

HADDON TOWNSHIP HOUSING AUTHORITY

Financial Statements and Supplementary Schedules

For the year ended December 31, 2018

(With Independent Auditor's Report thereon)

HADDON TOWNSHIP HOUSING AUTHORITY
Table of Contents
For the year ended December 31, 2018
(With Independent Auditor's Report thereon)

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Management's Discussion and Analysis	6-9
Statement of Net Position	10
Statement of Activities	11
Statement of Cash Flows	12-13
Notes to Financial Statements	14-36
Required Supplementary Information:	
Schedule I – Schedule of the Authority's Proportionate Share of the Net Pension Pension Liability – Public Employee's Retirement System	37
Schedule II – Schedule of Authority's Contributions – Public Employee's Retirement System	38
Schedule III – Schedule of Changes in Net OPEB Liability and Related Ratios – OPEB	39
Notes to the required supplementary information	40
Other Supplementary Information:	
Schedule IV – Detailed Statement of Revenues, Expenses, and Changes in Net Position Compared to Budget	41
Schedule V – Financial Data Schedules	42-46
Schedule V – Statement and Certification of Actual Capital Fund Grant Costs	47
General Comments and Recommendations	48-49

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Housing Authority of the Township of Haddon
County of Camden
Westmont, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Haddon Township Housing Authority, County of Camden, State of New Jersey as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and 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 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Haddon Township Housing Authority, as of December 31, 2018 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December, 2018 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 opinions on the financial statements that collectively comprise the Haddon Township Housing Authority's basic financial statements. The accompanying detailed statement of revenues, expenses and changes in net position compared to budget and other supplementary information as listed in the table of contents, are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements.

The accompanying detailed statement of revenues, expenses and changes in net position compared to budget, the financial data schedules, and the statement and certification of actual capital fund grant costs are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 accompanying detailed statement of revenues, expenses and changes in net position compared to budget, the financial data schedules, and the statement and certification of actual capital fund grant costs are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2019 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink, reading "Holman Frenia Allison". The signature is written in a cursive, flowing style.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

August 13, 2019
Toms River, New Jersey

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

Honorable Chairman and Members
of the Haddon Township Housing Authority
County of Camden
Westmont, New Jersey

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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Haddon Township Housing Authority, County of Camden, State of New Jersey (herein referred to as "the Authority") as of and for the year ended December 31, 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 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Holman Frenia Allison".

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

August 13, 2019
Toms River, New Jersey

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Management's Discussion and Analysis
December 31, 2018

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2018. This narrative and analysis is intended to provide context and support to the financial statements provided in this report.

Using the Annual Report

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 and Notes to Financial Statements included in this report were prepared in accordance with generally accepted accounting principles applicable to governmental entities in the United States of America for Proprietary Funds.

Financial Statements

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

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position serves 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 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 time).

The financial statements report on the Authority's activities. The activities are primarily supported by subsidies and grants from the United States Department of Housing and Urban Development. The Authority's function is to provide decent, safe and sanitary housing to lower income individuals who are 62 years old and older.

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 general purpose financial statements. They appear in this report after the basic financial statements.

Budgetary Highlights

For the year ended December 31, 2018, individual program and grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The Authority prepares a budget to be submitted to the Bureau of Authority Regulation, Department of Community Affairs. The budget was prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

Financial Highlights

- As of the close of the year, the Authority reported unrestricted net position of (\$1,692,451) compared to (\$522,494) at the close of the prior year.
- Rent revenue from tenants for the year was \$413,100 compared to \$402,299 for the prior year.
- Operating expenses for the year were \$855,104 compared to \$856,143 for the prior year.
- The total HUD PHA operating grant for the year ended December 31, 2018 was \$237,302 compared to \$260,316 for the prior year.

Computation of net position at December 31, 2018, 2017 and 2016 is as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash and other current assets	\$ 730,140	\$ 757,937	\$ 831,549
Capital assets, net	1,910,379	1,976,117	2,016,495
Deferred Outflows	<u>163,768</u>	<u>206,301</u>	<u>280,758</u>
Total assets	2,804,287	2,940,355	3,128,802
Current liabilities	165,226	175,375	181,156
Long-term liabilities	1,784,196	1,161,710	1,379,120
Deferred Inflows	<u>636,937</u>	<u>149,647</u>	<u>7,424</u>
Total liabilities	2,586,359	1,486,732	1,567,700
Invested in capital asset	1,910,379	1,976,117	2,046,495
Unrestricted net position	<u>(1,692,451)</u>	<u>(522,494)</u>	<u>(455,393)</u>
Total net position	<u>\$ 217,928</u>	<u>\$ 1,453,623</u>	<u>\$ 1,561,102</u>

A summary of the Statements of Revenues, Expenses and Changes in Net Position is analyzed on the following page.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPERATING REVENUES			
Tenant rents	\$ 413,100	\$ 402,299	\$ 390,585
HUD PHA operating grant	260,316	237,302	264,961
Other	<u>60,135</u>	<u>61,283</u>	<u>56,180</u>
Total operating revenues	733,551	700,884	711,726
OPERATING EXPENSES			
Administrative	264,138	270,259	296,621
Tenant services	1,432	4,803	6,179
Utilities	193,627	201,702	205,033
Maintenance and operation	225,377	218,258	206,163
Protective services	0	0	7,759
General expenses	55,905	59,883	78,330
Extraordinary maintenance	7,976	0	0
Depreciation	<u>106,649</u>	<u>101,239</u>	<u>97,089</u>
Total operating expenses	<u>855,104</u>	<u>856,143</u>	<u>897,174</u>
Operating income/(loss)	(121,553)	(155,259)	(185,448)
NON-OPERATING REVENUES/(EXPENSES)			
Interest income	3,192	1,815	2,180
Other government grants	-	0	0
Capital grants	<u>58,784</u>	<u>45,965</u>	<u>51,305</u>
Total non-operating revenues/(expenses)	<u>61,976</u>	<u>47,780</u>	<u>53,485</u>
Change in net assets	(59,577)	(107,479)	(131,963)
Prior Period Restatement	(1,176,118)	0	0
Net position, beginning of year	<u>1,453,623</u>	<u>1,561,102</u>	<u>1,693,065</u>
Net position, end of year	<u>\$ 217,928</u>	<u>\$ 1,453,623</u>	<u>\$ 1,561,102</u>

Total operating revenues of \$733,551 increased \$32,667 or 4.7% compared to 2017 due to an increase in HUD subsidy.

Total operating expenses of \$855,104 decreased by a net amount of \$1,039 or .2% compared to 2017. The PHA experienced decreases in administrative, tenant services, utilities and general expenses.

Building occupancy levels were at or near capacity throughout 2018 and 2017.

For the year ended 12/31/15 the Authority was required to implement GASB 68 that required it to record its unfunded pension liability as provided by the State of New Jersey. The net pension liability as of 12/31/18 is \$618,194. In addition, for the year ended 12/31/18 the Authority was required to implement GASB 75 that requires it record its Other Pension and Employment

Benefits “OPEB” Recording of these liabilities created a negative unrestricted net position for the Authority of \$1,692,451 as of 12/31/18. The Authority had to restate its 2017 unrestricted net assets by \$1,176,118 as a result of the OPEB liability.

Capital Assets and Debt Administration

As of December 31, 2018, the Authority’s capital assets net of accumulated depreciation were \$1,910,379.

The Authority had no long-term debt outstanding at December 31, 2018.

Economic Factors for the Current Year

With the exception of the GASB 68 and GASB 75 the net effect on its unrestricted net position the Authority has had a surplus in three of the last five years of operations. This is the combination of sustained high occupancy and cost controls, including replacement of the boilers resulting in decreased utility expense. Unfortunately, the Authority has seen a steady decrease in its subsidy from HUD but has been able to manage the properties in an efficient manner nonetheless. The Authority is committed to operating cost effectively while maintaining a suitable living environment for its tenants and maintaining a balanced financial position.

The Authority was awarded a score of 90 out of a possible 100 for the recently completed REAC evaluation.

Contacting the Authority’s Financial Management

This financial report is designed to provide a general overview of the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Haddon Township Housing Authority, 25 Wynnewood Avenue, Haddon Township, New Jersey 08108.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Statement of Net Position
December 31, 2018

	<u>2018</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 725,750
Accounts receivable - tenants, net	<u>4,390</u>
Total current assets	<u>730,140</u>
Capital assets, net	<u>1,910,379</u>
Total assets	<u>2,640,519</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	151,034
Deferred outflows related to other postemployment benefits	<u>12,734</u>
Total deferred outflow of resources	<u>163,768</u>
Total assets and deferred outflow of resources	<u><u>\$ 2,804,287</u></u>
LIABILITIES	
Current liabilities:	
Accrued wages and payroll taxes	\$ 1,979
Accrued compensated absences, current	2,305
Tenant security deposits	40,424
Other accrued liabilities (Note 7)	23,657
Current portion of unearned revenue	34,160
Accounts payable	30,556
Pension payable	<u>32,145</u>
Total current liabilities	<u>165,226</u>
Long-term liabilities:	
Accrued compensated absences, less current portion	26,949
Unearned revenue, net of current portion	382,669
Net pension liability	618,194
Net other postemployment benefits liability	<u>756,384</u>
Total long-term liabilities	<u>1,784,196</u>
Total liabilities	<u>1,949,422</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	209,758
Deferred inflows related to other postemployment benefits	<u>427,179</u>
Total deferred inflow of resources	<u>636,937</u>
Total liabilities and deferred inflow of resources	<u>2,586,359</u>
NET POSITION	
Net position:	
Invested in capital assets, net of related debt	1,910,379
Unrestricted	<u>(1,692,451)</u>
Total net position	<u>217,928</u>
Total liabilities, deferred inflow of resources and net position	<u><u>\$ 2,804,287</u></u>

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2018

	<u>2018</u>
Operating revenues:	
Tenant rental revenue	\$ 413,100
HUD operating grants	268,292
Other revenues	<u>57,159</u>
Total operating revenues	<u>738,551</u>
Operating expenses:	
Administrative	269,138
Tenant services	1,432
Utilities	193,627
Ordinary repairs and maintenance	225,377
Insurance	32,234
General expenses	23,671
Depreciation	<u>106,649</u>
Total operating expenses	<u>852,128</u>
Net loss from operations	<u>(113,577)</u>
Non-operating revenues:	
Investment income	<u>3,192</u>
Total non-operating revenues	<u>3,192</u>
Capital grants	<u>50,808</u>
Change in net position	<u>(59,577)</u>
Net position, January 1, unadjusted	1,453,623
Prior period adjustment (Note 14)	<u>(1,176,118)</u>
Net position, January 1, restated	<u>277,505</u>
Net position, December 31	<u><u>\$ 217,928</u></u>

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON

Statement of Cash Flows

For the year ended December 31, 2018

	<u>2018</u>
Cash flows from operating activities:	
Cash received from tenants	\$ 412,048
Cash received from HUD	294,787
Cash received from other sources	22,972
Cash paid to vendors	(523,419)
Cash paid to employees	<u>(223,366)</u>
Net cash flows from operating activities	<u>(16,978)</u>
Cash flows from capital activities:	
Purchases of capital assets	(40,911)
Proceeds from grants	<u>50,808</u>
Net cash flows from capital activities	<u>9,897</u>
Cash flows from investing activities:	
Interest received on investments	<u>3,192</u>
Net cash flows from investing activities	<u>3,192</u>
Net change in cash and cash equivalents	(3,889)
Cash and cash equivalents, beginning of year	<u>729,639</u>
Cash and cash equivalents, end of year	<u><u>\$ 725,750</u></u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	<u><u>\$ 725,750</u></u>

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Statement of Cash Flows (continued)
For the year ended December 31, 2018

	<u>2018</u>
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	\$ (113,577)
Items which did not use cash:	
Depreciation	106,649
Unbudgeted pension expense	14,284
Unbudgeted other postemployment benefit credit	(5,289)
Working capital changes which provided/(used) cash:	
Accounts receivable - tenants, net	(2,587)
Accounts receivable - HUD other projects	26,495
Accrued wages and payroll taxes	1,961
Accrued compensated absences	14
Tenant security deposits	1,535
Unearned revenue	(34,187)
Other accrued liabilities	1,212
Other current liabilities	<u>(13,488)</u>
Net cash flows from operating activities	<u><u>\$ (16,978)</u></u>

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON

Notes to Financial Statements

For the year ended December 31, 2018

NOTE 1: ORGANIZATION AND PURPOSE

The Housing Authority of the Township of Haddon (the “Authority”) is a governmental public housing agency located in the Township of Haddon (the “Township”), County of Camden, State of New Jersey. The Township is located in southwest New Jersey approximately five miles east of the City of Philadelphia, Pennsylvania. The Authority was organized on January 21, 1965 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 providing and operating cost-effective, decent, safe and sanitary dwellings for lower income individuals who are 62 years old or older through an authorized local public housing agency. The Authority is responsible for operating a low-rent housing program, consisting of 100 private dwelling units and several public areas for the tenants’ social activities, 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, Public Law 93-383.42 U.S.C. 1439.

The Authority is governed by a board of seven commissioners. The officers of the Authority consist of a chairperson and vice chairperson elected from the board and an executive director who is appointed by the board. The executive director manages the day-to-day operations of the Authority. No commissioner is eligible to hold the position of executive director, except on a temporary basis with the approval of the United States Department of Housing and Urban Development.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The primary criterion for including activities within the Authority’s reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

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

Based upon the application of these 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 considered a component unit of the Township of Haddon.

B. Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (“GAAP”) applicable to enterprise funds of state and local governments.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

C. Use of Management 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 certain reported amounts of assets and liabilities, 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, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

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

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 of America, 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 of America 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 Statements 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 acquisition.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents (continued)

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

E. Accounts Receivable - Tenants

Rents are due from tenants on the first day of each month. As a result, tenants' receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all 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.

F. Prepaid Expenses

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

G. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed 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 asset groups shown on the following page:

Equipment and furniture	7-10 years
Dwelling improvements	10 years
Site improvements	30 years
Buildings	30 years

The Authority has established a capitalization threshold of \$2,000.

H. Compensated Absences

Compensated absences represent amounts to which employees are entitled 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. See Note 8 for a description of these circumstances.

I. Unearned Revenue

The Authority's unearned revenue primarily consists of the prepayment of lease space for cell towers, prepayment of rent by residents and the receipt of HUD and other program funding applicable to future periods.

J. 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.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Operating Revenues and Expenses (continued)

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 as non-operating.

K. Taxes

The Housing Authority of the Township of Haddon is exempt by statute from federal and state income taxes.

L. Net Position Classifications

Net position is classified in three components as follows:

Invested in capital assets, net of related debt – 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 net positions 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 net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." This component includes net positions that may be allocated for specific purposes by the Board.

M. Deferred Inflows/Outflows of Resources

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

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

N. Impact of Recently Issued Account Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended December 31, 2018:

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Impact of Recently Issued Account Principles (continued)

Plans, establishes new accounting and financial reporting requirements for OPEB Plans. This statement was effective and implemented for the year ended December 31, 2018.

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement does not have a material impact on the Authority's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the Authority's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The Governmental Accounting Standards Board (GASB) has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with the U.S. Department of Housing and Urban Development (HUD) and N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year with the approval of HUD. The budget is adopted on the accrual basis of accounting with provisions for cash payments for capital outlays. Depreciation expense is not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses, and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

P. Subsequent Events

Housing Authority of the Township of Haddon has evaluated subsequent events through August 13, 2019, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2018, and reported at fair value are as follows:

	<u>2018</u>
Deposits:	
Demand deposits	\$ 725,750
Total deposits	<u>\$ 725,750</u>
Reconciliation to Statements of Net Position:	
Cash and cash equivalents	\$ 725,750
Total	<u>\$ 725,750</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2018, the Authority's bank balance of \$729,917 was insured or collateralized as follows:

	<u>2018</u>
FDIC Insured	\$ 250,000
Collateralized in the Authority's name under GUDPA	<u>479,917</u>
Total deposits	<u>\$ 729,917</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 4: ACCOUNTS RECEIVABLE - TENANTS, NET

Tenant receivables consist of rental money due to the Authority for providing housing, and are shown net of an allowance established by the Authority. At December 31, 2018, tenant accounts receivable consisted of the following:

	<u>2018</u>
Accounts receivable:	
Tenant receivables	\$ 4,390
Total accounts receivable	<u>\$ 4,390</u>

NOTE 5: CAPITAL ASSETS, NET

A summary of the changes in capital assets during 2018 is as follows:

<u>Description</u>	<u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2018</u>
Capital assets:				
Capital assets not being depreciated:				
Land	\$ 170,304	\$ -	\$ -	\$ 170,304
Construction in progress	<u>14,896</u>	<u>-</u>	<u>(14,896)</u>	<u>-</u>
Total capital assets not being depreciated	<u>185,200</u>	<u>-</u>	<u>(14,896)</u>	<u>170,304</u>
Capital assets being depreciated:				
Buildings and improvements	4,284,827	55,807	-	4,340,634
Furniture and equipment	<u>73,012</u>	<u>-</u>	<u>-</u>	<u>73,012</u>
Total capital assets being depreciated	<u>4,357,839</u>	<u>55,807</u>	<u>-</u>	<u>4,413,646</u>
Less: accumulated depreciation	<u>(2,566,922)</u>	<u>(106,649)</u>	<u>-</u>	<u>(2,673,571)</u>
Total capital assets being depreciated				
net of accumulated depreciation	<u>1,790,917</u>	<u>(50,842)</u>	<u>-</u>	<u>1,740,075</u>
Total capital assets	<u>\$ 1,976,117</u>	<u>\$ (50,842)</u>	<u>\$ (14,896)</u>	<u>\$ 1,910,379</u>

Depreciation expense for the year ended December 31, 2018 was \$106,649.

NOTE 6: UNEARNED REVENUE

On September 29, 2006, the Authority agreed to lease cell tower space to Wireless Capital Partners for a period of 20 years for a lump-sum payment of \$300,480. On June 25, 2012, the Authority agreed to lease cell tower space to Communications Capital Group for a period of 22 years for a lump-sum payment of \$421,000.

These amounts have been capitalized and are being recognized over the life of the respective leases. During the year ended December 31, 2018, the Authority recognized \$34,160 as revenue. At December 31, 2018, \$416,829 was unearned.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON

Notes to Financial Statements (continued)

For the year ended December 31, 2018

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 Haddon Township. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. For the year ended December 31, 2018, the Authority incurred PILOT expense in the amount of \$23,657.

NOTE 8: COMPENSATED ABSENCES

A. Annual Leave

The employees of the Authority are entitled to annual leave based on length of service:

<u>Length of Service</u>	<u>Number of Days</u>
7 months - 1 year	5
2 years - 5 years	10
6 years -10 years	15
11 years - 15 years	20
16 years - 20 years	23
21 years - and thereafter	25

Annual leave not taken by employees may be accumulated but the carryover amount in each year cannot exceed the amount accrued in the current calendar year. An employee who is permanently separated shall be paid in a lump sum for any accumulated annual leave at his/her current rate of pay, except where his/her dismissal is due to malfeasance. In no other event shall an employee be paid for annual leave not taken.

B. Sick Leave

Employees may be paid for leave taken because of illness or accident. Sick leave will accrue for regular full time employees at the rate of one day per month during the first year of employment and one and one-quarter days per month in every calendar year thereafter and shall accumulate from year to year. Sick leave for part time employees shall accrue at the same rate as that for full time employees, except that it shall be pro-rated on the basis of the percentage of the weekly hours actually worked during a scheduled week divided by 40 hours for maintenance personnel or 35 hours for staff personnel.

Sick leave may be accumulated indefinitely. Upon resignation or retirement, employees will be paid for one-half of their total accumulated unused sick time, or six month's salary, whichever is less.

The total value of compensated absences at December 31, 2018 was \$29,254.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

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

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
-------------	-------------------

- | | |
|---|--|
| 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 $1/55^{\text{th}}$ 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 $1/60^{\text{th}}$ 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 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65.

Benefits are reduced by a fraction of a percent for each month that 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.

Basis of Presentation – The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions – The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which 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.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

For the fiscal year 2018, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability.

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

This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2018, the Authority's contractually required contribution to PERS plan was \$31,230.

Components of Net Pension Liability – At December 31, 2018, the Authority's proportionate share of the PERS net pension liability was \$618,194. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The Authority's proportion measured as of June 30, 2018, was 0.0031397100% which was an increase of 0.0000497694% from its proportion measured as of June 30, 2017.

Balances at December 31, 2018 and December 31, 2017

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 151,034	\$ 206,301
Deferred Inflows of Resources	209,758	149,647
Net Pension Liability	618,194	719,289
Haddon Township Housing Authority's portion of the Plan's total Net Pension Liability	0.00314%	0.00309%

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2018, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018 measurement date is \$45,512. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 11,789	\$ 3,188
Changes of Assumptions	101,868	197,666
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	5,799
Changes in Proportion and Differences between Haddon Township Housing Authority's Contributions and Proportion Share of Contributions	37,377	3,105
	<u>\$ 151,034</u>	<u>\$ 209,758</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between Haddon Township Housing Authority's Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 2,156
2020	58
2021	(13,912)
2022	(37,325)
2023	<u>(9,701)</u>
	<u>\$ (58,724)</u>

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

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement 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. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return – In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 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 Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Discount Rate – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. The single blended discount rate was based on 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 contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. 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.

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 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 discount rate that is 1-percentage-point lower (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	1 % Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Haddon Township Housing Authority's Proportionate Share of the Net Pension Liability	\$ 777,307	\$ 618,194	\$ 484,707

NOTE 10: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) 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 HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

General Information about the OPEB Plan (continued)

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. 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 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 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.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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.

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% to 8.98%
Thereafter	2.65% to 9.98%

* - Salary Increases are based on the defined benefit plan that the member is enrolled in and his or her age.

OPEB Obligation and OPEB Expense

The Authority's proportionate share of the total Other Post-Employment Benefits Obligations was \$756,384.

The OPEB Obligation was measured as of June 30, 2018, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the OPEB Obligation associated with the Authority was based on projection of the State's long-term contributions to the OPEB plan associated with the Authority

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Obligation and OPEB Expense (continued)

relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2018, the State proportionate share of the OPEB Obligation attributable to the Authority was 0.004828%, which was an increase of 0.000062% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$17,632 for the State's proportionate share of the OPEB expense attributable to the Authority. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

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 Weighted 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 June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

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% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as 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.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The Authority	\$ 887,438.41	\$ 756,384.00	\$ 651,701.19
State of New Jersey's Total Nonemployer OPEB Liability	18,381,085,096.00	15,666,618,141.00	13,498,373,388.00

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with The Authority	\$ 630,945.53	\$ 756,384.00	\$ 918,720.02
State of New Jersey's Total Nonemployer OPEB Liability	13,068,471,450.00	15,666,618,141.00	19,029,006,023.00

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Additional Information – The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2018:

Balances at December 31, 2018 and December 31, 2017

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 12,734	\$ 167
Deferred Inflows of Resources	427,179	203,269
Net OPEB Liability	756,384	973,016
Authority's portion of the Plan's total net OPEB Liability	0.00483%	0.00477%

OPEB Deferred Outflows/Inflows of Resources – At December 31, 2018, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2018 measurement date is \$12,734 and \$427,179, respectively. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 153,573
Changes of Assumptions	-	191,867
Net Difference between Projected and Actual Earnings on Pension Plan Investments	400	-
Changes in Proportion	<u>12,334</u>	<u>81,739</u>
	<u>\$ 12,734</u>	<u>\$ 427,179</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Deferred Outflows/Inflows of Resources (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods:

Year Ending <u>Dec 31,</u>	<u>Amount</u>
2019	\$ (62,270)
2020	(62,270)
2021	(62,272)
2022	(62,312)
2023	(62,381)
2024-2028	<u>(102,940)</u>
	<u><u>\$ (414,445)</u></u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.14 and 8.04 years for the 2018 and 2017 amounts, respectively.

Plan Membership

At June 30, 2017, the Program membership consisted of the following:

	<u>June 30, 2017</u>
Active Plan Members	61,789
Retirees Currently Receiving Benefit:	<u>26,277</u>
Total Plan Members	<u><u>88,066</u></u>

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

Service Cost	\$ 896,235,148.00
Interest on the Total OPEB Liability	764,082,232.00
Differences Between Expected and Actual Experience	(3,626,384,047.00)
Changes of Assumptions	(2,314,240,675.00)
Contributions From the Employer	(421,194,662.00)
Contributions From Non-Employer Contributing Entity	(53,548,285.00)
Net Investment Income	(2,320,422.00)
Administrative Expense	<u>8,200,113.00</u>
Net Change in Total OPEB Liability	(4,749,170,598.00)
Total OPEB Liability (Beginning)	<u>20,415,788,739.00</u>
Total OPEB Liability (Ending)	<u><u>\$ 15,666,618,141.00</u></u>

NOTE 11: RISK MANAGEMENT

The Authority is a member of New Jersey Public Housing Authority Joint Insurance Fund. The Fund provides the Authority with Property - Blanket Building and Grounds, Boiler and Machinery, General and Automobile Liability, Workers Compensation, and Public Officials coverages. Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$200,000 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2018, which can be obtained from Public Entity Risk Management Administration Inc., Park 80 West, Plaza One, Saddle Brook, NJ 07663.

NOTE 12: ECONOMIC DEPENDENCY

The Low Rent Public Housing program is economically dependent on annual grants from the United States Department of Housing and Urban Development.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 13: COMMITMENTS AND 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 the 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 December 31, 2018, the Authority estimates that no material liabilities will result from such audits.

There is no ongoing litigation that could have an adverse impact regarding the Authority's financial condition.

NOTE 14: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Net position as of January 1, 2018 has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74

Net position as previously reported at December 31, 2017	\$ 1,453,623
Implementation of GASB 75:	
Net other postemployment benefit liability (measurement date as of June 30, 2017)	(973,016)
Deferred inflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	(203,269)
Deferred outflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	<u>167</u>
Total prior period adjustment	<u>(1,176,118)</u>
Net position as restated January 1, 2018	<u><u>\$ 277,505</u></u>

HADDON TOWNSHIP HOUSING AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System
Last Six Fiscal Years **

	Measurement Date Ended June 30,					
	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.00314%	0.00309%	0.00305%	0.00286%	0.00277%	0.00284%
Authority's proportionate share of the net pension liability (asset)	\$ 618,194	\$ 618,194	\$ 903,464	\$ 642,030	\$ 518,541	\$ 543,216
Authority's covered-employee payroll	\$ 220,484	\$ 214,068	\$ 120,702	\$ 181,398	\$ 176,214	\$ 152,144
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	280.38%	288.78%	748.51%	353.93%	294.27%	357.04%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

HADDON TOWNSHIP HOUSING AUTHORITY
Schedule of Authority Contributions
Public Employee's Retirement System
Last Six Fiscal Years **

	Year Ended December 31,					
	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 31,230	\$ 28,625	\$ 27,098	\$ 24,589	\$ 22,832	\$ 21,416
Contributions in relation to the contractually required contribution	(31,230)	(28,625)	(27,098)	(24,589)	(22,832)	(21,416)
Contribution deficiency (excess)	-	-	-	-	-	-
Authority's covered-employee payroll	\$ 189,882	\$ 220,484	\$ 214,068	\$ 120,702	\$ 181,398	\$ 176,214
Contributions as a percentage of covered-employee payroll	16.45%	12.98%	12.66%	20.37%	12.59%	12.15%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

HADDON TOWNSHIP HOUSING AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Other Postemployment Benefit Liability
Local Government Retired Employees Plan
Last Three Fiscal Years **

	Measurement Date Ended June 30,		
	2018	2017	2016
Authority's proportion of the other postemployment benefit liability (asset)	0.00483%	0.00477%	0.00527%
Authority's proportionate share of the net other postemployment benefit liability (asset)	\$ 756,384	\$ 973,016	\$ 1,143,859
Authority's covered-employee payroll	\$ 220,484	\$ 214,068	\$ 120,702
Authority's proportionate share of the net other postemployment benefit liability (asset) as a percentage of its covered-employee payroll	343.06%	454.54%	947.67%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	1.97%	1.03%	0.69%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON

Notes to the Required Supplementary Information

For the year ended December 31, 2018

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 5.00% as of June 30, 2017, to 5.66% as of June 30, 2018.

State Health Benefit Local Retired Employees Plan (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Detailed Statement of Revenues, Expenses and Changes in Net Position Compared to Budget
For the year ended December 31, 2018

	Original Budget	Final Budget	Actual	Favorable/ (Unfavorable)
Operating revenues:				
Dwelling rental / excess utilities	\$ 436,440	\$ 436,440	\$ 413,100	\$ (23,340)
Non-dwelling revenues	42,000	42,000	57,159	15,159
HUD operating grants	235,000	235,000	268,292	33,292
Total operating revenues	<u>713,440</u>	<u>713,440</u>	<u>738,551</u>	<u>25,111</u>
Non-operating revenues:				
Interest income	2,000	2,000	3,192	1,192
Total non-operating revenues	<u>2,000</u>	<u>2,000</u>	<u>3,192</u>	<u>1,192</u>
Operating expenses:				
Administrative	239,790	239,790	254,854	(15,064)
Tenant services	6,000	6,000	1,432	4,568
Utilities	203,330	203,330	193,627	9,703
Operating and maintenance	200,870	200,870	230,666	(29,796)
Protective services	300	300	-	300
Insurance	34,000	34,000	32,234	1,766
General expenses	23,250	23,250	23,671	(421)
Extraordinary maintenance	5,000	5,000	-	5,000
Capital outlay	77,246	77,246	40,911	36,335
Total operating expenses	<u>789,786</u>	<u>789,786</u>	<u>777,395</u>	<u>12,391</u>
Operating loss	<u>\$ (74,346)</u>	<u>\$ (74,346)</u>	<u>(35,652)</u>	<u>\$ 38,694</u>
Plus:				
Capitalized fixed assets			40,911	
Non-operating revenues - capital grants			50,808	
Less:				
Unbudgeted pension expense			(14,284)	
Unbudgeted other postemployment benefit credit			5,289	
Depreciation			<u>(106,649)</u>	
Change in net position - accrual basis			<u>\$ (59,577)</u>	

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules
For the year ended December 31, 2018

	NJ06000001	Total
111 Cash - Unrestricted	\$685,325	\$685,325
112 Cash - Restricted - Modernization and Development		
113 Cash - Other Restricted		
114 Cash - Tenant Security Deposits	\$40,424	\$40,424
115 Cash - Restricted for Payment of Current Liabilities		
100 Total Cash	\$725,749	\$725,749
121 Accounts Receivable - PHA Projects	\$0	\$0
122 Accounts Receivable - HUD Other Projects	\$0	\$0
124 Accounts Receivable - Other Government	\$0	\$0
125 Accounts Receivable - Miscellaneous	\$0	\$0
126 Accounts Receivable - Tenants	\$4,390	\$4,390
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0
128 Fraud Recovery	\$0	\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0
129 Accrued Interest Receivable	\$0	\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,390	\$4,390
131 Investments - Unrestricted	\$0	\$0
132 Investments - Restricted	\$0	\$0
135 Investments - Restricted for Payment of Current Liability	\$0	\$0
142 Prepaid Expenses and Other Assets	\$0	\$0
143 Inventories	\$0	\$0
143.1 Allowance for Obsolete Inventories	\$0	\$0
144 Inter Program Due From	\$0	\$0
145 Assets Held for Sale	\$0	\$0
150 Total Current Assets	\$730,139	\$730,139
161 Land	\$170,304	\$170,304
162 Buildings	\$4,094,269	\$4,094,269
163 Furniture, Equipment & Machinery - Dwellings	\$0	\$0
164 Furniture, Equipment & Machinery - Administration	\$73,012	\$73,012
165 Leasehold Improvements	\$246,366	\$246,366
166 Accumulated Depreciation	(\$2,673,571)	(\$2,673,571)
167 Construction in Progress	\$0	\$0
168 Infrastructure		
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,910,380	\$1,910,380
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0	\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0	\$0
173 Grants Receivable - Non Current	\$0	\$0
174 Other Assets	\$0	\$0
176 Investments in Joint Ventures	\$0	\$0
180 Total Non-Current Assets	\$1,910,380	\$1,910,380
200 Deferred Outflow of Resources	\$163,768	\$163,768
290 Total Assets and Deferred Outflow of Resources	\$2,804,287	\$2,804,287

**HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules (continued)
For the year ended December 31, 2018**

311 Bank Overdraft		
312 Accounts Payable <= 90 Days	\$0	\$0
313 Accounts Payable >90 Days Past Due	\$0	\$0
321 Accrued Wage/Payroll Taxes Payable	\$34,124	\$34,124
322 Accrued Compensated Absences - Current Portion	\$2,305	\$2,305
324 Accrued Contingency Liability	\$0	\$0
325 Accrued Interest Payable	\$0	\$0
331 Accounts Payable - HUD PHA Programs	\$0	\$0
332 Account Payable - PHA Projects	\$0	\$0
333 Accounts Payable - Other Government	\$23,657	\$23,657
341 Tenant Security Deposits	\$40,424	\$40,424
342 Unearned Revenue	\$416,829	\$416,829
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0
345 Other Current Liabilities	\$0	\$0
346 Accrued Liabilities - Other	\$30,556	\$30,556
347 Inter Program - Due To		
348 Loan Liability - Current		
310 Total Current Liabilities	\$547,895	\$547,895
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0
353 Non-current Liabilities - Other	\$0	\$0
354 Accrued Compensated Absences - Non Current	\$26,949	\$26,949
355 Loan Liability - Non Current	\$0	\$0
356 FASB 5 Liabilities	\$0	\$0
357 Accrued Pension and OPEB Liabilities	1,374,578	\$1,374,578
350 Total Non-Current Liabilities	\$1,401,527	\$1,401,527
300 Total Liabilities	\$1,949,422	\$1,949,422
400 Deferred Inflow of Resources	\$636,937	\$636,937
508.4 Net Investment in Capital Assets	\$1,910,379	\$1,910,379
511.4 Restricted Net Position	\$0	\$0
512.4 Unrestricted Net Position	(\$1,692,450)	(\$1,692,450)
513 Total Equity - Net Assets / Position	\$217,928	\$217,928
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,804,287	\$2,804,287

**HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules (continued)
For the year ended December 31, 2018**

70300 Net Tenant Rental Revenue	\$413,100	\$413,100
70400 Tenant Revenue - Other	\$17,100	\$17,100
70500 Total Tenant Revenue	\$430,200	\$430,200
70600 HUD PHA Operating Grants	\$268,292	\$268,292
70610 Capital Grants	\$50,808	\$50,808
70710 Management Fee	\$0	\$0
70720 Asset Management Fee	\$0	\$0
70730 Book Keeping Fee	\$0	\$0
70740 Front Line Service Fee	\$0	\$0
70750 Other Fees	\$0	\$0
70700 Total Fee Revenue	\$0	\$0
70800 Other Government Grants	\$0	\$0
71100 Investment Income - Unrestricted	\$3,192	\$3,192
71200 Mortgage Interest Income	\$0	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0
71400 Fraud Recovery	\$0	\$0
71500 Other Revenue	\$40,059	\$40,059
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0
72000 Investment Income - Restricted	\$0	\$0
70000 Total Revenue	\$792,551	\$792,551
91100 Administrative Salaries	\$132,449	\$132,449
91200 Auditing Fees	\$15,046	\$15,046
91300 Management Fee	\$0	\$0
91310 Book-keeping Fee	\$0	\$0
91400 Advertising and Marketing	\$295	\$295
91500 Employee Benefit contributions - Administrative	\$65,194	\$65,194
91600 Office Expenses	\$25,340	\$25,340
91700 Legal Expense	\$12,817	\$12,817
91800 Travel	\$60	\$60
91810 Allocated Overhead	\$0	\$0
91900 Other	\$17,937	\$17,937
91000 Total Operating - Administrative	\$269,138	\$269,138
92000 Asset Management Fee	\$0	\$0
92100 Tenant Services - Salaries	\$0	\$0
92200 Relocation Costs	\$0	\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0
92400 Tenant Services - Other	\$1,432	\$1,432
92500 Total Tenant Services	\$1,432	\$1,432

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules (continued)
For the year ended December 31, 2018

93100 Water	\$19,635	\$19,635
93200 Electricity	\$73,244	\$73,244
93300 Gas	\$40,233	\$40,233
93400 Fuel	\$0	\$0
93500 Labor	\$15,815	\$15,815
93600 Sewer	\$44,700	\$44,700
93700 Employee Benefit Contributions - Utilities	\$0	\$0
93800 Other Utilities Expense	\$0	\$0
93000 Total Utilities	\$193,627	\$193,627
94100 Ordinary Maintenance and Operations - Labor	\$92,892	\$92,892
94200 Ordinary Maintenance and Operations - Materials and Other	\$9,739	\$9,739
94300 Ordinary Maintenance and Operations Contracts	\$65,548	\$65,548
94500 Employee Benefit Contributions - Ordinary Maintenance	\$57,198	\$57,198
94000 Total Maintenance	\$225,377	\$225,377
95100 Protective Services - Labor	\$0	\$0
95200 Protective Services - Other Contract Costs	\$0	\$0
95300 Protective Services - Other	\$0	\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0
95000 Total Protective Services	\$0	\$0
96110 Property Insurance	\$0	\$0
96120 Liability Insurance	\$0	\$0
96130 Workmen's Compensation	\$0	\$0
96140 All Other Insurance	\$32,234	\$32,234
96100 Total insurance Premiums	\$32,234	\$32,234
96200 Other General Expenses		
96210 Compensated Absences	\$14	\$14
96300 Payments in Lieu of Taxes	\$23,657	\$23,657
96400 Bad debt - Tenant Rents	\$0	\$0
96500 Bad debt - Mortgages	\$0	\$0
96600 Bad debt - Other	\$0	\$0
96800 Severance Expense	\$0	\$0
96000 Total Other General Expenses	\$23,671	\$23,671
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0	\$0
96730 Amortization of Bond Issue Costs	\$0	\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0
96900 Total Operating Expenses	\$745,479	\$745,479
97000 Excess of Operating Revenue over Operating Expenses	\$47,072	\$47,072

**HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules (continued)
For the year ended December 31, 2018**

97100 Extraordinary Maintenance	\$0	\$0
97200 Casualty Losses - Non-capitalized	\$0	\$0
97300 Housing Assistance Payments	\$0	\$0
97350 HAP Portability-In	\$0	\$0
97400 Depreciation Expense	\$106,649	\$106,649
97500 Fraud Losses	\$0	\$0
97600 Capital Outlays - Governmental Funds	\$0	\$0
97700 Debt Principal Payment - Governmental Funds	\$0	\$0
97800 Dwelling Units Rent Expense	\$0	\$0
90000 Total Expenses	\$852,128	\$852,128
10010 Operating Transfer In	\$2,976	\$2,976
10020 Operating transfer Out	(\$2,976)	(\$2,976)
10030 Operating Transfers from/to Primary Government	\$0	\$0
10040 Operating Transfers from/to Component Unit	\$0	\$0
10050 Proceeds from Notes, Loans and Bonds	\$0	\$0
10060 Proceeds from Property Sales	\$0	\$0
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0
10091 Inter Project Excess Cash Transfer In	\$0	\$0
10092 Inter Project Excess Cash Transfer Out	\$0	\$0
10093 Transfers between Program and Project - In	\$0	\$0
10094 Transfers between Project and Program - Out	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$59,577)	(\$59,577)
11020 Required Annual Debt Principal Payments	\$0	\$0
11030 Beginning Equity	\$1,453,623	\$1,453,623
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$1,176,118)	(\$1,176,118)
11050 Changes in Compensated Absence Balance	\$0	\$0
11060 Changes in Contingent Liability Balance	\$0	\$0
11070 Changes in Unrecognized Pension Transition Liability	\$0	\$0
11080 Changes in Special Term/Severance Benefits Liability	\$0	\$0
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0
11100 Changes in Allowance for Doubtful Accounts - Other	\$0	\$0
11170 Administrative Fee Equity	\$0	\$0
11180 Housing Assistance Payments Equity	\$0	\$0
11190 Unit Months Available	1200	1200
11210 Number of Unit Months Leased	1181	1181
11270 Excess Cash	\$120,538	\$120,538
11610 Land Purchases	\$0	\$0
11620 Building Purchases	\$50,808	\$50,808
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0
11650 Leasehold Improvements Purchases	\$5,000	\$5,000
11660 Infrastructure Purchases	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS
For the year ended December 31, 2018

1. The Actual Capital Fund Grant Costs of Program NJ39P064501-17 is as follows:

Actual Capital Fund Grant Costs:

	<u>CFP No. NJ39P064501-17</u>
Fund Approved	\$ 87,246
Funds Expended	<u>87,246</u>
Excess of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 87,246
Funds Expended	<u>87,246</u>
Excess of Funds Advanced	<u><u>\$ -</u></u>

2. All Capital Fund Grant Costs have been paid and all related liabilities have been discharged through payment.

Honorable Chairman and Members
of the Housing Authority of the Township of Haddon
County of Camden
Westmont, New Jersey 08108

We have audited the financial accounts and transactions of the Haddon Township Housing Authority, County of Camden, State of New Jersey, for the year ended December 31, 2018. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement.

The Authority does not have a qualified purchasing agent on staff and therefore may award contracts up to \$17,500 without competitive bids.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and we ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on October 18, 2017 and adopted its operating budget on December 20, 2017.

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. There were no prior year findings.

Acknowledgment

We received the complete cooperation of all the Authority Officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Holman Frenia Allison".

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 13, 2019
Toms River, New Jersey