

**HOUSING AUTHORITY OF THE BOROUGH
OF CLEMENTON**

Financial Statements and Supplemental Schedules

Fiscal Year Ended June 30, 2019

With Independent Auditors Report

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

Table of 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 Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Management's Discussion and Analysis	6-9
Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to the Financial Statements	13-25
Required Supplemental Information:	
Schedule 1 – Schedule of the Authority's Proportionate Share of the Net Pension Liability – Public Employee's Retirement System	26
Schedule 2 – Schedule of the Authority's Contributions – Public Employee's Retirement System	26
Notes to the Required Supplementary Information	27
Supplemental Information:	
Schedule 3 - Financial Data Schedule	28-37
General Comments and Recommendations	38-40



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Housing Authority of the Borough of
Clementon County of Camden
Clementon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Borough of Clementon, County of Camden, State of New Jersey, as of and for the years ended June 30, 2019, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 financial position of the Housing Authority of the Borough of Clementon, County of Camden, State of New Jersey, as of June 30, 2019, and the changes in the Authority's net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental 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 Housing Authority of the Borough of Clementon's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial data schedule is also not a required part of the basic financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019 on our consideration of the Housing Authority of the Borough of Clementon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the Borough of Clementon's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Brent W. Lee".

Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
November 18, 2019



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

**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***

The Board of Commissioners
Housing Authority of the Borough of Clementon:

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Borough of Clementon (herein referred to as "the Authority"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying comments and recommendation section as finding 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did disclose one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as finding 2019-001.

The Housing Authority of the Borough of Clementon's Response to Findings

The Housing Authority of the Borough of Clementon 's response to the findings are identified in our audit and is described in the accompanying comments and recommendations section. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed 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,



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
November 18, 2019

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

Management's Discussion and Analysis

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 June 30, 2019. This narrative and analysis are 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 June 30, 2019, 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 \$(360,615) compared to \$(443,406) at the close of the prior year.
- Cash and other current assets for the year was \$211,173 compared to \$155,778 for the prior year.
- The total HUD PHA operating grant for the year ended June 30, 2019 was \$731,757 compared to \$657,653 for the prior year.

Computation of net position at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Cash and other current assets	\$ 211,174	\$ 155,778
Capital assets, net	1,516,689	1,564,512
Deferred outflows	<u>69,354</u>	<u>130,246</u>
Total assets and deferred outflows	1,797,217	1,850,536
Current liabilities	64,819	71,651
Long-term liabilities	379,448	488,107
Deferred inflows	<u>200,758</u>	<u>172,177</u>
Total liabilities and deferred inflows	645,025	731,935
Invested in capital assets	1,512,807	1,561,426
Restricted reserves		581
Unrestricted	<u>(360,615)</u>	<u>(443,406)</u>
Total net position	<u>\$1,152,192</u>	<u>\$1,118,601</u>
Total Liabilities, Defer. Inflow& Net	<u>\$1,797,217</u>	<u>\$1,850,536</u>

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

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Tenant rents	\$ 265,198	\$ 278,961
HUD PHA operating grant	731,757	657,653
Other	<u>19,858</u>	<u>23,418</u>
Total operating revenues	<u>1,016,813</u>	<u>960,032</u>
OPERATING EXPENSES		
Administrative	199,044	191,060
Tenant Services	2,007	3,434
Utilities	146,378	153,041
Maintenance and operation	140,951	153,117
Protective services	12,264	9,893
Housing Assistance Payments	350,266	345,646
General expenses	29,535	34,274
Extraordinary maintenance	15,033	12,366
Fringe benefit - cost of providing services	16,263	9,438
Depreciation	<u>71,527</u>	<u>67,877</u>
Total operating expenses	<u>983,268</u>	<u>980,146</u>
Operating Income (Loss)	<u>33,545</u>	<u>(20,114)</u>
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	<u>46</u>	<u>59</u>
Change in net position	33,591	(20,055)
Net Position, beginning of year	<u>1,118,601</u>	<u>1,138,656</u>
Net Position, end of year	<u>\$1,152,192</u>	<u>\$1,118,601</u>

Total operating revenues of \$1,016,813 increased by \$56,781 or 5.9% in 2019 compared to 2018. The increase is due to HUD LIPH, HCV and CFP program.

Change in Net Position (Operating Income (Loss)) of \$33,591 in 2019 increased by 53,646 as compared to 2018. The change is due to LIPH Operating Subsidy and HCV Admin Fees increase.

Building occupancy levels were at or near capacity throughout 2019 and 2018.

Capital Assets and Debt Administration

As of June 30, 2019 the Authority's capital assets net of accumulated depreciation were 1,516,689.

Economic Factors for the Current Year

The Authority has had an operating surplus this fiscal year. The Authority is committed to operating in an efficient manner while maintaining a suitable living environment for its tenants and maintaining a balanced financial position.

The Authority is undertaking actions to continue the increase in its score in the current and future 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, Vernon Lawrence, Housing Authority of the Borough of Clementon, 22 Gibbsboro Road, Clementon, NJ 08021 or call (856)784-1134.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

ASSETS

Current Assets:	
Cash & Cash Equivalents	\$ 200,705.64
Accounts Receivable - Tenants, Net	8.00
Accounts Receivable - HUD Other Projects	4,342.00
Prepaid Expenses	6,117.81
Total Current Assets	<u>211,173.45</u>
Capital Assets, Net:	
Non-Depreciable	24,974.00
Depreciable	1,491,715.17
Total Capital Assets, Net:	<u>1,516,689.17</u>
Total Assets	<u>1,727,862.62</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred Outflows Related to Pensions	<u>69,354.00</u>
Total Deferred Outflows of Resources	<u>69,354.00</u>
Total Assets and Deferred Outflows of Resources	<u><u>1,797,216.62</u></u>

LIABILITIES

Current Liabilities	
Accounts Payable	12,967.82
Pension Payable	18,568.00
Accrued Wages and Payroll Taxes	4,243.14
Tenant Security Deposits	17,029.63
Other Accrued Liabilities	8,128.34
Accrued Compensated Absences - Current	3,881.98
Total Current Liabilities	<u>64,818.91</u>
Long-Term Liabilities:	
Net Pension Liability	344,510.00
Accrued Compensated Absences - Noncurrent	34,937.84
Total Long-Term Liabilities	<u>379,447.84</u>
Total Liabilities	<u>444,266.75</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>200,758.00</u>
Total Deferred Inflow of Resources	<u>200,758.00</u>
Total Liabilities and Deferred Inflow of Resources	<u>645,024.75</u>

NET POSITION

Net Position:	
Net Investment in Capital Assets	1,516,689.17
Unrestricted	(364,497.30)
Total Net Position	<u>1,152,191.87</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u><u>\$ 1,797,216.62</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating Revenues:	
Tenant Rental Revenue	\$ 265,198.00
HUD Operating Grants	731,756.95
Other Revenues	<u>19,857.54</u>
Total Operating Revenues	<u>1,016,812.49</u>
Operating Expenses:	
Administrative	199,043.80
Tenant Services	2,007.40
Utilities	146,377.53
Ordinary Repairs and Maintenance	140,951.04
Protective Services	12,263.71
General Expenses	29,535.20
Housing Assistance Payments	350,265.81
Extraordinary Maintenance	15,033.35
Fringe Benefits - Cost of Providing Services	16,262.58
Depreciation	<u>71,527.32</u>
Total Operating Expenses	<u>983,267.74</u>
Operating Income/(Loss)	<u>33,544.75</u>
Non-Operating Revenues:	
Investment Income	<u>46.12</u>
Change in Net Position	33,590.87
Net Position, July 1	<u>1,118,601.00</u>
Net Position, June 30	<u>\$ 1,152,191.87</u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Cash Flows from Operating Activities:	
Cash Received from Tenants	\$ 265,294.37
Cash Received from HUD	729,989.95
Cash Received from Other Sources	19,857.54
Cash Paid to Vendors	(758,349.41)
Cash Paid to Employees	(184,368.68)
	<u>72,423.77</u>
Net Cash Flows from Operating Activities	<u>72,423.77</u>
Cash Flows From Financing Activities:	
Purchases of Capital Assets	(21,877.23)
Disposal of Capital Assets	-
Proceeds/(Repayments) from Financing	(3,086.00)
	<u>(24,963.23)</u>
Net Cash Flows from Capital Activities	<u>(24,963.23)</u>
Cash Flows from Investing Activities:	
Interest Received on Investments	46.12
	<u>46.12</u>
Net Cash Flows from Investing Activities	<u>46.12</u>
Net Change in Cash	47,506.66
Cash & Cash Equivalents, Beginning of Year	<u>149,317.00</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 196,823.66</u></u>
Reconciliation to Statements of Net Position:	
Cash and Cash Equivalents	<u><u>\$ 200,705.64</u></u>
Reconciliation of Operating Income/(Loss) to Net	
Cash Flows from Operating Activities:	
Operating Loss	33,544.75
Items Which Did Not Use Cash:	
Depreciation	71,527.32
Unbudgeted Pension (Credit)/Expense	(16,738.00)
Working Capital Changes Which Provided/(Used) Cash:	
Accounts Receivable - Tenants, Net	428.00
Accounts Receivable - HUD Projects	(1,767.00)
Prepaid Expenses	(2,667.81)
Accounts Payable	(6,356.18)
Accrued Wages and Payroll Taxes	526.14
Accrued Compensated Absences	(2,448.16)
Tenant Security Deposits	(331.63)
Other Accrued Liabilities	(3,293.66)
	<u>(3,293.66)</u>
Net Cash Flows from Operating Activities	<u><u>\$ 72,423.77</u></u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: ORGANIZATION AND PURPOSE

The Housing Authority of the Borough of Clementon (the "Authority") is a governmental public housing agency located in the Borough of Clementon (the "Borough"), County of Camden, State of New Jersey. The Borough is located in southwest New Jersey. The Authority was organized under federal and state housing laws as defined by State statute N.J.S.A. 40A: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 70 private dwelling units and several public areas for the tenants' social activities, as well as a Section 8 Housing Choice Vouchers program 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 six 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. Description of Programs

Low Rent Public Housing Program

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

Public Housing Capital Fund Program

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

Housing Assistance Payments Program - Section 8

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

B. 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;

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Reporting Entity (Continued):

- 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 not included in any other reporting entity on the basis of such criteria.

C. Basis of Accounting

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

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

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

On January 30, 2008, HUD issued PIH Notice 2008-9, which requires that housing assistance payments (HAP), under proprietary fund reporting, should be reported as restricted net position with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported as unrestricted.

The Authority adopted GASB 68, *Accounting and Financial Reporting for Pensions*. GASB 68 established standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflow of resources, and expenditures associated with pension plans of State and Local Governments. For Defined Benefit pensions, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, GASB 68 details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. 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.

E. 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.

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

F. Accounts Receivable - Tenants, Net

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.

G. Accounts Receivable - PHA projects

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

H. Prepaid Expenses

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

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

I. 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:

Furniture and Equipment	5-7 Years
Site Improvements	15-20 Years
Buildings and Building Improvements	20-40 Years

The Authority has established a capitalization threshold of \$500.

J. Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. See Note 6 for a description of these circumstances.

K. 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. 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.

L. Taxes

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

M. Net Position Classifications

Net position is classified in three components as follows:

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

Restricted Net Position - Consists of 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 “net investment in capital assets.” This component includes net positions that may be allocated for specific purposes by the Board.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

N. Deferred Inflows and Deferred 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 period and so will not be recognized as an inflow of resources (revenue) until that time.

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 Pension. 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.

NOTE 3: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit limitations of New Jersey state law. The deposits held at June 30, 2019 are reported at fair value as follows:

Deposits:	
Demand Deposits	<u>\$200,705.64</u>
Total Deposits	<u>\$200,705.64</u>
Reconciliation to Statement of Net Position:	
Cash and Cash Equivalents	<u>\$200,705.64</u>
Total	<u>\$200,705.64</u>

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

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 June 30 2019 the Authority's bank balance of \$202,416.03 was insured or collateralized as follows:

Insured	<u>\$202,416.03</u>
Total Deposits	<u>\$202,416.03</u>

NOTE 4: CAPITAL ASSETS, NET

A summary of the changes in capital assets during 2019 is as follows:

<u>Description</u>	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reclassification</u>	<u>June 30, 2019</u>
Land	\$ 24,974.00			24,974.00
Buildings and Improvements	3,410,870.77	22,710.00	12,162.00	3,445,742.77
Furniture and Equipment	<u>88,420.00</u>	<u>992.98</u>	<u>(12,162.00)</u>	<u>77,250.98</u>
Total Capital Assets	3,524,264.77	23,702.98	-	3,547,967.75
Less: Accumulated Depreciation	<u>(1,891,875.00)</u>	<u>(71,526.58)</u>	<u>-</u>	<u>(2,031,278.58)</u>
Capital Assets, Net	<u>\$1,564,512.77</u>	<u>(\$47,823.60)</u>	<u>\$ -</u>	<u>(\$1,516,689.17)</u>

Depreciation expense for the year ended June 30, 2019 was \$71,526.58.

NOTE 5: NONCURRENT LIABILITIES

During the fiscal year ended June 30, 2019 the following changes occurred in liabilities reported in long-term debt:

	<u>Balance 6/30/18</u>	<u>Accrued/ Increases</u>	<u>Retired/ Decrease</u>	<u>Balance 6/30/19</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 37,385.74			37,385.74	3,366.48
Energy Loan	3,086.15		3,806.15	-	-
Net Pension Liability	<u>450,721.00</u>		<u>160,211.00</u>	<u>344,510.00</u>	<u>-</u>
Total	<u>\$491,193.89</u>	<u>\$ -</u>	<u>\$164,017.15</u>	<u>\$381,895.74</u>	<u>\$ 3,366.48</u>

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5: NONCURRENT LIABILITIES (Continued):

Energy Loan

On April 12, 2016 the Authority was issued a promissory note from Energy Finance Solutions in order to fund certain energy and HVAC improvements. The note bears no interest and is payable over 36 months. The promissory note has been paid in-full as of June 30, 2019.

NOTE 6: COMPENSATED ABSENCES

A. Annual Leave

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

<u>Length of Service</u>	<u>Number of Days</u>
1 – 3 years	6
After 3 Years	10
After 5 Years	15
After 10 Years	20
After 20 Years	30

Annual leave not taken by employees may be carried over and used in the next succeeding calendar year only. 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 may be accumulated not to exceed 120 days. Sick leave buy-back employees, upon leaving the employment of the Authority, shall be entitled to twenty-five percent (25%) of accumulated sick leave not to exceed \$10,000. However, any full time employee who is eligible to retire in accordance with the State Retirement Act and who, having given the Executive Director not less than two (2) weeks advance written notice thereof does retire, shall be paid fifty (50%) of the value of his/her unused accumulated sick leave at the time of his/her retirement, not to exceed the sum of \$10,000.

The total value of compensated absences at June 30, 2019 was \$40,752.22.

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 Clementon Borough. Under the Cooperation Agreement, the Authority must pay the Borough the lesser of 10% of its net shelter rent or the approximate full real property taxes. For the year ended June 30, 2019, the Authority incurred PILOT expenses in the amount of \$0.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION OBLIGATIONS

Public Employees' Retirement System (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 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit 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.

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

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

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources - At June 30, 2019, the Authority reported a liability of \$344,510.00 for its proportionate share of the PERS net pension liability. 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, to the measurement date of 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 .00079%, which was a decrease of .00115% from its proportion measured as of June 30, 2017.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION OBLIGATIONS (Continued):

Public Employees' Retirement System (PERS) (Continued):

For the year ended June 30, 2019, the Authority recognized pension credit of \$16,738.00 in the financial statements. This pension credit was based on the pension plans June 30, 2018 measurement date. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference Between Expected and Actual Experience	\$ 6,570.00	\$ 1,776.00
Changes of Assumptions	56,770.00	110,156.00
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,232.00
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	6,014.00	85,594.00
Authority Contributions Subsequent to The Measurement Date	<u>-</u>	<u>-</u>
	<u>\$ 69,354.00</u>	<u>\$200,258.00</u>

\$ 69,354.00 is reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the years ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as shown below. The amounts represent the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources.

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (21,788.00)
2021	(21,788.00)
2022	(21,788.00)
2023	(21,788.00)
2024	(21,789.00)
Thereafter	<u>(22,463.00)</u>
	<u><u>\$(131,404.00)</u></u>

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8: PENSION OBLIGATIONS (Continued):

Public Employees' Retirement System (PERS) (Continued):

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

Inflation Rate	2.25%
Salary Increases: Through 2026	1.65 – 4.15% Based on Age
Thereafter	2.65 – 5.15% Based on Age

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

In accordance with State statute, the long-term expected rate of return on plan investments (7% 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 real 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 tables:

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION OBLIGATIONS (Continued):

Public Employees' Retirement System (PERS) (Continued):

Asset Class	2018 Target Allocation	2018 Long-Term Expected Real Rate of Return
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. Develop Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30 2018 and 2017, respectively, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, 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 contribution 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 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 as of June 30, 2018, calculated using the discount rate of 5.00% 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 or 1-percentage point higher than the current rate:

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION OBLIGATIONS (Continued):

Public Employees' Retirement System (PERS) (Continued):

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$433,182.00</u>	<u>\$344,510.00</u>	<u>\$270,120.00</u>

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2019:

Collective Balances at June 30, 2019

	<u>6/30/2019</u>
Actuarial valuation date (including roll forward)	June 30, 2018
Deferred Outflows of Resources	\$ 69,354.00
Deferred Inflows of Resources	200,758.00
Net Pension Liability	344,150.00
Authority's portion of the Plan's total net pension Liability	0.00079%

NOTE 9: ECONOMIC DEPENDENCY

The Low Rent Public Housing and Housing Choice Voucher programs are economically dependent on annual grants from the United States Department of Housing and Urban Development.

NOTE 10: 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 June 30, 2019, 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 11: COMMITMENTS

The District entered into a lease with Marlin Business Bank for a copier. The lease is a four-year lease with future payments at June 30 as follows:

2020	\$ 1,721
2021	<u>1,146</u>
Total	<u>\$ 2,867</u>

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 12: SUBSEQUENT EVENTS

Housing Authority of the Borough of Clementon has evaluated subsequent events through November 18, 2019, which is the date the financial statements were available to be issued.

NOTE 13: DEFICIT IN NET POSITION

Unrestricted Net Position - The Authority's business-type activities had a deficit in unrestricted net position in the amount of \$360,615.32 at June 30, 2019. The primary cause of this deficit is the Authority recording the net pension liability for the Public Employee's Retirement System (PERS) as of June 30, 2019. This deficit in unrestricted net position does not indicate that the Authority is facing financial difficulties.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE 1

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - PERS ***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability (Asset)	0.00079%	0.00194%	0.00195%	0.00188%	0.00249%	0.00282%
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$344,510	\$450,721	\$577,517	\$422,990	\$465,510	\$538,930
Authority's Covered Employee Payroll	\$128,552	\$125,714	\$122,876	\$134,144	\$133,942	\$133,740
Authority's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	267.99%	358.53%	470.00%	315.33%	347.55%	402.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

SCHEDULE 2

**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PERS
SCHEDULE OF CONTRIBUTIONS ***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$17,404	\$17,937	\$17,323	\$16,200	\$20,497	\$21,247
Contributions in Relation to the Actuarially Determined Contributions	<u>17,404</u>	<u>17,937</u>	<u>17,323</u>	<u>16,200</u>	<u>20,497</u>	<u>21,247</u>
	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Covered-Employee Payroll	\$128,552	\$125,714	\$122,876	\$134,144	\$133,942	\$133,740
Contributions as a Percentage of Covered-Employee Payroll	13.538%	14.268%	14.098%	12.077%	15.303%	15.887%

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Public Employees' Retirement System (PERS)

Changes of benefit terms. 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.

Changes of assumptions. Preretirement Mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are setback 4 years for males and females. For local employees, mortality tables are setback 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 generalization approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 203 using Projection Scale AA and using generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (setback 3 years for males and set forward 1 year for females).

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Balance Sheet Summary

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$93,911	\$90,865	\$184,776		\$184,776
112 Cash - Restricted - Modernization and Development		\$0	\$0		\$0
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits		\$0	\$0		\$0
115 Cash - Restricted for Payment of Current Liabilities	\$15,929		\$15,929		\$15,929
100 Total Cash	\$109,840	\$90,865	\$200,705		\$200,705
121 Accounts Receivable - PHA Projects		\$0	\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$4,342		\$4,342		\$4,342
124 Accounts Receivable - Other Government		\$0	\$0		\$0
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$8	\$0	\$8		\$8
126.1 Allowance for Doubtful Accounts -Tenants	\$0	\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current		\$0	\$0		\$0
128 Fraud Recovery		\$0	\$0		\$0
128.1 Allowance for Doubtful Accounts - Fraud		\$0	\$0		\$0
129 Accrued Interest Receivable		\$0	\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,350	\$0	\$4,350		\$4,350
131 Investments - Unrestricted		\$0	\$0		\$0
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$6,118		\$6,118		\$6,118
143 Inventories		\$0	\$0		\$0

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Balance Sheet Summary

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
143.1 Allowance for Obsolete Inventories		\$0	\$0		\$0
144 Inter Program Due From	\$19,175		\$19,175	-\$19,175	
145 Assets Held for Sale		\$0	\$0		\$0
150 Total Current Assets	\$139,483	\$90,865	\$230,348	-\$19,175	\$211,173
161 Land	\$24,974	\$0	\$24,974		\$24,974
162 Buildings	\$3,405,978	\$0	\$3,405,978		\$3,405,978
163 Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0		\$0
164 Furniture, Equipment & Machinery - Administration	\$77,251	\$0	\$77,251		\$77,251
165 Leasehold Improvements	\$39,765	\$0	\$39,765		\$39,765
166 Accumulated Depreciation	\$2,031,279	\$0	\$2,031,279		\$2,031,279
167 Construction in Progress		\$0	\$0		\$0
168 Infrastructure		\$0	\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,516,689	\$0	\$1,516,689		\$1,516,689
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past					
173 Grants Receivable - Non Current		\$0	\$0		\$0
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$1,516,689	\$0	\$1,516,689		\$1,516,689
200 Deferred Outflow of Resources	\$69,354	\$0	\$69,354		\$69,354
290 Total Assets and Deferred Outflow of Resources	\$1,725,526	\$90,865	\$1,816,391	-\$19,175	\$1,797,216

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Balance Sheet Summary

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$12,968	\$0	\$12,968		\$12,968
313 Accounts Payable >90 Days Past Due	\$18,568	\$0	\$18,568		\$18,568
321 Accrued Wage/Payroll Taxes Payable	\$7,672	\$0	\$7,672		\$7,672
322 Accrued Compensated Absences - Current Portion	\$3,882		\$3,882		\$3,882
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits	\$15,930		\$15,930		\$15,930
342 Unearned Revenue					
343 Current Portion of Long-term Debt - Capital					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities	\$1,100		\$1,100		\$1,100
346 Accrued Liabilities - Other		\$4,699	\$4,699		\$4,699
347 Inter Program - Due To		\$19,175	\$19,175	-\$19,175	
348 Loan Liability - Current					
310 Total Current Liabilities	\$60,120	\$23,874	\$83,994	-\$19,175	\$64,819
351 Long-term Debt, Net of Current - Capital Projects/Mortgage					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$34,938		\$34,938		\$34,938
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Balance Sheet Summary

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
357 Accrued Pension and OPEB Liabilities	\$344,510		\$344,510		\$344,510
350 Total Non-Current Liabilities	\$379,448	\$0	\$379,448		\$379,448
300 Total Liabilities	\$439,568	\$23,874	\$463,442	-\$19,175	\$444,267
400 Deferred Inflow of Resources	\$200,758	\$0	\$200,758		\$200,758
508.4 Net Investment in Capital Assets	\$1,516,689		\$1,516,689		\$1,516,689
511.4 Restricted Net Position					
512.4 Unrestricted Net Position	-\$431,489	\$66,991	-\$364,498		-\$364,498
513 Total Equity - Net Assets / Position		\$66,991			
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$1,725,526	\$90,865	\$1,816,391	-\$19,175	\$1,797,216

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Revenue and Expense Summary

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$265,198		\$265,198		\$265,198
70400 Tenant Revenue - Other	\$18,425		\$18,425		\$18,425
70500 Total Tenant Revenue	\$283,623	\$0	\$283,623		\$283,623
70600 HUD PHA Operating Grants	\$307,905	\$423,852	\$731,757		\$731,757
70610 Capital Grants					
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue	\$307,905	\$423,852	\$731,757		\$731,757
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$46		\$46		\$46
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$1,433		\$1,433		\$1,433
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$593,007	\$423,852	\$1,016,859		\$1,016,859
91100 Administrative Salaries	\$97,438	\$15,813	\$113,251		\$113,251

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Revenue and Expense Summary

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
91200 Auditing Fees	\$8,847	\$3,750	\$12,597		\$12,597
91300 Management Fee					
91310 Book-keeping Fee	\$12,025	\$3,990	\$16,015		\$16,015
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$10,025		\$10,025		\$10,025
91600 Office Expenses					
91700 Legal Expense	\$3,000		\$3,000		\$3,000
91800 Travel	\$379		\$379		\$379
91810 Allocated Overhead					
91900 Other	\$32,601	\$19,643	\$52,244		\$52,244
91000 Total Operating - Administrative	\$164,315	\$43,196	\$207,511		\$207,511
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$2,007		\$2,007		\$2,007
92500 Total Tenant Services	\$2,007	\$0	\$2,007		\$2,007
93100 Water	\$15,949		\$15,949		\$15,949
93200 Electricity	\$50,588		\$50,588		\$50,588
93300 Gas	\$35,094		\$35,094		\$35,094
93400 Fuel					
93500 Labor					
93600 Sewer	\$44,746		\$44,746		\$44,746
93700 Employee Benefit Contributions - Utilities					

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Revenue and Expense Summary

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
93800 Other Utilities Expense					
93000 Total Utilities	\$146,377	\$0	\$146,377		\$146,377
94100 Ordinary Maintenance and Operations - Labor	\$86,921		\$86,921		\$86,921
94200 Ordinary Maintenance and Operations - Materials and	\$8,903		\$8,903		\$8,903
94300 Ordinary Maintenance and Operations Contracts	\$60,161		\$60,161		\$60,161
94500 Employee Benefit Contributions - Ordinary Maintenance	\$7,795		\$7,795		\$7,795
94000 Total Maintenance	\$163,780	\$0	\$163,780		\$163,780
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other	\$12,264		\$12,264		\$12,264
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$12,264	\$0	\$12,264		\$12,264
96110 Property Insurance					
96120 Liability Insurance	\$7,993		\$7,993		\$7,993
96130 Workmen's Compensation	\$10,576		\$10,576		\$10,576
96140 All Other Insurance	\$10,966		\$10,966		\$10,966
96100 Total insurance Premiums	\$29,535	\$0	\$29,535		\$29,535
96200 Other General Expenses		\$1	\$1		\$1
96210 Compensated Absences					
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Revenue and Expense Summary

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$0	\$1	\$1		\$1
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0		\$0
96900 Total Operating Expenses	\$518,278	\$43,197	\$561,475		\$561,475
97000 Excess of Operating Revenue over Operating Expenses					
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$350,266	\$350,266		\$350,266
97350 HAP Portability-In					
97400 Depreciation Expense	\$71,527		\$71,527		\$71,527
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$589,805	\$393,463	\$983,268		\$983,268
10010 Operating Transfer In	\$0		\$0		\$0
10020 Operating transfer Out	\$0		\$0		\$0

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Revenue and Expense Summary

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit	\$0		\$0		\$0
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss	\$0		\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0		\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0		\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0		\$0		\$0
10093 Transfers between Program and Project - In	\$0		\$0		\$0
10094 Transfers between Project and Program - Out	\$0		\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$3,202	\$30,389	\$33,591		\$33,591
11020 Required Annual Debt Principal Payments					
11030 Beginning Equity	\$1,081,999	\$36,602	\$1,118,601		\$1,118,601
11040 Prior Period Adjustments, Equity Transfers and Correction					
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity		\$26,136	\$26,136		\$26,136
11180 Housing Assistance Payments Equity		\$40,855	\$40,855		\$40,855

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Revenue and Expense Summary

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
11190 Unit Months Available	840	828	1,668		1,668
11210 Number of Unit Months Leased	836	828	1,664		1,664
11270 Excess Cash					
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$0		\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

To the Board of Commissioners
Housing Authority of the Borough of Clementon
Clementon, New Jersey 08021

We have audited the financial accounts and transactions of the Housing Authority of the Borough of Clementon in the County of Camden for the year ended June 30, 2019. 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.

It is pointed out that the governing body of the Authority has 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*.

Contracts and Agreements Requiring Solicitation of Quotations

The Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds 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.

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 examination of expenditures did not reveal any instances where 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*).

Finding 2019-01:

It was noted while testing the Authority's bids, that there was one instance where the Authority was not in compliance with N.J.S.A. 40A:11-4.

Recommendation:

The Authority should implement procedures to ensure that all bids be in compliance with the requirements under N.J.S.A. 40A-11.4.

Management Response:

The Authority will take corrective action to address the issue.

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.

***Finding 2019-002:**

While reviewing the internal controls over the Housing Choice Voucher Program, it was noted that the same employee performs the eligibility determination, the payment determination for this program, writes the checks, and records the transactions. In addition, of the thirty (30) transactions tested the following was noted:

- Fifteen (15) applicant files were not formally reviewed and approved by Authority management,

Recommendation:

The Authority should strengthen internal controls by implementing a review process over the Housing Choice Voucher Program. Another employee should be reviewing the eligibility and payment determinations as well as verifying the payments agree to the approved documentation. This review should be evidenced by documentation by the second employee.

Management Response:

The Authority will take corrective action to address the issue.

Payroll Fund

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

Follow-up on Prior Year's Findings

In accordance with governmental auditing standards, my procedures included a review of all prior year findings. The previous year's findings have been corrected except for those marked with an asterisk (*).

Acknowledgment

I received the complete cooperation of all officials and employees of the Authority and I greatly appreciate the courtesies extended to the audit team.

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

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



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
November 18, 2019