used to account for business activities of special purpose governments for which a housing authority qualifies under GASB No. 34 "*Basic Financial Statements – and Management's Discussion and analysis – for State and Local Governments.*"

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred regardless of the timing of the cash flows. All assets and deferred outflows and liabilities and deferred inflows associated with the operation of the Authority are included in the statements of net position. The statements of revenues, expenses and changes in net position present increases (revenues and capital contributions) and decreases (expenses) in total net position.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(continued)

C - Basis of Accounting - continued

Statement No. 68 – “*Accounting and Financial reporting for Pensions*” this standard adopted in prior years, the financial statements contain a liability which is the amount of the unfunded pension liability, referred to in the new standard as the net pension liability (NPL). The NPL is the total pension liability (TPL) less the plan’s fiduciary net position (PFNP). The PFNP represents the fair value of plan assets which are available to pay the pension benefits. The NPL is measured as of a date no earlier than the end of the employer’s prior fiscal year (measurement date).

Statement No. 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.

Budgeting and Budgetary Accounting

The Authority prepares an annual operating and capital budget for all programs in accordance with HUD requirements. The budget is formally adopted by resolution of the Authority’s Board of Directors. Once adopted, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses. The budget is prepared on a detailed line item basis.

D – Cash and Cash Equivalents

The Authority considers all securities, including certificates of deposits and short term investments , with maturities of three months or less to be cash equivalents.

E – Accounts Receivable

Rents are due from tenants on the first day of each month. An allowance for doubtful accounts is established to provide for accounts which may not be collected in the future for any reason.

The authority recognizes receivables from HUD and other governmental agencies for amounts earned and billed but not received and for amounts earned but unbilled, as of year end.

F - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
 (continued)

F – Capital Assets

Capital assets include land, structures and equipment recorded at cost and is comprised of property betterments and additions, and modernization program costs. Charges for maintenance and repairs are expensed when incurred. The authority depreciates these assets over their estimated useful lives using the straight-line method of depreciation..

<u>Category</u>	<u>Useful lives (in Years)</u>
Buildings	30 - 40 years
Improvements	30 - 40 years
Furniture and Equipment	5 - 10 years
Vehicles	5 - 10 years
Computer equipment	5 - 10 years

Impairment of Capital Assets

GASB Statement No., 42, *Accounting and Financial reporting for Impairment of Capital Assets and for the Insurance Recoveries*, established accounting and financial reporting standards for impairment of capital assets. A capital assets is considered impaired when its service utility has declined significantly and unexpectedly. LHA is required to evaluate prominent events of changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of December 31, 2018.

G – Accrued Compensated absences

Accumulated unpaid leave time is accrued at the estimated amounts of future benefits attributable to services already rendered.

H – Equity Classifications

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

Net Investment in Capital Assets – consists of any capital assets, net of accumulated depreciation and reduced by any outstanding balances of loans, notes or mortgages

Restricted Net Position - consists of the net amount of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – all other net amounts of assets that do not meet the definition of “restricted” or “net investment in capital assets”.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(continued)

I – Use of Restricted Assets

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

J - Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, and in the management of Authority assets. Its operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies other revenues and expenses as non-operating.

K - Income Taxes

FHA is a New Jersey municipal authority and, as such, is exempt from income taxes and other state and local taxes. FHA believes it has not engaged in any activities for which its tax-exempt status would not be sustained under Internal Revenue Service examination or that would require filing of an income tax return for unrelated business income taxes.

L – Economic Dependency

The Low Rent Housing Programs of the Authority is economically dependent on operating grants and subsidies from HUD.

NOTE 2 – CASH AND CASH EQUIVALENTS –

Cash consists primarily of cash in checking accounts. Cash is classified as "Unrestricted" and "Restricted" for financial presentation purposes based on HUD guidance:

- Cash – Unrestricted includes cash available for program purposes including current operations, working capital and reserves. Because the funds are not tied to a certain program or property, they are classified as unrestricted.
- Cash – Restricted includes cash to be expended for specific purposes based on the sources of the money. FHA's restricted cash generally includes: housing choice voucher funds and resident security deposits.

All funds on deposits are FDIC insured up to \$250,000 per institution or are fully collateralized in accordance with guidance recommended by HUD.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(continued)

NOTE 2 – CASH AND CASH EQUIVALENTS – continued

As of December 31, 2018 cash and cash equivalents consisted of the following:

	2018
Low Rent	\$ 413,675
Security Deposits	46,608
	460,283
Bank Balances	\$ 458,589
<u>Reconciliation of detail to statement of net assets</u>	
Cash - unrestricted	413,675
Cash - restricted	46,608
	\$ 460,283

NOTE 3 – RECEIVABLES

Accounts Receivable as of December 31, 2018

	2018
Tenant accounts receivable	\$ 11,467
Other	-
Total accounts receivable	11,467
Less: allowance for doubtful accounts	(3,440)
	\$ 8,027

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(continued)

NOTE 4 – RISK MANAGEMENT

The Authority is exposed to various risks of potential liabilities, such as theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to deal with these potential liabilities, the Authority’s risk management program consisted of various insurance policies covering each of these risks. The Authority believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

FIXED ASSETS

Changes in capital assets for 2018 consisted of:

	2017	additions	disposals	transfers	2018
Non-depreciable capital assets:					
Land	145,000	-	-		145,000
Construction in Progress	56,300	-		(56,300)	-
	201,300	-		(56,300)	145,000
Depreciable capital assets:					
Buildings and Improvements	4,792,368	12,200	-	56,300	4,860,868
Equipment - Admin & Dwelling	118,757	-	-		118,757
Totals	4,911,125	12,200	-	56,300	4,979,625
Total capital assets	5,112,425	12,200			5,124,625
Accumulated Depreciation:	(3,965,254)	(108,431)	-		(4,073,685)
Net Capital Assets	1,147,171	(96,231)	-	-	1,050,940

NOTE 6 – COMPENSATED ABSENCES

Accrued compensated absences represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the authority’s Personnel Policy. Compensated absences activity consisted of the following:

	2018
Beginning compensated absences	\$ 55,483
Compensated absences earned	5,675
Compensated absences redeemed	(1,109)
Ending compensated absences	60,049
Less: current portion	17,777
Compensated absences, net of current position	\$ 42,272

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(continued)

NOTE 7 – ACCRUED LIABILITIES

Accrued Liabilities as of December 31, 2018

	<u>2018</u>
Accrued payroll and payroll taxes	\$ 1,125
Accrued utilities	34,779
	<u>\$ 35,904</u>

NOTE 8 – DEFERRED CREDITS AND OTHER LIABILITIES

Deferred Credits and other liabilities as of December 31, 2018

	<u>2018</u>
Prepaid rental income	\$ 43
	<u>\$ 43</u>

NOTE 9 – PAYABLE TO OTHER GOVERNMENT AGENCIES – (PILOT)

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 Borough of Freehold, New Jersey. Under the cooperation agreements, the Authority must pay the lesser of 10% of its net shelter rent or the appropriate full real property taxes. During the fiscal years ended December 31, 2018, PILOT expense was accrued in the amounts of \$ 24,916. Shown on statement of net position as Accounts Payable - other Government.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(continued)

Note 10 – BONDS PAYABLE

The Authority during 2004 entered into a Capital Fund Leveraging Fund. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty-year Capital Fund Program Revenue Bonds, 2004 Series A, on December 23, 2004. The Authority's share amounted to \$400,000.

The following is a schedule of required payments for the next five years and thereafter.

Year ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	20,000	8,176	28,176
2020	20,000	7,285	27,285
2021	20,000	6,345	26,345
2022	30,000	5,288	35,288
2023	30,000	3,877	33,877
2024-2025	60,000	4,074	64,074
	<u>180,000</u>	<u>35,045</u>	<u>215,045</u>

11 – Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charges to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources until that time. These inflows consist of unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NOTE 12 – PENSION PLAN

Description of Plan

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. It is a cost-sharing, multiple-employer defined benefit pension plan. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system. Membership is mandatory for such employees.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(continued)

NOTE 12 – PENSION PLAN – continued

Vesting and Benefit Provisions

The vesting and benefit provisions for the PERS are set by N.J. S.A. 43:15A and 43:3B. All benefits vest after ten years of services, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined.

Funding Requirements - PERS

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers contributions are actuarially determined annually by the

The Authority's total contributions to PERS for the year ended were \$ 17,360.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – at December 31, 2018, the Authority reported a liability of \$ 343,639 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the authority's share of contributions to the pension plan relative to the contributions of all PERS participating employers. At June 30, 2018, the authority's collective proportion percentage was .0000174529%

For the year ended the authority recognized pension expense of \$ 32,407. At December 31, 2018, the authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 6,553	\$ 1,772
Changes in assumptions	56,626	109,877
Net difference between projected and actual earnings on pension plan investments	-	3,223
Changes in proportion and differences between Authority contributions and proportionate share of contributions	34,069	-
Total	<u>\$ 97,248</u>	<u>\$ 114,872</u>

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(continued)

NOTE 12 – PENSION PLAN – continued

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended Dec-18	Total
2019	\$ (3,525)
2020	(3,525)
2021	(3,525)
2022	(3,525)
2023	(3,525)
	<u>\$ (17,625)</u>

Actuarial assumptions – the total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate of:	2.25%
Rates of salary increases: through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality tables, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major class included in PERS's target class allocation as of June 30, 2018 are summarized in the following table:

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 12 – PENSION PLAN – continued

Asset Class	Allocation	Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-US developed markets equity	11.50%	9.00%
Emerging Markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

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 plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 12 – PENSION PLAN – continued

Pension Plan Fiduciary Net Position – detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report which is available on the PERS website at www.pers.nj.gov.

Sensitivity of the Authority’s Proportionate Share of Net Pension Liability to changes in the Discount Rate – the following represents 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 (4.00 percent) or 1-percentage point higher (6.00 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	432,086	343,639	269,437

Note 13 – OPEB –(other post employment benefits)

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/pension/financial-reports.shtml>.

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

**.HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. - OPEB (continued)

C. Benefits - continued

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.

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

At December 31, 2018, the Authority reported a liability of \$605,045 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 December 31, 2018, the Authority recognized OPEB expense of \$14,108. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$ -	
Changes in assumptions	-	153,478
Changes in proportions	9,747	65,260
Net differences between projected and actual investment earnings on OPEB plan investments	320	122,846
Authority contributions subsequent to the measurement date	9,456	
Total	<u>\$ 19,523</u>	<u>\$ 341,584</u>

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 13. - OPEB (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized

Year Ended Dec., 31	Total
2019	(66,303)
2020	(66,303)
2021	(66,303)
2022	(66,303)
2023	(66,303)
	<u>\$(331,515)</u>

in OPEB expense as follows:

D - Actuarial Assumptions

The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of 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, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under the Public Employees' Retirement System ("PERS").

100% of active members are considered to participate in the Plan upon retirement.

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. - OPEB (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 (2.58%) or 1 percentage point higher (4.58%) than the current rate.

	1% Decrease	Discount Rate	1% Increase
Authority's proportionate share of the net OPEB liability	709,878	605,045	521,307

G: Health Care Trend Assumptions

For pre-Medicare preferred provider organization ("PPO") and health maintenance organization ("HMO") medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine 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 10.5% decreasing to a 5.0% trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. - OPEB (continued)

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.

	Healthcare cost		
	1% Decrease	Trend rate	1% Increase
Authority's proportionate share of the net OPEB liability	504,704	605,045	734,900

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The Authority has restated it's opening net position for a change in accounting principle, adopting GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions:

Net OPEB Liability	\$ 778,454
Deferred Outflows/Inflows	<u>\$ 162,334</u>
Net Adjustment	<u>\$ 940,788</u>

NOTE 15 – SUBSEQUENT EVENTS

In preparing the financial statements, the Housing Authority has evaluated events and transactions for potential recognition or disclosure through July 30, 2019 the date the financial statements were available to be issued. No transactions were found for recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED DECEMBER 31, 2018

	2018	2017	2016	2015	2014
Authority's proportions of the net pension liability (asset)	0.00175%	0.00170%	0.00160%	0.00160%	0.00160%
Authority's proportionate share of the net pension liability	\$ 343,639	\$ 399,912	\$ 472,468	\$ 351,473	\$ 289,385
Authority's covered-employee payroll	\$ 126,844	\$ 141,859	\$ 109,741	\$ 107,999	\$ 106,891
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	270.91%	281.91%	430.53%	325.44%	270.73%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.10%	40.14%	47.93%	52.08%

Note: GASB Statement NO 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Authority will present information for those years for which information is available.

See accompanying independent auditor's report

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED DECEMBER 31, 2018

	2018	2017	2016	2015	2014
Statutorily required contributions	17,360	15,915	14,172	13,461	12,752
Contributions in relation to the statutorily required contributions	17,360	15,915	14,172	13,461	12,752
Contributions deficiency (excess)	-	-	-	-	-
Authority's covered-employee payroll	126,844	141,859	109,741	107,999	106,891
Contributions as a percentage of covered-employee payroll	13.69%	11.22%	12.91%	12.46%	11.93%

Freehold Housing Authority
Schedule of Proportionate Share of the Net OPEB Liability (Asset)
For the Year Ended December 31

	<u>2018</u>
Employer's proportionate share of the net OPEB liability	\$ 605,045
Employer's covered payroll	\$ 146,992
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	24.29%
Plan fiduciary net position as a percentage of the total OPEB liability	1.03%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

	Low Rent Housing	Capital fund Program	Totals
Current Assets			
Cash	413,675	-	413,675
Restricted cash and investments	46,608	-	46,608
Receivables, net	8,027	-	8,027
Other assets	208	-	208
Total Current assets	468,518	-	468,518
NONCURRENT ASSETS			
Capital assets, net of depreciation	1,050,940	-	1,050,940
Total noncurrent assets	1,050,940	-	1,050,940
Deferred Outflows of Resources	116,771	-	116,771
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	1,636,229	-	1,636,229
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	32,970	-	32,970
Accrued Liabilities	35,904	-	35,904
Accounts Payable - other government	24,916	-	24,916
Compensated absences	17,777	-	17,777
Tenant security deposits	46,608	-	46,608
Deferred credits and other liabilities	43	-	43
Current portion of long term debt	20,000	-	20,000
Total current liabilities	178,218	-	178,218
NONCURRENT LIABILITIES			
Long Term Debt	160,000	-	160,000
Accrued pension and opeb other liabilities	948,684	-	948,684
Total noncurrent liabilities	42,272	-	42,272
Total noncurrent liabilities	1,150,956	-	1,150,956
TOTAL LIABILITIES	1,329,174	-	1,329,174
Deferred Inflows of Resources	456,456	-	456,456
NET POSITION			
Net Investment in capital assets	870,940	-	870,940
Unrestricted net position (deficit)	(1,020,341)	-	(1,020,341)
TOTAL NET POSITION	(149,401)	-	(149,401)
TOTAL LIABILITIES AND NET POSITION	1,636,229	-	1,636,229

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Low Rent Housing</u>	<u>Capital Fund Program</u>	<u>Totals</u>
Operating revenue			
Total Tenant Revenue	563,929	-	563,929
HUD Operating subsidies	119,108	46,373	165,481
Other Government Grants	-	-	-
other revenue	8,301	-	8,301
Total operating revenue	<u>691,338</u>	<u>46,373</u>	<u>737,711</u>
Operating Expenses			
Administrative expenses	209,324	8,761	218,085
Tenant services	-	-	-
Utilities	185,425	-	185,425
Maintenance	210,160	-	210,160
Protective services	-	-	-
General	30,283	-	30,283
Insurance Expense	44,040	-	44,040
Depreciation expense	108,431	-	108,431
Total operating expenses	<u>787,663</u>	<u>8,761</u>	<u>796,424</u>
Operating income (loss)	<u>(96,325)</u>	<u>37,612</u>	<u>(58,713)</u>
Nonoperating revenue (expenses)			
Investment Income	626	-	626
Interest Expense	<u>626</u>	<u>9,051</u>	<u>(9,051)</u>
Net nonoperating revenue	<u>626</u>	<u>9,051</u>	<u>(8,425)</u>
Income (Loss) before capital subsidies	(95,699)	28,561	(67,138)
Capital subsidies	-	-	-
Change in net assets	<u>(95,699)</u>	<u>28,561</u>	<u>(67,138)</u>
Total net assets at beginning of year	858,525	-	858,525
Capital contributions/transfers	28,561	(28,561)	-
prior period adjustments	(940,788)	-	(940,788)
Total net position at end of year	<u>(149,401)</u>	<u>-</u>	<u>(149,401)</u>

Freehold Housing Authority (NJ069)
FREEHOLD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$413,675	\$413,675	\$413,675
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	\$46,608	\$46,608	\$46,608
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$460,283	\$460,283	\$460,283
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$11,467	\$11,467	\$11,467
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,440	-\$3,440	-\$3,440
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,027	\$8,027	\$8,027
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			

**Freehold Housing Authority (NJ069)
FREEHOLD, NJ**

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
142 Prepaid Expenses and Other Assets	\$208	\$208	\$208
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$468,518	\$468,518	\$468,518
161 Land	\$145,000	\$145,000	\$145,000
162 Buildings	\$4,161,376	\$4,161,376	\$4,161,376
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$118,757	\$118,757	\$118,757
165 Leasehold Improvements	\$699,492	\$699,492	\$699,492
166 Accumulated Depreciation	-\$4,073,685	-\$4,073,685	-\$4,073,685
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,050,940	\$1,050,940	\$1,050,940
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$1,050,940	\$1,050,940	\$1,050,940

**Freehold Housing Authority (NJ069)
FREEHOLD, NJ**

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
200 Deferred Outflow of Resources	\$116,771	\$116,771	\$116,771
290 Total Assets and Deferred Outflow of Resources	\$1,636,229	\$1,636,229	\$1,636,229
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$32,970	\$32,970	\$32,970
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$1,125	\$1,125	\$1,125
322 Accrued Compensated Absences - Current Portion	\$17,777	\$17,777	\$17,777
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$24,916	\$24,916	\$24,916
341 Tenant Security Deposits	\$46,608	\$46,608	\$46,608
342 Unearned Revenue	\$43	\$43	\$43
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$20,000	\$20,000	\$20,000
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other	\$34,779	\$34,779	\$34,779
347 Inter Program - Due To			
348 Loan Liability - Current			

Freehold Housing Authority (NJ069)
FREEHOLD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
310 Total Current Liabilities	\$178,218	\$178,218	\$178,218
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$160,000	\$160,000	\$160,000
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current	\$42,272	\$42,272	\$42,272
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities	\$948,684	\$948,684	\$948,684
350 Total Non-Current Liabilities	\$1,150,956	\$1,150,956	\$1,150,956
300 Total Liabilities	\$1,329,174	\$1,329,174	\$1,329,174
400 Deferred Inflow of Resources	\$456,456	\$456,456	\$456,456
508.4 Net Investment in Capital Assets	\$870,940	\$870,940	\$870,940
511.4 Restricted Net Position			
512.4 Unrestricted Net Position	-\$1,020,341	-\$1,020,341	-\$1,020,341
513 Total Equity - Net Assets / Position	-\$149,401	-\$149,401	-\$149,401
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,636,229	\$1,636,229	\$1,636,229

**Freehold Housing Authority (NJ069)
FREEHOLD, NJ**

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$542,953	\$542,953	\$542,953
70400 Tenant Revenue - Other	\$20,976	\$20,976	\$20,976
70500 Total Tenant Revenue	\$563,929	\$563,929	\$563,929
70600 HUD PHA Operating Grants	\$165,481	\$165,481	\$165,481
70610 Capital Grants			
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$626	\$626	\$626
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery	\$2,274	\$2,274	\$2,274
71500 Other Revenue	\$6,027	\$6,027	\$6,027
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$738,337	\$738,337	\$738,337
91100 Administrative Salaries	\$102,929	\$102,929	\$102,929
91200 Auditing Fees	\$7,576	\$7,576	\$7,576
91300 Management Fee			

Freehold Housing Authority (NJ069)
FREEHOLD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$40,315	\$40,315	\$40,315
91600 Office Expenses	\$23,103	\$23,103	\$23,103
91700 Legal Expense	\$14,866	\$14,866	\$14,866
91800 Travel	\$812	\$812	\$812
91810 Allocated Overhead			
91900 Other	\$28,484	\$28,484	\$28,484
91000 Total Operating - Administrative	\$218,085	\$218,085	\$218,085
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other			
92500 Total Tenant Services	\$0	\$0	\$0
93100 Water	\$19,313	\$19,313	\$19,313
93200 Electricity	\$66,463	\$66,463	\$66,463
93300 Gas	\$53,118	\$53,118	\$53,118
93400 Fuel			
93500 Labor			
93600 Sewer			
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense	\$46,531	\$46,531	\$46,531
93000 Total Utilities	\$189,425	\$185,425	\$185,425

Freehold Housing Authority (NJ069)
FREEHOLD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
94100 Ordinary Maintenance and Operations - Labor	\$47,977	\$47,977	\$47,977
94200 Ordinary Maintenance and Operations - Materials and Other	\$32,472	\$32,472	\$32,472
94300 Ordinary Maintenance and Operations Contracts	\$88,798	\$88,798	\$88,798
94500 Employee Benefit Contributions - Ordinary Maintenance	\$15,290	\$15,290	\$15,290
94000 Total Maintenance	\$184,537	\$184,537	\$184,537
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance			
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance	\$44,040	\$44,040	\$44,040
96100 Total Insurance Premiums	\$44,040	\$44,040	\$44,040
96200 Other General Expenses			
96210 Compensated Absences	\$4,566	\$4,566	\$4,566
96300 Payments in Lieu of Taxes	\$24,916	\$24,916	\$24,916
96400 Bad debt - Tenant Rents	\$801	\$801	\$801
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$30,283	\$30,283	\$30,283

Freehold Housing Authority (NJ069)
FREEHOLD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
96710 Interest of Mortgage (or Bonds) Payable	\$9,051	\$9,051	\$9,051
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$9,051	\$9,051	\$9,051
96900 Total Operating Expenses	\$671,421	\$671,421	\$671,421
97000 Excess of Operating Revenue over Operating Expenses	\$66,916	\$66,916	\$66,916
97100 Extraordinary Maintenance	\$25,623	\$25,623	\$25,623
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$108,431	\$108,431	\$108,431
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$805,475	\$805,475	\$805,475
10010 Operating Transfer In	\$8,561	\$8,561	\$8,561
10020 Operating transfer Out	-\$8,561	-\$8,561	-\$8,561
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales	41		
10070 Extraordinary items, Net Gain/Loss			

Freehold Housing Authority (NJ069)
FREEHOLD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$67,138	-\$67,138	-\$67,138
11020 Required Annual Debt Principal Payments	\$20,000	\$20,000	\$20,000
11030 Beginning Equity	\$858,525	\$858,525	\$858,525
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$940,788	-\$940,788	-\$940,788
11050 Changes in Compensated Absence Balance			
11060 Changes in Contingent Liability Balance			
11070 Changes in Unrecognized Pension Transition Liability			
11080 Changes in Special Term/Severance Benefits Liability			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	1008	1008	1008
11210 Number of Unit Months Leased	956	956	956
11270 Excess Cash	\$235,625	\$235,625	\$235,625
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	460	\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0

**Freehold Housing Authority (NJ069)
FREEHOLD, NJ**

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2018

	Project Total	Subtotal	Total
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$29,465	\$29,465	\$29,465
13901 Replacement Housing Factor Funds	\$0	\$0	\$0

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
 SCHEDULE OF ACTUAL MODERNIZATION COST CERTIFICATES
 YEAR ENDED DECEMBER 30, 2018**

<u>PROGRAM/GRANT</u>	<u>NJ39PO6950116</u>
BUDGET - ORIGINAL FUNDS APPROVED	\$ 81,771
FUNDS DISBURSED	81,771
	-
FUNDS EXPENDED	\$ 81,771
	-
EXCESS (DEFICIENCY) OF ADVANCES DUE TO (FROM) HUD	\$ -

THE ACTUAL MODERNIZATION COST CERTIFICATES ARE IN AGREEMENT WITH THE RECORDS OF THE HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY.

OTHER REPORTS

FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

Member of American and Pennsylvania
Institutes of Certified Public Accountants

6225 Rising Sun Avenue
Philadelphia, PA 19111
Voice: 215-742-3428

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*

Board of Directors
Housing Authority of the Borough of Freehold
Freehold, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Housing Authority of the Borough of Freehold, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Highlands Housing Authority's basic financial statements, and have issued our report thereon dated July 30, 2019.

Internal Control over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Freehold Housing Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

Francis McConnell

Francis J. McConnell
Certified Public accountant

July 30, 2019

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
December 31, 2018**

FINDINGS

NONE

General comments

NONE