

Report On Audit

**MILLVILLE
HOUSING AUTHORITY**

**For the Year Ended
September 30, 2019**

Millville Housing Authority
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Millville Housing Authority
1 East Vine Street
Millville, New Jersey 08332

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate discretely present components units of the Millville Housing Authority (a governmental public corporation) in Millville, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of September 30, 2019, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Millville Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Millville Housing Authority's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Millville Housing Authority as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 17 and pages 62-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Millville Housing Authority. The accompanying supplemental information on pages 65-73 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Financial Data Schedule, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued reports dated October 26, 2020 on our consideration of the Millville Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Millville Housing Authority 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 Millville Housing Authority's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: October 26, 2020

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

As Management of the Millville Housing Authority (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 18 of this report. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The assets of the Authority primary government exceeded its liabilities at the close of the most recent fiscal year by \$6,107,621 an increase in the financial position of \$83,692 or 1% percent as compared to the prior year.

As noted above, the net position of the Authority primary government was \$6,107,621 as of September 30, 2019. Of this amount, the primary government unrestricted net position is a negative (\$2,546,403) representing a decrease in the deficit of \$179,531 or 7% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 20 the financial statements, which is included in this report.

The primary government net investment in capital assets decreased \$124,133 or 1% percent for an ending balance of \$8,612,044. The primary government restricted net position increased \$28,469 or 207% percent for an ending balance of \$41,980. Additional information on the Authority's restricted net position can be found in Note 19 to the financial statements, which is included in this report.

The Authority's primary government unrestricted cash and cash equivalent at September 30, 2019 is \$1,124,570 representing an increase of \$141,067 or 14% percent from the prior fiscal year. Total primary government restricted deposits and funded reserves increased \$28,469 or 119% percent for an ending balance of \$52,298. The full detail of this amount can be found in the Statement of Cash Flows on pages 21-22 of this report.

The Authority's primary government total assets and deferred outflows are \$11,663,562 of which capital assets net book value is \$9,880,323, non-current notes receivables in the amount of \$66,119, deferred outflows in the amount of \$335,313, and restricted deposits and funded reserves \$52,298 leaving total current assets at \$1,329,509.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

Total Authority's primary government current assets increased from the previous year by \$96,267 or 8% percent. Unrestricted cash and cash equivalents increased by \$141,067, accounts receivables decreased by \$25,860 and prepaid expenses decreased by \$18,940.

Total restricted deposits and funded reserves increased \$28,469 for an ending balance of \$52,298.

The Authority primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$343,031 or 3% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$656,968, less the recording of depreciation expense in the amount of \$1,000,315. During the year, the Authority sold a building in the amount of \$83,380 with a net book value of \$316. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

Notes receivable non-current remained the same from the prior year for an amount of \$66,119. Full detail of the account balance can be found in the Notes to the Financial Statements Section Note – 9 Notes Receivable non-current.

The Authority primary government reported a decrease in the deferred outflow for the pension cost in the amount of \$314,975 for an ending balance of \$335,313. The Authority primary government reported an increase in the deferred inflow for the pension cost in the amount of \$12,438 for an ending balance of \$1,417,518. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 10 Deferred Outflows/Inflows of Resources.

The Authority's primary government total liabilities are reported at \$4,138,423 of which noncurrent liabilities are stated at \$3,525,414. Total liabilities decreased during the year as compared to the prior year in the amount of \$629,400 or 13% percent. Total current liabilities increased during the year by \$34,393, leaving non-current liabilities for a decrease of \$663,793 as compared to the previous year.

Total primary government current liabilities increased from the previous year by \$34,393 or 6% percent. Accounts payables increased by \$41,476, accrued liabilities decreased by \$9,220, unearned revenue increase by \$2,258 and tenant security deposit payable increased by \$201. The current portion of the Capital Project Bonds payable decreased \$322 from the previous year.

The Authority primary government total noncurrent liabilities decreased by \$663,793 or 16% percent. The decrease was comprised of three accounts, long-term note payable which decreased by \$218,576 for an ending balance of \$1,049,684, accrued compensated absences – long term with no offsetting assets decreased \$5,892 from the prior fiscal year for an ending balance of \$110,547.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

Accrued pension and OPEB liabilities decreased \$439,325 or 16% percent for an ending balance of \$2,365,183. Additional information on the Authority's accrued pension and OPEB liabilities at September 30, 2019 can be found in Notes 17-18 to the financial statements, which is included in this report.

The Authority primary government had total operating revenue of \$5,820,862 as compared to \$5,485,019 from the prior year for an increase of \$335,843 or 6% percent. The Authority primary government had total operating expenses of \$6,289,760 as compared to \$6,410,081 from the previous year for a decrease of \$120,321 or 2% percent, resulting in a deficiency of revenue from operations in the amount of \$468,898 for the current year as compared to a deficiency of revenue from operations in the amount of \$925,062 for a decrease in deficit of \$456,164 or 49% percent from the previous year.

Total primary government capital improvements contributions from HUD were in the amount of \$544,229 as compared to \$218,531 from the previous year for an increase of \$325,698 or 149% percent. The Authority's primary government had capital outlays in the amount of \$656,968 for the fiscal year. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$4,186,099 for the fiscal year 2019 as compared to \$3,620,302 for the previous fiscal year 2018 for an increase of \$565,797 or 16% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing Program
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's primary government financial statements. The financial statements are prepared on an entity wide basis excluding the discretely presented component units and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flows
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 22.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flows– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 61.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 65-66 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Millville Housing Authority are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended September 30, 2019. Type B programs for the Millville Housing Authority are those which are less than \$750,000 in expenditures for the fiscal year ended September 30, 2019.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT)

The following summarizes the computation of Net Position of the primary government between September 30, 2019 and September 30, 2018:

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

	<u>Year Ended</u>		Increase
	September-19	September-18	(Decrease)
Cash	\$ 1,176,868	\$ 1,007,332	\$ 169,536
Other Current Assets	204,939	249,739	(44,800)
Capital Assets - Net	9,880,323	10,223,354	(343,031)
Notes Receivable	66,119	66,119	-
Deferred Outflows	335,313	650,288	(314,975)
Total Assets	11,663,562	12,196,832	(533,270)
Less: Current Liabilities	(613,009)	(578,616)	(34,393)
Less: Non Current Liabilities	(3,525,414)	(4,189,207)	663,793
Less: Deferred Inflows	(1,417,518)	(1,405,080)	(12,438)
Net Position	\$ 6,107,621	\$ 6,023,929	\$ 83,692
Net Investment in Capital Assets	\$ 8,612,044	\$ 8,736,177	\$ (124,133)
Restricted Net Position	41,980	13,686	28,294
Unrestricted Net Position	(2,546,403)	(2,725,934)	179,531
Net Position	\$ 6,107,621	\$ 6,023,929	\$ 83,692

Cash increase by \$169,536 or 17% percent. Net cash provided by operating activities was \$607,931, net cash used by capital and related financing activities was \$440,753 and net cash provided by investing activities was \$2,358. The full detail of this amount can be found in the Statement of Cash Flows on pages 21-22 of this audit report.

Other current assets decreased \$44,800. Accounts receivables decreased by \$25,860, and prepaid expenses decreased by \$18,940.

The Authority primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$343,031 or 3% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$656,968, less the recording of depreciation expense in the amount of \$1,000,315. During the year, the Authority sold a building in the amount of \$83,380 with a net book value of \$316. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

Notes receivable non-current remained the same from the prior year for an amount of \$66,119. Full detail of the account balance can be found in the Notes to the Financial Statements Section Note – 9 Notes Receivable non-current.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT) - CONTINUED

The Authority primary government reported a decrease in the deferred outflow for the pension cost in the amount of \$314,975 for an ending balance of \$335,313. The Authority primary government reported an increase in the deferred inflow for the pension cost in the amount of \$12,438 for an ending balance of \$1,417,518. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 10 Deferred Outflows/Inflows of Resources.

Total primary government current liabilities increase from the previous year by \$34,393 or 6% percent. Accounts payables increased by \$41,476, accrued liabilities decreased by \$9,220, unearned revenue increase by \$2,258 and tenant security deposit payable increased by \$201. The current portion of the Capital Project Bonds payable decreased \$322 from the previous year.

The Authority primary government total noncurrent liabilities decreased by \$663,793 or 16% percent. The decreased was comprised of three accounts, long-term note payable which decreased by \$218,576 for an ending balance of \$1,049,684, accrued compensated absences – long term with no offsetting assets decreased \$5,892 from the prior fiscal year for an ending balance of \$110,547.

Accrued pension and OPEB liabilities decreased \$439,325 or 16% percent for an ending balance of \$2,365,183. Additional information on the Authority's accrued pension and OPEB liabilities at September 30, 2019 can be found in Notes 17-18 to the financial statements, which is included in this report.

The Authority's primary government reported a net position of \$6,107,621 which is made up of three categories. The net investment in capital assets in the amount of \$8,612,044 represents the majority of the net position of the Authority. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance September 30, 2018	\$ 8,736,177
Fixed Asset Acquisitions	656,968
Sale of Fixed Assets	315
Payment of Principal on Debt	218,898
Depreciation Expense	(1,000,314)
Balance September 30, 2019	<u>\$ 8,612,044</u>

The primary government restricted net position increased \$28,294 or 207% percent for an ending balance of \$41,980. Additional information on the Authority's restricted net position can be found in Note 19 to the financial statements, which is included in this report.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT) - CONTINUED

The Millville Housing Authority primary government operating results for September 30, 2019 reported an increase in unrestricted net position of \$179,531 or 7% percent for an ending balance of negative (\$2,546,403). A full detail of this account can be found in the Notes to the Financial Statements Section Note – 20.

The following summarizes the changes in Net Position of the primary government between September 30, 2019 and September 30, 2018:

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

	<u>Year Ending</u>		Increase
	September-19	September-18	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 1,695,542	\$ 1,637,302	\$ 58,240
HUD Subsidies	3,641,870	3,401,771	240,099
Other Revenues	483,450	445,946	37,504
Total Operating Income	5,820,862	5,485,019	335,843
<u>Expenses</u>			
Operating Expenses	5,289,446	5,405,229	(115,783)
Depreciation Expense	1,000,314	1,004,852	(4,538)
Total Operating Expenses	6,289,760	6,410,081	(120,321)
Operating Income before Non Operating Income	(468,898)	(925,062)	456,164
Interest Income	2,358	4,216	(1,858)
Gain on Sale of Fixed Assets	6,003	-	6,003
HUD Capital Grants	544,229	218,531	325,698
Change in Net Position	83,692	(702,315)	786,007
Net Position Prior Year	6,023,929	6,761,893	(737,964)
Prior Period Adjustment - GASB #75	-	(35,649)	35,649
Total Net Position	\$ 6,107,621	\$ 6,023,929	\$ 83,692

Approximately 63% percent of the Authority's primary government total operating revenue was provided by HUD operating subsidy, while 29% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 8% percent of the total income.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT) - CONTINUED

The Millville Housing Authority received from the capital fund program \$544,229 in grant money an increase of \$325,698 from the prior fiscal year. The Authority primary government had capital expenditures of \$656,968. The current year additions included changing door locks, elevator upgrades, fire panel and additional security cameras.

The Authority's primary government operating expenses cover a range of expenses. The largest expense was for housing assistance payment representing 22% percent of total operating expense. Administrative expenses accounted for 19% percent, tenant services accounted for less than 1% percent, utilities expense accounted for 14% percent, maintenance expense accounted for 21% percent, other operating expenses accounted for 7% percent, and depreciation accounted for the remaining 16% percent of the total operating expenses.

The Authority primary government operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$468,898 from operations as compared to excess expenses from operations of \$925,062 for the previous year. The key elements for the decrease in the deficit in comparison to the prior year are as follow:

- The Authority primary government reported an increase in HUD PHA operating grants in the amount of \$240,099 or 7% percent.
- The Authority reported an increase in the tenants dwelling rental revenue in the amount of \$58,240 or 4% percent.
- Total other revenue increase in the amount of \$37,504.
- The Authority reported increases in the following accounts:
 - Utilities expense increased \$8,944 or 1% percent
 - Maintenance expense increased \$229,906 or 22% percent
- The Authority reported decreases in the following accounts:
 - Administrative expenses decreased \$265,787 or 18% percent
 - Other operating expenses decreased \$81,122 or 16% percent
 - Housing Assistance Payments decreased \$5,721

Total net cash provided by operating activities during the year was \$607,931 as compared to cash provided by operating activities in the amount of \$118,574 for the 2018 year.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT) - CONTINUED

The following are financial highlights of significant items for the primary government for a four-year period of time ending on September 30, 2019:

	September-18	September-18	September-17	September-16
Significant Income				
Total Tenant Revenue	\$ 1,695,542	\$ 1,637,302	\$ 1,639,824	\$ 1,659,390
HUD Operating Grants	3,641,870	3,401,771	3,339,553	3,325,462
HUD Capital Grants	544,229	218,531	221,672	478,035
Investment Income	2,358	4,216	3,482	3,028
Other Income	483,450	445,946	584,587	661,956
Total	<u>\$ 6,367,449</u>	<u>\$ 5,707,766</u>	<u>\$ 5,789,118</u>	<u>\$ 6,127,871</u>
Payroll Expense				
Administrative Salaries	\$ 685,367	\$ 838,864	\$ 837,525	\$ 835,242
Tenant Services Salaries	-	2,967	-	-
Maintenance Labor	312,702	246,963	227,250	288,181
Protective Services - Labor	1,495	10,290	-	98,213
Employee Benefits Expense	337,331	322,602	591,024	893,443
Total Payroll Expense	<u>\$ 1,336,895</u>	<u>\$ 1,421,686</u>	<u>\$ 1,655,799</u>	<u>\$ 2,115,079</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 416,292	\$ 407,030	\$ 597,068	\$ 591,417
Utilities Expense	877,240	868,296	873,306	794,854
Maintenance Materials Cost	291,444	235,484	184,742	336,870
Maintenance Contract Cost	617,658	500,991	422,407	321,873
Insurance Premiums	244,779	235,782	240,816	234,791
Housing Assistance Payments	1,432,021	1,437,742	1,392,772	1,400,715
Total	<u>\$ 3,879,434</u>	<u>\$ 3,685,325</u>	<u>\$ 3,711,111</u>	<u>\$ 3,680,520</u>
Total Operating Expenses	<u>\$ 6,289,760</u>	<u>\$ 6,410,081</u>	<u>\$ 6,729,677</u>	<u>\$ 7,163,297</u>
Total of Federal Awards	<u>\$ 4,186,099</u>	<u>\$ 3,620,302</u>	<u>\$ 3,561,225</u>	<u>\$ 3,803,497</u>

THE AUTHORITY AS A WHOLE

The Authority's primary government revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's unrestricted net position does not appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

THE AUTHORITY AS A WHOLE -CONTINUED

By far, the largest portion of the Authority's primary government net position reflects its net investment in capital assets. The net investment in capital assets (e.g., land, buildings, equipment, and construction in progress) uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending.

MILLVILLE HOUSING AUTHORITY PROGRAMS

Public and Indian Housing Program:

Under the Public Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Millville Housing Authority flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Housing Choice Voucher Program

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

BUDGETARY HIGHLIGHTS

For the year ended September 30, 2019, individual program or grant budgets were prepared by the Authority. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's primary government net investment in capital assets as of September 30, 2019 was \$9,880,323 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$343,031 or 3% percent. Major capital expenditures of \$656,968 were made during the year. The major capital assets events during the fiscal year included the following:

- Changing Door Locks
- Elevator Upgrades
- Fire Panel
- Additional Security Cameras

	September-19	September-18	Increase (Decrease)
Land	\$ 517,188	\$ 517,188	\$ -
Building	31,228,163	30,827,207	400,956
Furniture, Equipment - Dwelling	3,265,939	3,431,937	(165,998)
Furniture, Equipment - Administration	2,173,576	2,398,571	(224,995)
Leasehold Improvements	2,324,205	2,169,809	154,396
Construction in Process	619,988	210,759	409,229
Total Capital Assets	40,129,059	39,555,471	573,588
Less: Accumulated Depreciation	(30,248,736)	(29,332,117)	(916,619)
Net Book Value	\$ 9,880,323	\$ 10,223,354	\$ (343,031)

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 - Debt Administration

The Authority primary government has three (3) loans payable and 1 component unit loan outstanding at September 30, 2019.

	Short Term	Long Term	Total
CFFP Leveraging	\$ 140,000	\$ 895,000	\$ 1,035,000
Old National Bank - Energy	71,871	154,684	226,555
Ford Motor Credit	6,724	-	6,724
Total Notes Payable -Primary Government	218,595	1,049,684	1,268,279
Equipmwent Lease - Component Unit	5,219	11,231	16,450
Total Notes Payable	\$ 223,814	\$ 1,060,915	\$ 1,284,729

A full disclosure of loans payable at September 30, 2019 can be found in Note-16.

NEW INITIATIVES

For the fiscal year 2019 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 66% percent of its revenue from the Department of Housing and Urban Development, (2018 was 63% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority is exploring the process of converting the Public and Indian Housing Program rental units into RAD subsidy units.

The Authority has made steady progress in various phases of the operations, all the while increasing the occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of Millville all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Millville Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2020 fiscal year have already been submitted to HUD for approval and no major changes were made. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2020.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Converting Low Income Housing Program rental units into RAD subsidy units.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mr. Paul Dice, Executive Director, Millville Housing Authority, 122 East Main Street, Millville, NJ 08332 or call (856) 825-8860.

MILLVILLE HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2019

	September 30, 2019		
	Primary Government	Component Unit (Sept 2019)	Total (Memorandum)
Assets			
Current Assets:			
Cash and Cash Equivalents- Unrestricted	\$ 1,124,570	\$ 19,309	\$ 1,143,879
Accounts Receivables, Net of Allowances	83,090	32,836	115,926
Prepaid Expenses	121,849	4,453	126,302
Total Current Assets	<u>1,329,509</u>	<u>56,598</u>	<u>1,386,107</u>
Restricted Deposits and Funded Reserves			
Tenant Security Deposit	10,318	-	10,318
HCV HAP Reserves	39,975	-	39,975
Capital Leveraging Projects	2,005	-	2,005
Total Restricted Deposits and Funded Reserves	<u>52,298</u>	<u>-</u>	<u>52,298</u>
Noncurrent Assets			
Capital Assets			
Land	517,188		517,188
Building	31,228,163	396,476	31,624,639
Furniture, Equipment - Dwelling	3,265,939	-	3,265,939
Furniture, Equipment - Administration	2,173,576	80,855	2,254,431
Leasehold Improvements	2,324,205	13,333	2,337,538
Construction in Process	619,988	-	619,988
Total Capital Assets	<u>40,129,059</u>	<u>490,664</u>	<u>40,619,723</u>
Less: Accumulated Depreciation	<u>(30,248,736)</u>	<u>(116,338)</u>	<u>(30,365,074)</u>
Net Book Value	<u>9,880,323</u>	<u>374,326</u>	<u>10,254,649</u>
Notes Receivable - Non Current	66,119	-	66,119
Total Other Assets	<u>66,119</u>	<u>-</u>	<u>66,119</u>
Total Assets	<u>11,328,249</u>	<u>430,924</u>	<u>11,759,173</u>
Deferred Outflow of Resources			
State of New Jersey P.E.R.S. & OPEB	<u>335,313</u>	<u>-</u>	<u>335,313</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 11,663,562</u>	<u>\$ 430,924</u>	<u>\$ 12,094,486</u>

See accompanying notes to the financial statements.

MILLVILLE HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2019

	September 30, 2019		
	Primary Government	Component Unit (Sept 2019)	Total (Memorandum)
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 287,371	\$ 78,490	\$ 365,861
Accrued Liabilities	86,218	12,591	98,809
Unearned Revenue	10,507	7,944	18,451
Tenant Security Deposits	10,318	-	10,318
Long Term Debt - Current	218,595	5,219	223,814
Total Current Liabilities	<u>613,009</u>	<u>104,244</u>	<u>717,253</u>
Noncurrent Liabilities			
Long Term Debt - Non Current	1,049,684	11,231	1,060,915
Accrued Compensated Absences - Long-Term	110,547	9,467	120,014
Accrued Other Post-Employment Benefits Liabilities	2,365,183	-	2,365,183
Total Noncurrent Liabilities	<u>3,525,414</u>	<u>20,698</u>	<u>3,546,112</u>
 Total Liabilities	 <u>4,138,423</u>	 <u>124,942</u>	 <u>4,263,365</u>
Deferred Inflow of Resources			
State of New Jersey P.E.R.S. & OPEB	<u>1,417,518</u>	<u>-</u>	<u>1,417,518</u>
Net Position:			
Net Investment in Capital Assets	8,612,044	357,876	8,969,920
Restricted	41,980	-	41,980
Unrestricted	(2,546,403)	(51,894)	(2,598,297)
Total Net Position	<u>6,107,621</u>	<u>305,982</u>	<u>6,413,603</u>
 Total Liabilities, Deferred Inflow of Resources, and Net Position	 <u>\$ 11,663,562</u>	 <u>\$ 430,924</u>	 <u>\$ 12,094,486</u>

See accompanying notes to the financial statements.

MILLVILLE HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019

	September 30, 2019		
	Primary Government	Component Unit (Sept 2019)	Total (Memorandum)
Revenue:			
Tenant Rental Revenue	\$ 1,695,542	\$ -	\$ 1,695,542
HUD PHA Operating Grants	3,641,870	-	3,641,870
Fraud Recovery	15,954	-	15,954
Other Revenue	467,496	471,165	938,661
Total Revenue	<u>5,820,862</u>	<u>471,165</u>	<u>6,292,027</u>
Operating Expenses:			
Administrative Expense	1,225,006	44,174	1,269,180
Tenant Services	25,649	309,105	334,754
Utilities Expense	877,240	49,893	927,133
Maintenance Expense	1,290,884	49,123	1,340,007
Other Operating Expenses	438,646	29,314	467,960
Housing Assistance Payments	1,432,021		1,432,021
Depreciations Expense	1,000,314	39,523	1,039,837
Total Operating Expenses	<u>6,289,760</u>	<u>521,132</u>	<u>6,810,892</u>
Excess Expenses Over Revenue From Operations	<u>(468,898)</u>	<u>(49,967)</u>	<u>(518,865)</u>
Non Operating Income			
Investment Income	2,358	69	2,427
Gain on Sale of Assets	6,003	-	6,003
Total Non Operating Income	<u>8,361</u>	<u>69</u>	<u>8,430</u>
Excess Expenses Before Capital Grant Contributions	<u>(460,537)</u>	<u>(49,898)</u>	<u>(510,435)</u>
Capital Grant Contributions	<u>544,229</u>	<u>-</u>	<u>544,229</u>
Change in Net Position	<u>83,692</u>	<u>(49,898)</u>	<u>33,794</u>
Beginning Net Position	<u>6,023,929</u>	<u>355,880</u>	<u>6,379,809</u>
Ending Net Position	<u>\$ 6,107,621</u>	<u>\$ 305,982</u>	<u>\$ 6,413,603</u>

See accompanying notes to the financial statements.

MILLVILLE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019

	September 30, 2019		
	Primary Government	Component Unit (Sept 2019)	Total (Memorandum)
Cash Flow From Operating Activities			
Receipts from Tenants	\$ 1,699,147	\$ -	\$ 1,699,147
Receipts from Federal Grants	3,637,011	-	3,637,011
Receipts from Misc. Sources	513,031	465,579	978,610
Payments to Vendors and Suppliers	(1,567,896)	(114,523)	(1,682,419)
Payments for Housing Assistance Payments	(1,432,021)	-	(1,432,021)
Payments to Employees	(976,877)	(298,065)	(1,274,942)
Payment of Employee Benefits	(337,331)	(30,787)	(368,118)
Payment of Utilities Expenses	(927,133)	(49,893)	(977,026)
Net Cash Provided (Used) by Operating Activities	<u>607,931</u>	<u>(27,689)</u>	<u>580,242</u>
Cash Flow From Capital and Related Financing Activities			
Receipts from Capital Grants	544,229	-	544,229
Acquisitions and Construction of Capital Assets	(656,968)	(9,421)	(666,389)
(Decrease) Increase in Long Term Compensated Absences	(5,892)	8,921	3,029
Principal Payment on Debt	(218,898)	(4,823)	(223,721)
(Decrease) in Pension and OPEB Liabilities	(439,325)	-	(439,325)
Net Effect of Deferred Inflows and Outflows	327,413	-	327,413
Proceeds from Sale of Assets	8,688	-	8,688
Net Cash (Used) by Capital and Related Financing Activities	<u>(440,753)</u>	<u>(5,323)</u>	<u>(446,076)</u>
Cash Flow From Investing Activities			
Interest Income	2,358	69	2,427
Net Cash Provided by Investing Activities	<u>2,358</u>	<u>69</u>	<u>2,427</u>
Net Increase (Decrease) in Cash and Cash Equivalents	169,536	(32,943)	136,593
Beginning Cash	<u>1,007,332</u>	<u>52,252</u>	<u>1,059,584</u>
Ending Cash	<u>\$ 1,176,868</u>	<u>\$ 19,309</u>	<u>\$ 1,196,177</u>
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	\$ 1,124,570	\$ 19,309	\$ 1,143,879
Restricted Cash	52,298	-	52,298
Total Ending Cash	<u>\$ 1,176,868</u>	<u>\$ 19,309</u>	<u>\$ 1,196,177</u>

See accompanying notes to the financial statements.

MILLVILLE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019

	September 30, 2019		
	Primary Government	Component Unit (Sept 2019)	Total (Memorandum)
(Used) by Operating Activities	\$ (468,898)	\$ (49,967)	\$ (518,865)
Excess of Expenses Over Revenue			
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:			
Depreciation Expense	1,000,314	39,523	1,039,837
(Increase) Decrease in:			
Accounts Receivables	22,860	(5,586)	17,274
Prepaid Expenses	18,940	936	19,876
Increase (Decrease) in:			
Accounts Payable	41,476	(17,317)	24,159
Accrued Liabilities	(9,220)	1,242	(7,978)
Unearned Revenues	2,258	3,480	5,738
Tenant Security Deposits	201	-	201
Net Cash Provided (Used) by Operating Activities	<u>\$ 607,931</u>	<u>\$ (27,689)</u>	<u>\$ 580,242</u>
Supplemental Cash Flow Disclosures			
Interest Expense Paid During the Year	<u>\$ 68,621</u>	<u>\$ 1,513</u>	<u>\$ 70,134</u>

See accompanying notes to the financial statements.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

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

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 40A:12A-1 et al the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Millville in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in City of Millville. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of Millville and City Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the City of Millville reporting entity.

Based on the following criteria, the Authority has identified one (1) entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The organization is fiscal dependency on the primary government.
- C. The organization has potential to impose a financial benefit or burden on the primary government.
- D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
- E. The primary government is able to impose its will on the organization.

The Authority manages the financial affairs of Holly City Family Center.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

On January 30, 2008, HUD issued *PIH Notice 2008-9* which among other things requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both administrative fees and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fees and HAP revenue in the reporting period as revenue for financial statement reporting.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

Significant Accounting Policies -Continued

The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board *"Accounting and Financial Reporting for Pensions."* The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans of State and Local Governments. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

Statement No. 75 of the Government Accounting Standards Board ("GASB 75") *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued June 2015. GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. The Authority adopted this accounting standards effective October 1, 2017.

Basis of Accounting –

In proprietary fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low income families.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

Basis of Accounting – Continued

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Millville Housing Authority's flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by September 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program income are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

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

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2019

Basis of Accounting – Continued

Component Unit – Discretely Presented

Holly City Family Center is organized as a not for profit corporation. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this nonprofit corporation; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The accounting year end for the Holly City Family Center is September 30.

Report Presentation -

The Authority's financial statements are prepared in accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows:

1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2019

Other accounting policies - Continued

- 7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.
- 8 – The Authority does not have any infrastructure assets for its Enterprise Fund.
- 9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.
- 10- Advertising cost is charged to expense when incurred.
- 11- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.
- 12- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.
- 13- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

Other accounting policies - Continued

14 - Taxes

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

Under federal, state, and local law, the Authority's program is exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority pay the municipality a 10% of its net shelter rent.

15 - Net Position

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

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

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

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

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

Other accounting policies - Continued

16 - Operating and non-operating revenues and expenses

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, HAP portability payments for the tenants and various charges to tenants.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2019.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Budgetary and Policy Control -

The Authority submits its annual operating subsidy and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

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

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-61	497
Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-61	170

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Millville Housing Authority flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

Activities - Continued

Component Unit

Holly City Family Center is organized as a not for profit corporation. In accordance with GASB Statement No. 61, since the Authority manages the financial affair of this nonprofit corporation; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as a component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The accounting year end for the Holly City Family Center is September 30.

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3. The Board appoints management of the Authority who is responsible for the day-to-day operations and management is directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit until the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit.

All lease agreements have similar terms, therefore all lease contract revenue has been aggregated in the caption rental income in the statement of income. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the buildings(s). Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be considered late. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

NOTE 2 – ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 3 - PENSION PLAN - CONTINUED

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925. On the web: <http://www.state.nj.us/treasury/pensions/pdf/financial/2014divisioncombined.pdf>

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.50% of base wages.

The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2019 amounted to \$117,204.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects of GASB #68 can be found in Note 18- Accrued Pension Liability.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 4 – CASH, CASH EQUIVALENTS

The Authority's cash, and cash equivalents are stated at cost, which approximates market. Cash, and cash equivalents includes cash in banks, petty cash money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

Concentration of Credit Risk

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

Risk Disclosures

Collateral for Deposits

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

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At September 30, 2019, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities. The Authority's checking accounts and investments are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described below.

	Bank Balances	
	Primary Government	Component Unit
<u>Depository Accounts</u>		
Insured	\$ 627,461	\$ 19,309
Collateralized held by pledging bank's trust department in the Authority's name	549,407	-
Total Cash, Cash Equivalents	<u>\$ 1,176,868</u>	<u>\$ 19,309</u>

The Holly City Family Center maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. Holly City Family has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.

Restricted Deposits

The Authority has total restricted deposits at September 30, 2019 in the amount of \$52,298. The tenant security deposit restricted deposits at September 30, 2019 was in the amount of \$10,318. This amount is held as security deposits for the tenants of the Public and Indian Housing Program in an interest bearing accounts.

The amount of \$2,005 for 2019 is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

The restricted cash in the amount of \$39,975 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

The Authority's investments at September 30, 2019 included the following:

Investment	Maturity	Fair Value
Money Market Account	Upon Demand	\$ 123,981
Money Market Account	Upon Demand	500,007
Total Investments		<u>\$ 623,988</u>

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable at September 30, 2019 consisted of the following:

	Primary Government	Component Unit
Tenants Accounts Receivable - Present	\$ 13,474	\$ -
Less: Allowance for Doubtful Accounts - Tenants	(6,971)	-
Net Tenants Accounts Receivable	<u>6,503</u>	<u>-</u>
Accounts Receivable - HUD	34,860	
Accounts Receivable - Dues and Fees	41,727	32,836
Less: Allowance for Doubtful Accounts - Other	-	-
Net Other Receivables	<u>76,587</u>	<u>32,836</u>
Net Accounts Receivables Total	<u>\$ 83,090</u>	<u>\$ 32,836</u>

Tenants rents are due the first of each month. Management considers rents outstanding after the 5th day of the month as past due. The Millville Housing Authority carries its accounts receivable at cost less an allowance for doubtful accounts. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change.

NOTE 6 – INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at September 30, 2019 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 7 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at September 30, 2019 consisted of the following:

	Primary Government	Component Unit
Prepaid Insurance	61,879	4,453
Prepaid Maintenance Contracts	5,874	-
Inventory	60,107	-
Less Allowance for Obsolete Inventory	(6,011)	-
Total Prepaid Expenses	<u>\$ 121,849</u>	<u>\$ 4,453</u>

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated at cost.

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$5,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

Depreciation Expense

Depreciation expense for the primary government at September 30, 2019 was \$1,000,314. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2019

NOTE 8 - FIXED ASSETS – CONTINUED

Component Unit

Property and equipment valued at \$1,000 or more is capitalized at cost if purchased and at fair market value if donated. Improvements are also capitalized at cost. Routine repairs and maintenance are expensed as incurred.

Depreciation -Component Unit

Depreciation expense for 2019 was \$39,523. Depreciation of capital assets is provided using the straight-line basis over the useful lives of the respective assets. Buildings are depreciated over 15-40 years and furniture, equipment, and machinery are being depreciated over 3-7 years.

The Millville Housing Authority reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery's reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended September 30, 2019.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2019

Below is a schedule of changes in fixed assets for the twelve months ending September 30, 2019

Primary Government	September-18	Additions	Transfer	Deletion	September-19
Land	\$ 517,188	\$ -	\$ -	\$ -	\$ 517,188
Building	30,827,207	152,818	331,518	(83,380)	31,228,163
Furniture, Equipment - Dwelling	3,431,937	67,147	(233,145)	-	3,265,939
Furniture, Equipment - Administration	2,398,571	27,773	(252,768)	-	2,173,576
Leasehold Improvements	2,169,809	1	154,395	-	2,324,205
Construction in Process	210,759	409,229	-	-	619,988
Total Fixed Assets	39,555,471	656,968	-	(83,380)	40,129,059
Accumulated Depreciation	(29,332,117)	(1,000,315)	-	83,696	(30,248,736)
Net Book Value	\$ 10,223,354	\$ (343,347)	\$ -	\$ 316	\$ 9,880,323

Component Unit	September-18	Additions	Transfer	Deletion	September-19
Building	\$ 388,495	\$ 7,981	-	-	\$ 396,476
Furniture, Equipment	79,415	1,440	-	-	80,855
Leasehold Improvements	13,333	-	\$ -	-	13,333
Total Fixed Assets	481,243	9,421	-	-	490,664
Accumulated Depreciation	(76,816)	(39,522)	-	-	(116,338)
Net Book Value	\$ 404,427	\$ (30,101)	\$ -	\$ -	\$ 374,326

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2019

NOTE 8 - FIXED ASSETS – CONTINUED

Below is a schedule of the net book value of the fixed assets for the Millville Housing Authority as of September 30, 2019:

	Primary Government	Component Unit
Net Book Value of Fixed Assets		
Land	\$ 517,188	\$ -
Building	6,178,520	313,080
Furniture, Equipment - Dwelling	1,225,888	-
Furniture, Equipment - Administration	1,025,306	54,638
Leasehold Improvements	313,433	6,608
Construction in Process	619,988	-
Net Book Value	<u>\$ 9,880,323</u>	<u>\$ 374,326</u>

NOTE 9 – NOTES RECEIVABLE – NONCURRENT

Holly City Family Center – Locker Room Upgrade

The Center borrowed \$51,564 from Millville Housing Authority to renovate the locker rooms for the Holly City Family Center. Fully amortized principal and interest payments were due monthly beginning April 30, 2011 with the outstanding balance due in full on March 30, 2021. The note bears interest at a fixed rate of 7.00%. Per agreement with Millville Housing Authority all loan payments were suspended indefinitely effective January 1, 2015 and interest due on the loan from that date until payments are resumed is abated.

Holly City Family Center – Equipment Loan # 2

The Center borrowed \$22,041 from Millville Housing Authority to purchase fitness equipment for the Holly City Family Center. Fully amortized principal and interest payments are due monthly beginning July 1, 2013 with the outstanding balance due in full on June 1, 2023. The note bears interest at a fixed rate of 7.00%. Per agreement with Millville Housing Authority all loan payments were suspended indefinitely effective January 1, 2015 and interest due on the loan from that date until payments are resumed is abated.

The following represents a schedule of amounts during the fiscal years ended September 30, 2019:

	September-19
Locker Room Upgrade	\$ 46,487
Equipment Loan	19,632
Total Notes Receivable	<u>\$ 66,119</u>

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The Pension Liability discussed in Note 18 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experiences	\$ 38,968	\$ 9,591
Changes in Assumptions	216,792	753,581
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	34,272
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	79,553	620,074
Contributions Subsequent to the Measurement	-	-
Total	<u>\$ 335,313</u>	<u>\$ 1,417,518</u>

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$38,968 and \$9,591.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES -CONTINUED

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$216,792 and \$753,581.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of 7.5% and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$-0- and \$34,272.

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$79,553 and \$620,074.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 11 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of September 30, 2019. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at September 30, 2019 consist of the following:

	Primary Government	Component Unit
Accounts Payable Vendors	\$ 205,542	\$ 7,841
Accounts Payable Related Parties	-	70,649
Accounts Payable - Other Government	81,829	-
Total Accounts Payable	<u>\$ 287,371</u>	<u>\$ 78,490</u>

NOTE 12 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of Millville. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes. During the fiscal year ended September 30, 2019, PILOT expense of \$81,829 was accrued.

NOTE 13 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before September 30, and are payable at some future date. Accrued liabilities at September 30, 2019 consist of the following:

	Primary Government	Component Unit
Compensated Absences - Current Portion	\$ 12,284	\$ 1,052
Accrued Expenses - Wages and Payroll Taxes	43,396	11,539
Accrued Interest Payable	30,538	-
Total Accrued Liabilities	<u>\$ 86,218</u>	<u>\$ 12,591</u>

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 14 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered. Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of retirement, an employee is compensated for one for two unused sick days up to a maximum of \$15,000 under the Authority's current personnel policy. Generally, unused vacation may be carried over for a one-year period. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

The Authority has determined that the potential liability for accumulated vacation and sick time at September 30, 2019 as follows:

	Primary Government	Component Unit
Accumulated Sick Time	\$ 75,412	\$ 10,431
Accumulated Vacation Time	47,419	88
Total	122,831	10,519
Compensated Absences - Current Portion	(12,284)	(1,052)
Total Compensated Absences - Noncurrent	\$ 110,547	\$ 9,467

NOTE 15 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized.

	Primary Government	Component Unit
October Prepaid Tenant Rents	\$ 10,507	\$ -
Prepaid Membership Fees	-	7,944
Total Unearned Revenue	\$ 10,507	\$ 7,944

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 16 – LONG TERM DEBT

The Authority had the following notes payable as of September 30, 2019:

	Short Term	Long Term	Total
CFFP Leveraging	\$ 140,000	\$ 895,000	\$ 1,035,000
Old National Bank - Energy	71,871	154,684	226,555
Ford Motor Credit	6,724	-	6,724
Total Notes Payable -Primary Government	218,595	1,049,684	1,268,279
Equipmwent Lease - Component Unit	5,219	11,231	16,450
Total Notes Payable	\$ 223,814	\$ 1,060,915	\$ 1,284,729

CFFP Leveraging Note

The Authority participated on December 23, 2004 with other New Jersey Housing Authorities in the issuance of \$79,860,000 in Series 2004 HMFA Bonds. The Authority portion of the Series 2004 HMFA Bonds is \$2,875,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2026.

The faith and credit of the Millville Housing Authority was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2005. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

The Bonds are payable by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Bank of New York, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 16 – LONG TERM DEBT -CONTINUED

CFFP Leveraging Note

The interest payable for November 1, 2019 is \$24,209 and May 1, 2020 is \$22,677. These amounts were not accrued since the payment would be made from the Authority Capital Fund Program (CFP) and would be considered grant revenue in the year ended September 30, 2020.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

September 30, 2020	\$ 140,000
September 30, 2021	140,000
September 30, 2022	150,000
September 30, 2023	160,000
September 30, 2024	170,000
Sub Total	<u>760,000</u>
 Therafter ending November 1, 2026	 <u>\$ 275,000</u>
 Total Capital Project Bonds	 <u><u>\$ 1,035,000</u></u>

Old National Bank – Energy Note

November 2006 the Authority entered into a lease purchase agreement with Old National Bank for \$863,937. The purpose of the loan is to finance the cost of energy improvements. The lease commenced November 1, 2006 with a fixed annual interest rate of 4.990% and will end November 1, 2021. The schedule below describes the principal and interest payments for the next five years and thereafter:

September 30, 2020	\$ 71,871
September 30, 2021	75,459
September 30, 2022	79,225
Total Note Payable	<u><u>\$ 226,555</u></u>

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 16 – LONG TERM DEBT -CONTINUED

Ford Motor Credit

The Authority entered into a capital lease with Ford Motor Credit for the purchase of a vehicle in the amount of \$45,140 at an interest rate of 5.65% with 36 monthly payments ending on February 2020. The schedule below describes the principal and interest payments:

September 30, 2020	\$	<u>6,724</u>
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Component Unit

Capital Lease – Equipment Loan

The Center borrowed \$21,658 from Micro Lease Corporation to purchase fitness equipment for the Holly City Family Center. Fully amortized principal and interest payments are due monthly beginning September 1, 2019 with a monthly lease payment of \$528 for forty-eight (48) months ending August 2022.

The following is a summary of activity for long-term lease payable September 30, 2019:

September 30, 2020	\$	5,219
September 30, 2021		5,685
September 30, 2022		<u>5,546</u>
Total Lease Payable	\$	<u>16,450</u>

NOTE 17 – ACCRUED PENSION AND OPEB LIABILITIES

The Authority as of September 30, 2019 reported accrued pension and OPEB liability amounts as follows:

	<u>September-19</u>
Accrued OPEB Liability	\$ 194,086
Accrued Pension Liability	<u>2,171,097</u>
Total OPEB and Pension Liability	<u>\$ 2,365,183</u>

These amounts arose due to adoption of GASB #75 in 2018 year as well as GASB #68 which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 18 will discuss the effect of GASB #68 and the liability which arose from that.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 17 – ACCRUED OPEB LIABILITIES – CONTINUED

OPEB Liability – Plan Description and Benefits Provided

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

OPEB Liability

The Authority as of September 30, 2019 reported a net OPEB liability in the amount of \$194,086 due to GASB #75. The component of the current year net OPEB liability of the Authority as of September 30, 2019, the last evaluation date, is as follows:

Employer OPEB Liability	\$	194,086
Plan Net Position		-
Employer Net OPEB Liability	\$	<u>194,086</u>

The Authority's net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. This liability reflects the roll forward calculation for the fiscal year October 1, 2018 to September 30, 2019.

Benefits Provided: Retirees, that are vested, are eligible for post-employment medical benefits, including prescription drug benefits, as part of the medical plan on a fully insured basis through New Jersey State Health Benefits Program. Employee will pay Medicare Part B premium and reimbursed by Authority. Dental coverage and vision coverage are also provided to retirees. All coverages are 100% subsidized by the Authority.

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

Retired Employees Receiving Benefits	0
Actives Eligible for Benefits	2
Active Employees	<u>14</u>
Total Employees	<u>16</u>

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

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 17 – ACCRUED OPEB LIABILITIES – CONTINUED

Net OPEB Liability

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

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

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

Change in Assumptions: Effective October 1, 2017.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 17 – ACCRUED OPEB LIABILITIES – CONTINUED

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2019</u>
Service Cost	\$ 6,984
Interest on Total OPEB liability	5,890
Expected Investment Return	-
Administrative Expenses	-
Changes in Benefits Term	-
Inflows/Outflows of Resources	-
Changes in Assumptions or Other Inputs	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	-
Benefit Payments	-
Change in Plan	-
Net Change in Total OPEB Liability	12,874
Total OPEB Liability, Beginning	181,212
Total OPEB Liability, Ending	\$ 194,086

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

	<u>Discount Rate Sensitivity</u>		
	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 560,255	\$ 194,086	\$ 423,017

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

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 408,894	\$ 194,086	\$ 581,045

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 17 – ACCRUED OPEB LIABILITIES – CONTINUED

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

For the year ended September 30, 2019, the Authority recognized an OPEB expense of \$12,874 before contribution in the amount of \$-0-, which netted to \$12,874. As of September 30, 2019, the Authority did not report a deferred outflows of resources and deferred inflows of resources in relation to OPEB.

NOTE 18 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of September 30, 2019 reported a net pension liability in the amount of \$2,171,097 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	PERS
Employer Total Pension Liability	\$ 4,999,423
Plan Net Position	(2,828,326)
Employer Net Pension Liability	<u>\$ 2,171,097</u>

The Authority allocation percentage is 0.01204928% as of June 30, 2019.

Plan Description

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

Net Pension Liability Information

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Net Pension Liability Information -continued

The following represents the membership tiers for PERS:

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

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2019 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2019.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019 the State's pension contribution was less than the actuarial determined amount.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Net Pension Liability Information

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.

Actuarial Assumptions

The total pension liability for June 30, 2019 measurement dates were determined by using an actuarial valuation as of July 1, 2018, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the Pub-2010 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions – Continued

The actuarial assumptions used in the July 1, 2018 evaluation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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, 2019 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100%</u>	

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal year.

The State employer contributed 70% 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, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 6.28% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.28% percent) or 1 percentage-point higher (7.28% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (5.28%)	Current Discount (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,761,527	\$ 2,171,097	\$ 1,701,407

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

Year Ending June 30, 2020	\$ (62,691)
Year Ending June 30, 2021	(203,370)
Year Ending June 30, 2022	(181,597)
Year Ending June 30, 2023	(85,269)
Year Ending June 30, 2024	(8,756)
Total	<u>\$ (541,683)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2019, are as follows:

Service Cost	\$ 97
Interest on the Total Pension Liability	287,047
Member Contributions	(66,706)
Administrative Expenses	1,767
Expected Investment Return Net of Investment Expenses	(178,110)
Pension Expense Related to Specific Liabilities of Individual Employers	(834)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:	
Difference Between Expected and Actual Experience	21,611
Changes of Assumptions	(66,052)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	21,012
Total	<u>\$ 19,832</u>

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 19 – RESTRICTED NET POSITION

The Authority restricted net position for the Authority primary government account balance at September 30, 2019 consist of the following:

	Primary Government
Section 8 HAP Reserve	\$ 39,975
CFFP Leveraging Funds	2,005
Total Unearned Revenue	<u>\$ 41,980</u>

The restricted cash in the amount of \$39,975 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The amount of \$2,005 for 2019 is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority at September 30, 2019 was \$103,321.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2019

NOTE 20 – UNRESTRICTED NET POSITION

The Authority's primary government unrestricted net position account balance at September 30, 2019 is a negative (\$2,546,403) and the component unit net position with a balance of a negative (\$51,894) changes in unrestricted net position is as follows:

Primary Government	PIH Program Reserves	HCV Reserve	COCC Center	Total
Balance September 30, 2018	\$ (896,395)	\$ (171,382)	\$ (1,658,157)	\$(2,725,934)
Increase During the Year	-	27,467	154,601	182,068
Decrease During the Year	(2,537)	-	-	(2,537)
Balance September 30, 2019	<u>\$ (898,932)</u>	<u>\$ (143,915)</u>	<u>\$ (1,503,556)</u>	<u>\$(2,546,403)</u>

	Component Unit
Balance September 30, 2018	\$ (27,274)
Decrease During the Year	(24,620)
Balance September 30, 2019	<u>\$ (51,894)</u>

NOTE 21 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended September 30, 2019, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its buildings for the purpose of determining potential liability issues.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 22 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended September 30, 2019 were \$1,678,829.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The program provides for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher Program for September 30, 2019 was in the amount of \$1,613,736.

NOTE 23 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD was \$4,186,099 to the Authority which represents approximately 66% percent of the Authority's total revenue for the fiscal year September 30, 2019.

NOTE 24 - CONTINGENCIES

Litigation – At September 30, 2019, the Authority was not involved in any threatening litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2019

NOTE 25 – SUBSEQUENT EVENTS

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The Authority already received additional operating subsidy from HUD to offset these expenses.

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru October 26, 2020; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

MILLVILLE HOUSING AUTHORITY

Required Supplementary Information September 30, 2019

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

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

<u>Total OPEB Liability</u>	2019	2018
Service Cost	\$ 6,984	\$ 6,984
Interest on Total OPEB liability	5,890	5,892
Expected Investment Return	-	-
Administrative Expenses	-	-
Changes in Benefits Term	-	-
Inflows/Outflows of Resources	-	-
Changes in Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Investments Earning on OPEB	-	-
Plan Investments	-	-
Benefit Payments	-	-
Change in Plan	-	-
Net Change in Total OPEB Liability	12,874	12,876
Total OPEB Liability, Beginning	181,212	168,336
Total OPEB Liability, Ending	<u>\$ 194,086</u>	<u>\$ 181,212</u>
Covered, Employee Payroll	\$ 878,099	\$ 789,904
Total OPEB Liability as a percentage of covered employee payroll	22.10%	22.94%

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

MILLVILLE HOUSING AUTHORITY

Required Supplementary Information September 30, 2019

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

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2019	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.01204928%	0.01332332%	0.01576555%	0.01526477%	0.01655000%
Housing Authority's proportionate share of the net pension liability	\$ 2,171,097	\$ 2,623,296	\$ 3,669,968	\$ 4,520,986	\$ 3,429,949
Housing Authority's covered employee payroll	\$ 878,099	\$ 1,088,794	\$ 1,091,357	\$ 1,121,636	\$ 1,171,548
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.25%	240.94%	336.28%	403.07%	292.77%
Plan fiduciary net position as a percentage of the total pension liability	43.42%	53.60%	48.01%	59.86%	52.07%

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

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

MILLVILLE HOUSING AUTHORITY

Required Supplementary Information September 30, 2019

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

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

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 117,204	\$ 132,524	\$ 146,051	\$ 135,160	\$ 145,047
Contribution in relation to the contractually required contribution	(117,204)	(132,524)	(146,051)	(135,160)	(145,047)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 878,099	\$ 1,088,794	\$ 1,091,357	\$ 1,121,636	\$ 1,171,548
Contribution as a percentage of covered employee payroll	13.35%	12.17%	13.38%	12.05%	12.38%

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

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

MILLVILLE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019

Programs funded by:

U.S. Department of Housing and Urban Development

CFDA #'s	Grant Period		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
	From	To				
Public and Indian Housing Program						
NJ061-00000117D	1/1/2017	12/31/2017	230,700	233	233	230,700
NJ061-00000118D	1/1/2018	12/31/2018	262,083	68,676	68,676	262,083
NJ061-00000119D	1/1/2019	12/31/2019	229,186	170,070	170,070	170,070
NJ061-00000217D	1/1/2017	12/31/2017	270,297	273	273	270,297
NJ061-00000218D	1/1/2018	12/31/2018	263,109	68,944	68,944	263,109
NJ061-00000219D	1/1/2019	12/31/2019	271,542	201,604	201,604	201,604
NJ061-00000317D	1/1/2017	12/31/2017	284,423	288	288	284,423
NJ061-00000318D	1/1/2018	12/31/2018	322,300	84,154	84,154	322,300
NJ061-00000319D	1/1/2019	12/31/2019	317,288	235,568	235,568	235,568
NJ061-00000417D	1/1/2017	12/31/2017	315,288	319	319	315,288
NJ061-00000418D	1/1/2018	12/31/2018	344,801	90,381	90,381	344,801
NJ061-00000419D	1/1/2019	12/31/2019	348,879	259,009	259,009	259,009
NJ061-00000517D	1/1/2017	12/31/2017	262,070	265	265	262,070
NJ061-00000518D	1/1/2018	12/31/2018	315,193	82,592	82,592	315,193
NJ061-00000519D	1/1/2019	12/31/2019	301,903	224,136	224,136	224,136
NJ061-00000617D	1/1/2017	12/31/2017	166,916	169	169	166,916
NJ061-00000618D	1/1/2018	12/31/2018	208,361	54,598	54,598	208,361
NJ061-00000619D	1/1/2019	12/31/2019	185,326	137,551	137,551	137,551
Grant Subtotal			4,899,665	1,678,829	1,678,829	4,473,478
Public Housing Capital Fund Program						
NJ39P061501-17	8/16/2017	8/15/2021	545,473	255,230	255,230	545,473
NJ39P061501-18	5/29/2018	5/28/2023	839,688	638,304	638,304	638,304
Grant Subtotal			1,385,161	893,533	893,533	1,183,777
Section 8Housing Choice Voucher Program						
NJ058	10/1/2018	9/30/2019	1,613,736	1,613,736	1,613,736	1,613,736
Grant Subtotal			1,613,736	1,613,736	1,613,736	1,613,736
Total Expenditures of Federal Awards			\$ 7,898,562	\$ 4,186,099	\$ 4,186,099	\$ 7,270,991

MILLVILLE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Millville Housing Authority is under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Millville Housing Authority, it is not intended to and does not present the financial position, change in net position, or cash flows of the Millville Housing Authority.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Millville Housing Authority has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:

Millville Housing Authority has notes payable in the amount of \$1,284,729 outstanding at September 30, 2019. See Note 16 on pages 46-48 of this report for full detail.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2019.

Note 6. Sub recipients:

Of the federal expenditures presented in the schedule above, the Millville Housing Authority did not provide federal awards to any sub recipients.

Millville Housing Authority (NJ061)
MILLVILLE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2019

	Project Total	Housing Choice Vouchers	Component Unit - Discretely	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$787,407	\$76,428	\$19,309	\$260,735	\$1,143,879		\$1,143,879
112 Cash - Restricted - Modernization and Development	\$2,005				\$2,005		\$2,005
113 Cash - Other Restricted		\$39,975			\$39,975		\$39,975
114 Cash - Tenant Security Deposits	\$10,318				\$10,318		\$10,318
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$799,730	\$116,403	\$19,309	\$260,735	\$1,196,177		\$1,196,177
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects	\$34,860				\$34,860		\$34,860
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous	\$5,245		\$32,836	\$36,196	\$74,277		\$74,277
126 Accounts Receivable - Tenants	\$13,474				\$13,474		\$13,474
126.1 Allowance for Doubtful Accounts - Tenants	\$6,971				\$6,971		\$6,971
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$286				\$286		\$286
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$46,894	\$0	\$32,836	\$36,196	\$115,926		\$115,926
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$52,951	\$3,180	\$4,453	\$11,624	\$72,208		\$72,208
143 Inventories	\$60,106				\$60,106		\$60,106
143.1 Allowance for Obsolete Inventories	\$6,012				\$6,012		\$6,012
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$953,669	\$119,583	\$56,598	\$308,555	\$1,438,405		\$1,438,405
161 Land	\$517,188				\$517,188		\$517,188
162 Buildings	\$31,206,651		\$396,476	\$21,512	\$31,624,639		\$31,624,639
163 Furniture, Equipment & Machinery - Dwellings	\$3,258,565	\$7,374			\$3,265,939		\$3,265,939
164 Furniture, Equipment & Machinery - Administration	\$2,059,868		\$80,855	\$113,708	\$2,254,431		\$2,254,431

Millville Housing Authority (NJ061)
MILLVILLE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
165 Leasehold Improvements	\$2,321,702		\$13,333	\$2,503	\$2,337,538		\$2,337,538
166 Accumulated Depreciation	-\$30,126,209	-\$7,374	-\$116,338	-\$115,153	-\$30,365,074		-\$30,365,074
167 Construction in Progress	\$619,988				\$619,988		\$619,988
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,857,753	\$0	\$374,326	\$22,570	\$10,254,649		\$10,254,649
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				\$66,119	\$66,119		\$66,119
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$9,857,753	\$0	\$374,326	\$88,689	\$10,320,768		\$10,320,768
200 Deferred Outflow of Resources	\$282,499	\$28,422		\$24,392	\$335,313		\$335,313
290 Total Assets and Deferred Outflow of Resources	\$11,093,921	\$148,005	\$430,924	\$421,636	\$12,094,486		\$12,094,486
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$177,900	\$1,868	\$7,841	\$25,774	\$213,383		\$213,383
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$20,294	\$2,956	\$11,539	\$20,146	\$54,935		\$54,935
322 Accrued Compensated Absences - Current Portion	\$3,194	\$1,324	\$1,052	\$7,766	\$13,336		\$13,336
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$30,538				\$30,538		\$30,538
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$81,829				\$81,829		\$81,829
341 Tenant Security Deposits	\$10,318				\$10,318		\$10,318
342 Unearned Revenue	\$10,507		\$7,944		\$18,451		\$18,451
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$218,595		\$5,219		\$223,814		\$223,814
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities			\$70,649		\$70,649		\$70,649
346 Accrued Liabilities - Other							

Millville Housing Authority (NJ061)
MILLVILLE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2019

	14.871	Housing Choice Vouchers	6.1	Component Unit - Discretely	COCC	Subtotal	ELIM	Total
347 Inter Program - Due To								
348 Loan Liability - Current								
310 Total Current Liabilities	\$553,175	\$6,148	\$104,244		\$53,686	\$717,253		\$717,253
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,049,684		\$11,231			\$1,060,915		\$1,060,915
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other								
354 Accrued Compensated Absences - Non Current	\$28,743	\$11,917	\$9,467		\$69,887	\$120,014		\$120,014
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$1,165,922	\$137,394			\$1,061,867	\$2,365,183		\$2,365,183
350 Total Non-Current Liabilities	\$2,244,349	\$149,311	\$20,698		\$1,131,754	\$3,546,112		\$3,546,112
300 Total Liabilities	\$2,797,524	\$155,459	\$124,942		\$1,185,440	\$4,263,365		\$4,263,365
400 Deferred Inflow of Resources	\$603,850	\$96,486			\$717,182	\$1,417,518		\$1,417,518
508.4 Net Investment in Capital Assets	\$8,589,474	\$0	\$357,876		\$22,570	\$8,969,920		\$8,969,920
511.4 Restricted Net Position	\$2,005	\$39,975	\$0			\$41,980		\$41,980
512.4 Unrestricted Net Position	-\$898,932	-\$143,915	-\$51,894		-\$1,503,556	-\$2,598,297		-\$2,598,297
513 Total Equity - Net Assets / Position	\$7,692,547	-\$103,940	\$305,982		-\$1,480,986	\$6,413,603		\$6,413,603
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$11,093,921	\$148,005	\$430,924		\$421,636	\$12,094,486		\$12,094,486

Millville Housing Authority (NJ061)
MILLVILLE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,658,171				\$1,658,171		\$1,658,171
70400 Tenant Revenue - Other	\$37,371				\$37,371		\$37,371
70500 Total Tenant Revenue	\$1,695,542	\$0	\$0	\$0	\$1,695,542	\$0	\$1,695,542
70600 HUD PHA Operating Grants	\$2,028,134	\$1,613,736			\$3,641,870		\$3,641,870
70610 Capital Grants	\$544,229				\$544,229		\$544,229
70710 Management Fee				\$523,415	\$523,415	-\$523,415	\$0
70720 Asset Management Fee				\$22,880	\$22,880	-\$22,880	\$0
70730 Book Keeping Fee				\$58,134	\$58,134	-\$58,134	\$0
70740 Front Line Service Fee				\$3,185	\$3,185	-\$3,185	\$0
70750 Other Fees				\$225,119	\$225,119		\$225,119
70700 Total Fee Revenue				\$832,733	\$832,733	-\$607,614	\$225,119
70800 Other Government Grants							
71100 Investment Income - Unrestricted		\$22	\$69	\$2,183	\$2,274		\$2,274
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery		\$15,954			\$15,954		\$15,954
71500 Other Revenue	\$255,617	\$24,778	\$471,165		\$751,560	-\$38,018	\$713,542
71600 Gain or Loss on Sale of Capital Assets	\$6,003				\$6,003		\$6,003
72000 Investment Income - Restricted	\$153				\$153		\$153
70000 Total Revenue	\$4,529,678	\$1,654,490	\$471,234	\$834,916	\$7,490,318	-\$645,632	\$6,844,686
91100 Administrative Salaries	\$199,085	\$75,682	\$7,366	\$410,600	\$692,733		\$692,733
91200 Auditing Fees	\$10,538	\$591	\$4,515	\$167	\$15,811		\$15,811
91300 Management Fee	\$504,069	\$19,344			\$523,413	-\$523,415	-\$2
91310 Book-keeping Fee	\$42,429	\$15,705			\$58,134	-\$58,134	\$0
91400 Advertising and Marketing	\$106		\$977		\$1,083		\$1,083
91500 Employee Benefit contributions - Administrative	\$66,200	\$23,756		\$33,391	\$123,347		\$123,347
91600 Office Expenses	\$185,858	\$9,234	\$11,324	\$75,981	\$282,397	-\$41,203	\$241,194
91700 Legal Expense	\$45,464		\$856	\$19,139	\$65,459		\$65,459
91800 Travel	\$6,181	\$575	\$156	\$9,373	\$16,285		\$16,285
91810 Allocated Overhead							
91900 Other	\$6,538	\$7,956	\$18,980	\$79,796	\$113,270		\$113,270
91000 Total Operating - Administrative	\$1,066,468	\$152,843	\$44,174	\$628,447	\$1,891,932	-\$622,752	\$1,269,180
92000 Asset Management Fee	\$22,880				\$22,880	-\$22,880	\$0
92100 Tenant Services - Salaries			\$246,863		\$246,863		\$246,863

Millville Housing Authority (NJ061)
MILLVILLE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2019

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services			\$32,432		\$32,432		\$32,432
92400 Tenant Services - Other	\$25,649		\$29,810		\$55,459		\$55,459
92500 Total Tenant Services	\$25,649	\$0	\$309,105	\$0	\$334,754	\$0	\$334,754
93100 Water	\$345,551				\$345,551		\$345,551
93200 Electricity	\$323,312		\$45,810		\$369,122		\$369,122
93300 Gas	\$208,377		\$4,083		\$212,460		\$212,460
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$877,240	\$0	\$49,893	\$0	\$927,133	\$0	\$927,133
94100 Ordinary Maintenance and Operations - Labor	\$292,702		\$42,619		\$335,321		\$335,321
94200 Ordinary Maintenance and Operations - Materials and Other	\$289,745	\$637	\$4,154	\$1,062	\$295,598		\$295,598
94300 Ordinary Maintenance and Operations Contracts	\$617,658		\$2,350		\$620,008		\$620,008
94500 Employee Benefit Contributions - Ordinary Maintenance	\$89,080				\$89,080		\$89,080
94000 Total Maintenance	\$1,289,185	\$637	\$49,123	\$1,062	\$1,340,007	\$0	\$1,340,007
95100 Protective Services - Labor	\$1,495				\$1,495		\$1,495
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other	\$5,524				\$5,524		\$5,524
95500 Employee Benefit Contributions - Protective Services	\$118				\$118		\$118
95000 Total Protective Services	\$7,137	\$0	\$0	\$0	\$7,137	\$0	\$7,137
96110 Property Insurance							
96120 Liability Insurance							
96130 Workmen's Compensation							
96140 All Other Insurance	\$192,510	\$10,170	\$17,887	\$42,099	\$262,666		\$262,666
96100 Total Insurance Premiums	\$192,510	\$10,170	\$17,887	\$42,099	\$262,666	\$0	\$262,666
96200 Other General Expenses	\$5,001				\$5,001		\$5,001
96210 Compensated Absences		\$723	\$9,914	\$2,730	\$13,367		\$13,367
96300 Payments in Lieu of Taxes	\$81,829				\$81,829		\$81,829
96400 Bad debt - Tenant Rents	\$29,344				\$29,344		\$29,344

Millville Housing Authority (NJ061)
MILLVILLE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 09/30/2019					
	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
96500 Bad debt - Mortgages							
96600 Bad debt - Other				\$4,074	\$4,074		\$4,074
96800 Severance Expense							
96000 Total Other General Expenses	\$116,174	\$723	\$9,914	\$6,804	\$133,615	\$0	\$133,615
96710 Interest of Mortgage (or Bonds) Payable	\$50,441				\$50,441		\$50,441
96720 Interest on Notes Payable (Short and Long Term)	\$12,588		\$1,513		\$14,101		\$14,101
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$63,029	\$0	\$1,513	\$0	\$64,542	\$0	\$64,542
96900 Total Operating Expenses	\$3,660,272	\$164,373	\$481,609	\$678,412	\$4,984,666	-\$645,632	\$4,339,034
97000 Excess of Operating Revenue over Operating Expenses	\$869,406	\$1,490,117	-\$10,375	\$156,504	\$2,505,652	\$0	\$2,505,652
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments		\$1,432,021			\$1,432,021		\$1,432,021
97350 HAP Portability-In							
97400 Depreciation Expense	\$994,448		\$39,523	\$5,866	\$1,039,837		\$1,039,837
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$4,654,720	\$1,596,394	\$521,132	\$684,278	\$7,456,524	-\$645,632	\$6,810,892
10010 Operating Transfer In	\$209,895				\$209,895		\$209,895
10020 Operating transfer Out	-\$209,895				-\$209,895		-\$209,895
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Millville Housing Authority (NJ061)
MILLVILLE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 09/30/2019					
	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$125,042	\$58,096	-\$49,898	\$150,638	\$33,794	\$0	\$33,794
11020 Required Annual Debt Principal Payments	\$215,894	\$0	\$5,219	\$0	\$221,113		\$221,113
11030 Beginning Equity	\$7,817,589	-\$162,036	\$355,880	-\$1,631,624	\$6,379,809		\$6,379,809
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			\$0		\$0		\$0
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity		-\$143,915			-\$143,915		-\$143,915
11180 Housing Assistance Payments Equity		\$39,975			\$39,975		\$39,975
11190 Unit Months Available	5892	2282		0	8174		8174
11210 Number of Unit Months Leased	5656	2117		0	7773		7773
11270 Excess Cash	-\$1,960				-\$1,960		-\$1,960
11610 Land Purchases	\$0			\$0	\$0		\$0
11620 Building Purchases	\$371,039			\$0	\$371,039		\$371,039
11630 Furniture & Equipment - Dwelling Purchases	\$24,570			\$0	\$24,570		\$24,570
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$13,620			\$0	\$13,620		\$13,620
11660 Infrastructure Purchases	\$0			\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$135,000			\$0	\$135,000		\$135,000
13901 Replacement Housing Factor Funds	\$0			\$0	\$0		\$0



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INDEPENDENT AUDITOR'S REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Board of Commissioners
Millville Housing Authority
1 East Vine Street
Millville, New Jersey 08332

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Millville Housing Authority as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Millville Housing Authority basic financial statements, and have issued our report thereon dated October 26, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Millville Housing Authority 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 Millville Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Millville Housing Authority internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: October 26, 2020



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

Board of Commissioners
Millville Housing Authority
1 East Vine Street
Millville, New Jersey 08332

Report on Compliance for Each Major Federal Program

We have audited Millville Housing Authority compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Millville Housing Authority major federal programs for the year ended September 30, 2019. Millville Housing Authority major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Millville Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of Millville Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Millville Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Millville Housing Authority internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: October 26, 2020

MILLVILLE HOUSING AUTHORITY

Schedule of Findings, Questioned Costs, and Recommendations Year Ended September 30, 2019

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with section Title 2 U.S. Code of Federal Regulation
Part 200, Uniform Administrative Requirements, _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.872	Public Housing Capital Fund Program	\$ 893,533

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

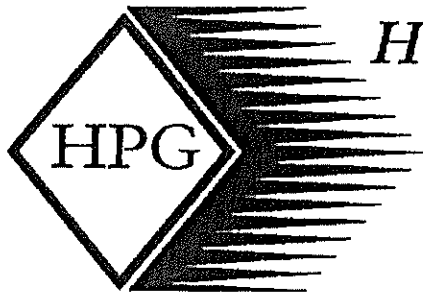
Auditee qualified as a low-risk auditee X yes _____ no

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Millville Housing Authority
1 East Vine Street
Millville, New Jersey 08332

We have performed the procedure described in the second paragraph of this report, which was agreed to by Millville Housing Authority and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. Millville Housing Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Millville Housing Authority as of and for the year ended September 30, 2019, and have issued our reports thereon dated October 26, 2020. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated September 30, 2019, was expressed in relation to the basic financial statements of Millville Housing Authority taken as a whole.

A copy of the reporting package required by OMB Uniform Guidance, which includes the auditor's reports, is available in its entirety from Millville Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of Millville Housing Authority and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
October 26, 2020

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule,all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>