

**Report On Audit**

**MILLVILLE  
HOUSING AUTHORITY**

**For the Year Ended  
September 30, 2017**

# 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 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, 2017, 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, 2017, 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 PERS supplemental information on pages 4 through 17 and pages 63-64 be presented to supplement the basic financial statements. Such information, although not a part of the 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The financial statement of the Millville Housing Authority, as of September 30, 2016, was audited by other auditors whose report dated June 26, 2017 expressed an unmodified opinion on those statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued reports dated May 31, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Hymanson, Parnes & Giampaolo**

Lincroft, New Jersey

Date: May 31, 2018

**MILLVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2017**

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. New standards issued by GASB have significantly changed the format of the financial statements. 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 \$6,761,893 a decrease in the financial position of \$940,559 or 12% percent as compared to the prior year.

As noted above, the net position of the Authority primary government was \$6,761,893 as of September 30, 2017. Of this amount, the primary government unrestricted net position is a negative (\$2,593,533) representing an increase in the deficit of \$302,460 or 13% 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 \$681,545 or 7% percent for an ending balance of \$9,099,480. The primary government restricted net position increased \$43,446 or 20% percent for an ending balance of \$255,946. 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, 2017 is \$1,073,469 representing a decrease of \$144,463 or 12% percent from the prior fiscal year. Total primary government restricted cash increased \$44,547 or 20% percent for an ending balance of \$265,813. The full detail of this amount can be found in the Statement of Cash Flow on pages 21-22 of this report.

The Authority's primary government total assets and deferred outflows are \$13,827,612 of which capital assets net book value is \$11,021,473, non-current notes receivables in the amount of \$66,119, deferred outflows in the amount of \$1,107,195, leaving total current assets at \$1,632,825.

Total Authority's primary government current assets decreased from the previous year by \$209,800 or 11% percent. Unrestricted cash and cash equivalents decreased by \$144,463, restricted cash and cash equivalents increased \$44,547, accounts receivables decreased by \$88,434 and prepaid expenses decreased by \$21,450.

**MILLVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2017**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$846,870 or 7% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$431,556, less the write off of asset disposition in the amount of \$150,000 and less the recording of depreciation expense in the amount of \$1,128,426. 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 \$321,446 for an ending balance of \$1,107,195. The Authority primary government reported an increase in the deferred inflow for the pension cost in the amount of \$693,223 for an ending balance of \$855,260. 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 \$6,210,459 of which noncurrent liabilities are stated at \$5,615,923. Total liabilities decreased during the year as compared to the prior year in the amount of \$1,130,780 or 15% percent. Total current liabilities decrease during the year by \$130,174, leaving non-current liabilities for a decrease of \$1,000,606 as compared to the previous year.

Total primary government current liabilities decrease from the previous year by \$130,174 or 18% percent. Accounts payables decreased by \$132,707, accrued liabilities decreased by \$23,088, unearned revenue decreased by \$3,194 and tenant security deposit payable increased by \$1,101. The current portion of the Capital Project Bonds payable increased \$27,714 from the previous year.

The Authority primary government total noncurrent liabilities decreased by \$1,000,606 or 15% percent. The decreased was comprised of three accounts, long-term note payable which decreased by \$193,039 for an ending balance of \$1,692,176, accrued compensated absences – long term with no offsetting assets increased \$18,883 from the prior fiscal year for an ending balance of \$121,092.

Accrued pension and OPEB liabilities decreased \$826,450 or 18% percent for an ending balance of \$3,802,655. Additional information on the Authority's accrued pension and OPEB liabilities at September 30, 2017 can be found in Notes 17-18 to the financial statements, which is included in this report.

**MILLVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2017**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority primary government had total operating revenue of \$5,563,964 as compared to \$5,646,808 from the prior year for a decrease of \$82,844 or 1% percent. The Authority primary government had total operating expenses of \$6,729,677 as compared to \$7,163,297 from the previous year for a decrease of \$433,620 or 6% percent, resulting in a deficiency of revenue from operations in the amount of \$1,165,713 for the current year as compared to a deficiency of revenue from operations in the amount of \$1,516,489 for a decrease in deficit of \$350,776 or 23% percent from the previous year.

Total primary government capital improvements contributions from HUD were in the amount of \$221,672 as compared to \$478,035 from the previous year for a decrease of \$256,363 or 54% percent. The Authority's had capital outlays in the amount of \$431,556 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development and the remainder through management's reserves. 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 \$3,561,225 for the fiscal year 2017 as compared to \$3,803,497 for the previous fiscal year 2016 for a decrease of \$242,272 or 6% 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, 2017**

**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 Flow
- 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 Flow– 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, 2017**

**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 60.

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 61-62 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, 2017. 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, 2017.

**MILLVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2017**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Position of the primary government between September 30, 2017 and September 30, 2016:

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

	<u>Year Ended</u>		Increase
	September-17	September-16	(Decrease)
Cash	\$ 1,339,282	\$ 1,439,198	\$ (99,916)
Other Current Assets	293,543	403,427	(109,884)
Capital Assets - Net	11,021,473	11,868,343	(846,870)
Notes Receivable	66,119	66,119	-
Deferred Outflows	1,107,195	1,428,641	(321,446)
Total Assets	13,827,612	15,205,728	(1,378,116)
Less: Current Liabilities	(594,536)	(724,710)	130,174
Less: Non Current Liabilities	(5,615,923)	(6,616,529)	1,000,606
Less: Deferred Inflows	(855,260)	(162,037)	(693,223)
Net Position	\$ 6,761,893	\$ 7,702,452	\$ (940,559)
Net Investment in Capital Assets	\$ 9,099,480	\$ 9,781,025	\$ (681,545)
Restricted Net Position	255,946	212,500	43,446
Unrestricted Net Position	(2,593,533)	(2,291,073)	(302,460)
Net Position	\$ 6,761,893	\$ 7,702,452	\$ (940,559)

Cash decreased by \$99,916 or 7% percent. Net cash used by operating activities was \$85,291, net cash used by capital and related financing activities was \$18,107, and net cash provided by investing activities was \$3,482. The full detail of this amount can be found in the Statement of Cash Flow on pages 21-22 of this audit report.

Other current assets decreased \$109,884. Accounts receivables decreased by \$88,434, and prepaid expenses decreased by \$21,450. Accounts receivable decreased mainly due to a prior year HUD Receivable which was received during the year.

The Authority primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$846,870 or 7% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$431,556, less the write off of asset disposition in the amount of \$150,000 and less the recording of depreciation expense in the amount of \$1,128,426. 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, 2017**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The Authority primary government reported a decrease in the deferred outflow for the pension cost in the amount of \$321,446 for an ending balance of \$1,107,195. The Authority primary government reported an increase in the deferred inflow for the pension cost in the amount of \$693,223 for an ending balance of \$855,260. 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 decrease from the previous year by \$130,174 or 18% percent. Accounts payables decreased by \$132,707, accrued liabilities decreased by \$23,088, unearned revenue decreased by \$3,194 and tenant security deposit payable increased by \$1,101. The current portion of the Capital Project Bonds payable increased \$27,714 from the previous year.

The Authority primary government total noncurrent liabilities decreased by \$1,000,606 or 15% percent. The decreased was comprised of three accounts, long-term note payable which decreased by \$193,039 for an ending balance of \$1,692,176, accrued compensated absences – long term with no offsetting assets increased \$18,883 from the prior fiscal year for an ending balance of \$121,092.

Accrued pension and OPEB liabilities decreased \$826,450 or 18% percent for an ending balance of \$3,802,655. Additional information on the Authority's accrued pension and OPEB liabilities at September 30, 2017 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 \$6,761,893 which is made up of three categories. The net investment in capital assets in the amount of \$9,099,480 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, 2016	\$ 9,781,025
Fixed Asset Acquisitions	431,556
Fixed Asset Disposition	(150,000)
Payment of Principal on Debt	165,325
Depreciation Expense	(1,128,426)
Balance September 30, 2017	<u>\$ 9,099,480</u>

The Millville Housing Authority primary government operating results for September 30, 2017 reported a decrease in unrestricted net position of \$302,460 or 13% percent for an ending balance of negative (\$2,593,533). A full detail of this account can be found in the Notes to the Financial Statements Section Note – 20.

**MILLVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2017**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The primary government restricted net position increased \$43,446 or 20% percent for an ending balance of \$255,946. 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 following summarizes the changes in Net Position of the primary government between September 30, 2017 and September 30, 2016:

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

	<u>Year Ending</u>		<u>Increase</u>
	<u>September-17</u>	<u>September-16</u>	<u>(Decrease)</u>
<u>Revenues</u>			
Tenant Revenues	\$ 1,639,824	\$ 1,659,390	\$ (19,566)
HUD Subsidies	3,339,553	3,325,462	14,091
Other Revenues	584,587	661,956	(77,369)
Total Operating Income	<u>5,563,964</u>	<u>5,646,808</u>	<u>(82,844)</u>
<u>Expenses</u>			
Operating Expenses	5,601,251	6,053,508	(452,257)
Depreciation Expense	1,128,426	1,109,789	18,637
Total Operating Expenses	<u>6,729,677</u>	<u>7,163,297</u>	<u>(433,620)</u>
Operating Income before Non Operating Income	(1,165,713)	(1,516,489)	350,776
Interest Income	3,482	3,028	454
HUD Capital Grants	<u>221,672</u>	<u>478,035</u>	<u>(256,363)</u>
Change in Net Position	(940,559)	(1,035,426)	94,867
Net Position Prior Year	7,702,452	8,877,855	(1,175,403)
Prior Period Adjustment - GASB #68	-	(139,977)	139,977
Total Net Position	<u>\$ 6,761,893</u>	<u>\$ 7,702,452</u>	<u>\$ (940,559)</u>

Approximately 60% 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 11% percent of the total income.

**MILLVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2017**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The Millville Housing Authority received from the capital fund program \$221,672 in grant money a decrease of \$256,363 from the prior fiscal year. The Authority had capital expenditures of \$431,556. The current year additions included various site improvements, apartment upgrades, computer replacements, replacement of appliances, and elevators upgrades.

The Authority's primary government operating expenses cover a range of expenses. The largest expense was for administrative expenses representing 28% percent of total operating expenses. Tenant services accounted for 1% percent, utilities expense accounted for 13% percent, maintenance expense accounted for 14% percent, other operating expenses accounted for 7% percent, housing assistance payment expenses accounted for 20% percent and depreciation accounted for the remaining 17% 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 \$1,165,713 from operations as compared to excess expenses from operations of \$1,516,489 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 \$14,091 or less than 1% percent.
- The Authority reported a decrease in the tenants dwelling rental revenue in the amount of \$19,566 or 1% percent.
- Total other revenue decreased in the amount of \$75,713 or 12% percent.
- The Authority reported increases in the following accounts:
  - Tenant services increased \$5,297 or 24% percent
  - Utilities expense increased \$78,452 or 10% percent
- The Authority reported decreases in the following accounts:
  - Administrative expenses decreased \$113,862 or 6% percent
  - Maintenance expense decreased \$269,940 or 23% percent
  - Other operating expenses decreased \$144,261 or 24% percent
  - Housing Assistance Payments decreased \$7,943 or 1% percent.

Total net cash used by operating activities during the year was \$85,291.

**MILLVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2017**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following are financial highlights of significant items for the primary government for a four-year period of time ending on September 30, 2017:

	September-17	September-16	September-15	September-14
<b>Significant Income</b>				
Total Tenant Revenue	\$ 1,639,824	\$ 1,659,390	\$ 1,686,669	\$ 1,671,524
HUD Operating Grants	3,339,553	3,325,462	3,272,693	3,267,709
HUD Capital Grants	221,672	478,035	135,201	241,725
Investment Income	3,482	3,028	4,048	10,109
Other Income	584,587	661,956	651,117	696,750
Total	<u>\$ 5,789,118</u>	<u>\$ 6,127,871</u>	<u>\$ 5,749,728</u>	<u>\$ 5,887,817</u>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 837,525	\$ 835,242	\$ 855,700	\$ 789,479
Tenant Services Salaries	-	-	-	15,719
Maintenance Labor	227,250	288,181	292,432	308,970
Protective Services - Labor	-	98,213	23,416	-
Employee Benefits Expense	591,024	893,443	472,442	355,694
Total Payroll Expense	<u>\$ 1,655,799</u>	<u>\$ 2,115,079</u>	<u>\$ 1,643,990</u>	<u>\$ 1,469,862</u>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 597,068	\$ 591,417	\$ 579,849	\$ 529,803
Utilities Expense	873,306	794,854	897,444	914,824
Maintenance Materials Cost	184,742	336,870	211,408	152,844
Maintenance Contract Cost	422,407	321,873	320,307	243,477
Insurance Premiums	240,816	234,791	230,559	200,900
Housing Assistance Payments	1,392,772	1,400,715	1,412,047	1,473,020
Total	<u>\$ 3,711,111</u>	<u>\$ 3,680,520</u>	<u>\$ 3,651,614</u>	<u>\$ 3,514,868</u>
<b>Total Operating Expenses</b>	<u>\$ 6,729,677</u>	<u>\$ 7,163,297</u>	<u>\$ 6,811,099</u>	<u>\$ 6,547,866</u>
<b>Total of Federal Awards</b>	<u>\$ 3,561,225</u>	<u>\$ 3,803,497</u>	<u>\$ 3,407,894</u>	<u>\$ 3,509,434</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, 2017**

**THE AUTHORITY AS A WHOLE -CONTINUED**

By far, the largest portion of the Authority's primary government net position reflects its unrestricted net position of the Authority which is available for future use to provide program services. 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, 2017**

**BUDGETARY HIGHLIGHTS**

For the year ended September 30, 2017, 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, 2017 was \$11,021,473 (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 \$846,870 or 7% percent. Major capital expenditures of \$431,556 were made during the year. During the year the Authority write off of asset disposition in the amount of \$150,000. The major capital assets events during the fiscal year included the following:

- Various Site Improvements
- Apartment Upgrades
- Computer Replacements
- Replacement of Appliances
- Elevators Upgrades

	September-17	September-16	Increase (Decrease)
Land	\$ 126,408	\$ 574,903	\$ (448,495)
Building	31,192,742	30,734,877	457,865
Furniture, Equipment - Dwelling	4,511,973	4,457,587	54,386
Furniture, Equipment - Administration	1,181,135	1,105,286	75,849
Leasehold Improvements	2,194,252	1,851,494	342,758
Construction in Process	142,228	343,035	(200,807)
Total Capital Assets	39,348,738	39,067,182	281,556
Less: Accumulated Depreciation	(28,327,265)	(27,198,839)	(1,128,426)
Net Book Value	\$ 11,021,473	\$ 11,868,343	\$ (846,870)

**MILLVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2017**

**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 has three (3) loans payable at September 30, 2017.

	Short Term	Long Term	Total
CFFP Leveraging	\$ 150,000	\$ 1,375,000	\$ 1,525,000
Old National Bank - Energy	65,203	295,012	360,215
Ford Motor Credit	14,614	22,164	36,778
Total Notes Payable	<u>\$ 229,817</u>	<u>\$ 1,692,176</u>	<u>\$ 1,921,993</u>

A full disclosure of loans payable at September 30, 2017 can be found in Note-16.

**NEW INITIATIVES**

For the fiscal year 2017 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 62% percent of its revenue from the Department of Housing and Urban Development, (2016 was 62% 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 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.

**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.

**MILLVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT SEPTEMBER 30, 2017**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES -CONTINUED**

The capital budgets for the 2018 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, 2018.

- 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.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- 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, 1 East Vine Street, Millville, NJ or call (856) 825-8860.

**MILLVILLE HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2017**

	September 30, 2017		
	Primary	Component	Total
	<u>Government</u>	<u>Units (Sept 2017)</u>	<u>(Memorandum)</u>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents- Unrestricted	\$ 1,073,469	\$ 50,121	\$ 1,123,590
Cash and Cash Equivalents- Restricted	265,813	-	265,813
Investments	-	-	-
Accounts Receivables, Net of Allowances	109,324	48,735	158,059
Prepaid Expenses	184,219	1,134	185,353
Total Current Assets	<u>1,632,825</u>	<u>99,990</u>	<u>1,732,815</u>
<b>Noncurrent Assets</b>			
Capital Assets			
Land	126,408	388,495	514,903
Building	31,192,742	-	31,192,742
Furniture, Equipment - Dwelling	4,511,973	45,952	4,557,925
Furniture, Equipment - Administration	1,181,135	13,333	1,194,468
Leasehold Improvements	2,194,252	-	2,194,252
Construction in Process	142,228	-	142,228
Total Capital Assets	<u>39,348,738</u>	<u>447,780</u>	<u>39,796,518</u>
Less: Accumulated Depreciation	<u>(28,327,265)</u>	<u>(41,805)</u>	<u>(28,369,070)</u>
Net Book Value	11,021,473	405,975	11,427,448
Notes Receivable - Non Current	<u>66,119</u>	<u>-</u>	<u>66,119</u>
Total Noncurrent Assets	<u>11,087,592</u>	<u>405,975</u>	<u>11,493,567</u>
Total Assets	12,720,417	505,965	13,226,382
<b>Deferred Outflow of Resources</b>			
State of New Jersey P.E.R.S.	<u>1,107,195</u>	<u>-</u>	<u>1,107,195</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 13,827,612</u>	<u>\$ 505,965</u>	<u>\$ 14,333,577</u>

See accompanying notes to the financial statements.

**MILLVILLE HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2017**

	September 30, 2017		
	Primary	Component	Total
	<u>Government</u>	<u>Units (Sept 2017)</u>	<u>(Memorandum)</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 242,091	\$ 60,115	\$ 302,206
Accrued Liabilities	99,975	9,914	109,889
Unearned Revenue	12,786	6,230	19,016
Tenant Security Deposits	9,867	-	9,867
Long Term Debt - Current	229,817	-	229,817
Total Current Liabilities	<u>594,536</u>	<u>76,259</u>	<u>670,795</u>
<b>Noncurrent Liabilities</b>			
Long Term Debt - Non Current	1,692,176	66,119	1,758,295
Accrued Compensated Absences - Long-Term	121,092	1,122	122,214
Accrued Other Post-Employment Benefits Liabilities	3,802,655	-	3,802,655
Total Noncurrent Liabilities	<u>5,615,923</u>	<u>67,241</u>	<u>5,683,164</u>
 Total Liabilities	 <u>6,210,459</u>	 <u>143,500</u>	 <u>6,353,959</u>
<b>Deferred Inflow of Resources</b>			
State of New Jersey P.E.R.S.	<u>855,260</u>	<u>-</u>	<u>855,260</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	9,099,480	339,856	9,439,336
Restricted	255,946	-	255,946
Unrestricted	<u>(2,593,533)</u>	<u>22,609</u>	<u>(2,570,924)</u>
Total Net Position	<u>6,761,893</u>	<u>362,465</u>	<u>7,124,358</u>
 Total Liabilities, Deferred Inflow of Resources, and Net Position	 <u>\$ 13,827,612</u>	 <u>\$ 505,965</u>	 <u>\$ 14,333,577</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, 2017**

	September 30, 2017		
	Primary	Component	Total
	<u>Government</u>	<u>Units (Sept 2017)</u>	<u>(Memorandum)</u>
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 1,639,824	\$ -	\$ 1,639,824
HUD PHA Operating Grants	3,339,553	-	3,339,553
Fraud Recovery	3,574	-	3,574
Other Government Grants	-	-	-
Other Revenue	581,013	525,677	1,106,690
Total Revenue	<u>5,563,964</u>	<u>525,677</u>	<u>6,089,641</u>
<b>Operating Expenses:</b>			
Administrative Expense	1,944,819	54,192	1,999,011
Tenant Services	27,227	266,805	294,032
Utilities Expense	873,306	57,381	930,687
Maintenance Expense	915,197	90,471	1,005,668
Other Operating Expenses	447,930	29,134	477,064
Housing Assistance Payments	1,392,772	-	1,392,772
Depreciations Expense	1,128,426	34,073	1,162,499
Total Operating Expenses	<u>6,729,677</u>	<u>532,056</u>	<u>7,261,733</u>
Excess Expenses Over Revenue From Operations	<u>(1,165,713)</u>	<u>(6,379)</u>	<u>(1,172,092)</u>
<b>Non Operating Income and (Expenses):</b>			
Investment Income	3,482	99	3,581
Capital Grants	221,672	-	221,672
Total Non Operating (Expenses) and Income	<u>225,154</u>	<u>99</u>	<u>225,253</u>
<b>Change in Net Position</b>	<u>(940,559)</u>	<u>(6,280)</u>	<u>(946,839)</u>
Beginning Net Position	<u>7,702,452</u>	<u>368,745</u>	<u>8,071,197</u>
Ending Net Position	<u>\$ 6,761,893</u>	<u>\$ 362,465</u>	<u>\$ 7,124,358</u>

See accompanying notes to the financial statements.

**MILLVILLE HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOW**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017**

	September 30, 2017		
	Primary	Component	Total
	Government	Units (Sept 2017)	(Memorandum)
<b>Cash Flow From Operating Activities</b>			
Receipts from Tenants	\$ 1,639,096	\$ -	\$ 1,639,096
Receipts from Federal Grants	3,424,595	-	3,424,595
Receipts from Misc. Sources	587,343	489,930	1,077,273
Payments to Vendors and Suppliers	(1,749,222)	(206,470)	(1,955,692)
Payments for Housing Assistance Payments	(1,392,772)	-	(1,392,772)
Payments to Employees	(1,130,001)	(220,916)	(1,350,917)
Payment of Employee Benefits	(591,024)	(32,203)	(623,227)
Payment of Utilities Expenses	(873,306)	(57,381)	(930,687)
Net Cash Used by Operating Activities	<u>(85,291)</u>	<u>(27,040)</u>	<u>(112,331)</u>
<b>Cash Flow From Capital and Related Financing Activities</b>			
Receipts from Capital Grants	221,672	-	221,672
Acquisitions and Construction of Capital Assets	(431,556)	-	(431,556)
Assets Sold. Net of Depreciation	150,000		150,000
(Decrease) in Long Term Compensated Absences	18,883	(529)	18,354
Principal Payment on Debt	(165,325)	-	(165,325)
Increase in Pension and OPEB Liabilities	(826,450)	-	(826,450)
Net Effect of Deferred Inflows and Outflows	1,014,669		1,014,669
Net Cash Used by Capital and Related Financing Activities	<u>(18,107)</u>	<u>(529)</u>	<u>(18,636)</u>
<b>Cash Flow From Investing Activities</b>			
Interest Income	3,482	99	3,581
Net Cash Provided by Investing Activities	<u>3,482</u>	<u>99</u>	<u>3,581</u>
Net (Decrease) in Cash and Cash Equivalents	(99,916)	(27,470)	(127,386)
<b>Beginning Cash</b>	<u>1,439,198</u>	<u>77,591</u>	<u>1,516,789</u>
<b>Ending Cash</b>	<u>\$ 1,339,282</u>	<u>\$ 50,121</u>	<u>\$ 1,389,403</u>
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	\$ 1,073,469	\$ 50,121	\$ 1,123,590
Other Restricted	213,757	-	213,757
HAP Reserve - Restricted	42,189	-	42,189
Tenant Security Deposits	9,867		9,867
Total Ending Cash	<u>\$ 1,339,282</u>	<u>\$ 50,121</u>	<u>\$ 1,389,403</u>

See accompanying notes to the financial statements.

**MILLVILLE HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOW**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017**

	September 30, 2017		
	Primary	Component	Total
	<u>Government</u>	<u>Units (Sept 2017)</u>	<u>(Memorandum)</u>
(Used) Provided by Operating Activities	\$ (1,165,713)	\$ (6,379)	\$ (1,172,092)
Excess of Expenses Over Revenue			
Adjustments to reconcile excess revenue over expenses			
to net cash provided by operating activities:			
Depreciation Expense	1,128,426	34,073	1,162,499
(Increase) Decrease in:			
Accounts Receivables	88,434	(35,747)	52,687
Prepaid Expenses	21,450	1,642	23,092
Increase (Decrease) in:			
Accounts Payable	(132,707)	(13,761)	(146,468)
Accrued Liabilities	(23,088)	(3,432)	(26,520)
Unearned Revenues	(3,194)	(3,436)	(6,630)
Tenant Security Deposits	1,101	-	1,101
Net Cash Used by Operating Activities	<u>\$ (85,291)</u>	<u>\$ (27,040)</u>	<u>\$ (112,331)</u>

See accompanying notes to the financial statements.



# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### **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 Edison. 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.

# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### **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, 2017

### **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.

### **Basis of Accounting –**

In Enterprise 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, capital grants, and other revenue.

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. Amounts not received by September 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as unearned revenue.

## **MILLVILLE HOUSING AUTHORITY**

### Notes to Financial Statements September 30, 2017

#### **Basis of Accounting – Continued**

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 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.

Other revenue composed primarily of miscellaneous services fees and resident's late charges. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

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.

#### Component Unit – Discretely Presented

The Authority has identified one entity Holly City Family Center as a discretely presented component unit. 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.

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **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.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

The Authority's basic financial statements are presented on an entity-wide basis consisting of various housing programs. The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow. GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### **Report Presentation - Continued**

#### Net Investment in Capital Assets.

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

#### Restricted Net Position

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

#### Unrestricted Net Position

The net position consists of net assets that do not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt.

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. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

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.

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### **Other accounting policies - Continued**

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

9 - The Authority does not have any infrastructure assets for its Enterprise Fund.

10 - 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. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

11 - Advertising cost is charged to expense when incurred.

12 - The Authority defines its operating revenues as income derived from charges to residents and other services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are cost incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenue as non-operating.

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, 2017

#### **Other accounting policies - Continued**

14- 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.

15- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

#### **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, 2017

**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 Housing Authority of the City of Millville 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, 2017

### **Component Unit**

Holly City Family Center is organized as a not for profit corporation. This corporation operates on fiscal year ended on September 30. 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.

**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 the management of the Authority who is responsible for the day-to-day operations and this management are 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.

**Taxes** - Under federal, state, and local law, the Authority's program are 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 must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes.

**Grants** - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **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.

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>

## **MILLVILLE HOUSING AUTHORITY**

### Notes to Financial Statements September 30, 2017

#### **NOTE 3 - PENSION PLAN - CONTINUED**

##### 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 7.20% 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 2017 amounted to \$146,051.

##### 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.

#### **NOTE 4 - CASH, CASH EQUIVALENTS**

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a 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. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

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.

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED**

The Authority primary government cash and cash equivalents for at September 30, 2017 of \$1,339,282 which were either insured or collateralized with securities held by pledging financial institutions in the Authority's name as discussed below:

	Primary Government	Component Unit
Sun National Bank	504,169	50,121
Century Savings Bank	619,680	-
BNY Mellon Bank	213,758	-
Petty Cash	1,675	-
Total Cash, Cash Equivalents	<u>\$ 1,339,282</u>	<u>\$ 50,121</u>

The Authority's primary government restricted cash at September 30, 2017 is in the amounts of \$9,867 which is held as security deposits for the tenants of the Public Housing program.

#### **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, 2017, 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.

##### 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.

# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### **NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED**

#### Credit Risk

The Authority's checking accounts 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 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.

The custodial credit risk categories are described as follows:

	<u>Bank Balances</u>	
	<u>Primary Government</u>	<u>Component Unit</u>
<u>Depository Accounts</u>		
Insured	\$ 715,433	\$ 50,121
Collateralized held by pledging bank's trust department in the Authority's name	623,849	-
Total Cash, Cash Equivalents	<u>\$ 1,339,282</u>	<u>\$ 50,121</u>

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts Receivable at September 30, 2017 consisted of the following:

	Primary Government	Component Unit
Tenants Accounts Receivable - Present	\$ 14,012	\$ -
Less: Allowance for Doubtful Accounts - Tenants	(7,006)	-
Net Tenants Accounts Receivable	7,006	-
Accounts Receivable - Manangement Fees	102,318	48,735
Less: Allowance for Doubtful Accounts - Fees	-	-
Net Other Receivables	102,318	48,735
Net Accounts Receivables Total	\$ 109,324	\$ 48,735

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. As of September 30, 2017, the allowance for doubtful accounts was \$7,006.

#### **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, 2017 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, 2017

#### **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, 2017 consisted of the following:

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. Prepaid expenses at September 30, 2017 consisted of the following:

	Primary Government	Component Unit
Prepaid Insurance	\$ 59,971	\$ -
Prepaid Maintenance contracts	28,457	1,134
Inventory	106,434	-
Less Allowance for Obsolete Inventory	(10,643)	-
Total Prepaid Expenses	<u>\$ 184,219</u>	<u>\$ 1,134</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 by an appraisal value.

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 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, 2017

## NOTE 8 - FIXED ASSETS - CONTINUED

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, 2017.

Below is a schedule of changes in fixed assets for the twelve months ending September 30, 2017

<b>Primary Government</b>	September-16	Additions	Deletion	Transfer	September-17
Land	\$ 574,903	\$ -	\$ (60,000)	\$	514,903
Building	30,734,877	159,322	(90,000)	48	30,804,247
Furniture, Equipment - Dwelling	4,457,587	109,787		(9,449)	4,557,925
Furniture, Equipment - Administration	1,105,286	47,070		(3,840)	1,148,516
Leasehold Improvements	1,851,494	33,705		295,720	2,180,919
Construction in Process	343,035	81,672		(282,479)	142,228
Total Fixed Assets	39,067,182	431,556	(150,000)	-	39,348,738
Accumulated Depreciation	(27,198,839)	(1,162,499)	-		(28,361,338)
Net Book Value	\$ 11,868,343	\$ (730,943)	\$ (150,000)	\$ -	10,987,400

<b>Component Unit</b>	September-16	Additions	Deletion	Transfer	September-17
Building	\$ 388,495	\$ -	\$ -	-	388,495
Furniture, Equipment	45,952	-	-	-	45,952
Leasehold Improvements	13,333	-	-	-	13,333
Total Fixed Assets	447,780	-	-	-	447,780
Accumulated Depreciation	(7,732)	(34,073)	-	-	(41,805)
Net Book Value	\$ 440,048	\$ (34,073)	\$ -	\$ -	405,975

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **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, 2017:

	Primary Government	Component Unit
Net Book Value of Fixed Assets		
Land	\$ 514,903	\$ -
Building	7,499,580	356,833
Furniture, Equipment - Dwelling	2,125,327	-
Furniture, Equipment - Administration	323,857	38,421
Leasehold Improvements	415,578	10,721
Construction in Process	142,228	-
Net Book Value	<u>\$ 11,021,473</u>	<u>\$ 405,975</u>

#### **NOTE 9 - NOTES RECEIVABLE - NONCURRENT**

The Authority had notes receivable which were from loans made to Holly City Family Center, a component unit of the Authority, for use in purchasing equipment and upgrading its locker room. The locker room note originated April 30, 2011, at a rate of 7.00% interest, and is due March 31, 2021. The equipment loan originated July 1, 2013, at a rate of 7.00% interest, and is due July 1, 2023.

As of September 30, 2016, all interest and principal payments had been suspended indefinitely. Therefor the total amount of the notes receivable is classified as a non-current asset in the Statement of Net Position as of September 30, 2017.

The following represents a schedule of amounts during the fiscal years ended September 30, 2017:

	September-17
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, 2017

### **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	\$ 86,416	\$ -
Changes in Assumptions	739,372	736,662
Net Difference Between Projected and Actual Earning on Pension Plan Investments	24,990	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	256,417	118,598
Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 1,107,195</u>	<u>\$ 855,260</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 \$86,416.

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **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 \$739,372 and \$736,662.

##### 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 \$24,990 and \$-0-.

##### 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 \$256,417 and \$118,598.

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **NOTE 11 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of September 30, 2017. 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, 2017 consist of the following:

	Primary Government	Component Unit
Accounts Payable Vendors	\$ 164,257	\$ 60,115
Accounts Payable - Other Government	77,834	-
Total Accounts Payable	<u>\$ 242,091</u>	<u>\$ 60,115</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 the littlest of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended September 30, 2017, PILOT expense of \$76,074 was accrued. PILOT payable at September 30, 2017 consist of the following:

	Primary Government
PILOT Payable as of September 30, 2016	\$ 85,880
PILOT Expense for September 30, 2017	76,074
Less Payments Made During the Year	(84,120)
Total PILOT Payable as of September 30, 2017	<u>\$ 77,834</u>

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **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, 2017 consist of the following:

	Primary Government	Component Unit
Compensated Absences - Current Portion	\$ 13,454	\$ 125
Accrued Expenses - Wages and Payroll Taxes	40,704	9,789
Accrued Interest Payable	45,817	-
Total Accrued Liabilities	<u>\$ 99,975</u>	<u>\$ 9,914</u>

#### **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, 2017 as follows:

	Primary Government	Component Unit
Accumulated Sick Time	\$ 96,355	\$ 872
Accumulated Vacation Time	38,191	375
Total	134,546	1,247
Compensated Absences - Current Portion	(13,454)	(125)
Total Compensated Absences - Noncurrent	<u>\$ 121,092</u>	<u>\$ 1,122</u>

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements

September 30, 2017

#### **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
July Prepaid Tenant Rents	\$ 12,786	\$ -
Prepaid Membership Fee's	-	6,230
Total Unearned Revenue	<u>\$ 12,786</u>	<u>\$ 6,230</u>

#### **NOTE 16 – LONG TERM DEBT**

The Authority had the following notes payable as of September 30, 2017:

	Short Term	Long Term	Total
CFFP Leveraging	\$ 150,000	\$ 1,375,000	\$ 1,525,000
Old National Bank - Energy	65,203	295,012	360,215
Ford Motor Credit	14,614	22,164	36,778
Total Notes Payable	<u>\$ 229,817</u>	<u>\$ 1,692,176</u>	<u>\$ 1,921,993</u>

#### 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.

# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### **NOTE 16 – LONG TERM DEBT -CONTINUED**

#### CFFP Leveraging Note

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.

The interest payable for November 1, 2017 is \$35,212 and May 1, 2018 is \$33,571. 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, 2017.

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

September 30, 2018	\$ 150,000
September 30, 2019	155,000
September 30, 2020	160,000
September 30, 2021	170,000
September 30, 2022	180,000
Sub Total	<u>815,000</u>
Next Four Years Ending September 30, 2026	<u>710,000</u>
Total Capital Project Bonds	<u><u>\$ 1,525,000</u></u>



## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements

September 30, 2017

#### **NOTE 16 – LONG TERM DEBT -CONTINUED**

##### 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:

	Principal	Interest	Total
September 30, 2018	\$ 65,203	\$ 17,974	\$ 83,177
September 30, 2019	68,456	14,721	83,177
September 30, 2020	71,872	11,305	83,177
September 30, 2021	75,459	7,718	83,177
September 30, 2022	79,225	3,952	83,177
Total Note Payable	<u>\$ 360,215</u>	<u>\$ 55,670</u>	<u>\$ 415,885</u>

##### 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:

	Principal	Interest	Total
September 30, 2018	\$ 14,614	\$ 1,703	\$ 16,317
September 30, 2019	14,614	856	15,470
September 30, 2020	7,550	96	7,646
Total Note Payable	<u>\$ 36,778</u>	<u>\$ 2,655</u>	<u>\$ 39,433</u>

#### **Component Unit**

##### 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.

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **NOTE 16 – LONG TERM DEBT -CONTINUED**

##### **Component Unit**

##### Millville Housing Authority – 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 is a summary of activity for long-term notes payable September 30, 2017:

	Balance September-16	Additions	Retirement	Balance September-17
Millville H.A. - Locker Room Upgrade	\$ 46,487	\$ -	\$ -	\$ 46,487
Millville H.A. - Equipment Loan #2	19,632	-	-	19,632
Balance	<u>\$ 66,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,119</u>

#### **NOTE 17 – ACCRUED PENSION AND OPEB LIABILITIES**

The Authority as of September 30, 2017 reported accrued pension and OPEB liability amounts as follows:

	September-17
Accrued OPEB Liability	\$ 132,687
Accrued Pension Liability	3,669,968
Total OPEB and Pension Liability	<u>\$ 3,802,655</u>

These amounts arose due to adoption of GASB 45 several years ago as well as GASB 68 which was just adopted as of fiscal year ended September 30, 2016. This note will discuss the liability associated with GASB 45, which is accrued other postemployment benefits. Note 17 will discuss the effect of GASB 68 and the liability which arose from that.

##### **OPEB Liability**

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements

September 30, 2017

#### **NOTE 17 – ACCRUED OPEB LIABILITIES - CONTINUED**

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

	September-17
Annual Required Contribution	\$ 23,527
Interest on net OPEB obligation	3,698
Adjustment to ARC	(667)
Annual OPEB cost (expense)	26,558
Contributions made	(1,989)
Increase in net OPEB obligation	24,569
Net OPEB Obligation – beginning of year	108,118
Net OPEB Obligation – end of year	<u>\$ 132,687</u>

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September-15	\$ 32,816	24%	\$ 94,426
September-16	\$ 32,816	24%	\$ 108,118
September-17	\$ 26,558	7%	\$ 132,687

#### **FUNDED STATUS AND FUNDING PROGRESS**

As of October 1, 2016, the most recent valuation date, the plan was 0.0% funded. The unfunded accrued liability for benefits was \$345,876, and the actuarial value of assets was \$-0-.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**MILLVILLE HOUSING AUTHORITY**

## Notes to Financial Statements

September 30, 2017

**NOTE 17 - ACCRUED OPEB LIABILITIES - CONTINUED**

The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event of that healthcare trend rates were 1% percent higher than forecast and employee contributions were to increase at the forecast rates, the Accrued Liability would increase to \$384,317 or by 11.1% percent and the corresponding Normal Cost would increase from \$15,880 to \$18,125 or by 14.1% percent.

## ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- Actuarial Cost Method
  - Investment Rate of Return
  - Healthcare Cost Inflation:
- Projected Unit Credit
- 3.42% per annum

	Year	Pre - 65	Post - 65
Initial Trend	January-18	9.00%	9.00%
Ultimate Trend	2026 & Later	5.00%	5.00%
Grading per Year		0.50%	0.50%

- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Amortized as fixed dollar basis over 30 years at transition
- Remaining Amortization Period: 30 years at October 1, 2016

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **NOTE 17 – ACCRUED OPEB LIABILITIES – CONTINUED**

Reconciliation of Plan Participation (As of October 1, 2016) Active Employees:

	<u>October 1, 2016</u>	<u>October 1, 2013</u>
Number of Active Employees	20	23
Average Age - Actives	47.8	45.7
Average Years of Service - Actives	7.1	6.2
Number of Retired Employees	0	1
Average Age - Retirees	4	6
Actives Eligible for Benefits	20%	26%

#### **NOTE 18– ACCRUED PENSION LIABILITY**

##### Net Pension Liability Information

The Authority as of September 30, 2017 reported a net pension liability in the amount of \$3,669,968 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2017, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 7,071,223
Plan Net Position	(3,401,255)
Employer Net Pension Liability	<u>\$ 3,669,968</u>

The Authority allocation percentage is 0.0157655518% as of June 30, 2017.

##### 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](http://www.state.nj.gov/treasury/pensions/financial-reports.shtml).

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

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **NOTE 18 – ACCRUED PENSION LIABILITY - 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, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2017.

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 2017 the State's pension contribution was less than the actuarial determined amount.

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

# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### **NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Allocation Percentage Methodology

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, 2017 measurement dates were determined by using an actuarial valuation as of July 1, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. The actuarial valuations used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the RP-2000 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 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 evaluation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### **NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Actuarial Assumptions

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100%</u>	



# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### **NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. 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 3.58% as of June 30, 2017, 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 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2014. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate 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 5.00% 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 (4.00% percent) or 1 percentage-point higher (6.00% 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 (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,552,845	\$ 3,669,968	\$ 2,934,423

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **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, 2018	\$	86,395
Year Ending June 30, 2019	\$	130,372
Year Ending June 30, 2020	\$	78,999
Year Ending June 30, 2021	\$	(105,068)
Year Ending June 30, 2022	\$	(76,581)
	\$	<u>114,116</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 5.48, 5.57, 5.72, and 6.44 years for the 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, 2017, are as follows:

Service Cost	\$	171,177
Interest on the Total Pension Liability		310,624
Member Contributions		(81,426)
Administrative Expenses		2,131
Expected Investment Return Net of Investment Expenses		(221,783)
Pension Expense Related to Specific Liabilities of Individual Employers		(2,408)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		27,218
Changes of Assumptions		63,425
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		(4,249)
Total	\$	<u>264,708</u>

## MILLVILLE HOUSING AUTHORITY

### Notes to Financial Statements September 30, 2017

#### **NOTE 19 – RESTRICTED NET POSITION**

The Authority restricted net position for the Authority primary government account balance at September 30, 2017 consist of the following:

	Primary Government
Section 8 HAP Reserve	\$ 42,189
CFFP Leveraging Funds	213,757
Total Unearned Revenue	<u>\$ 255,946</u>

#### Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 2006-03, starting 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. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets.

#### 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, 2017 was \$62,993.

# MILLVILLE HOUSING AUTHORITY

## Notes to Financial Statements September 30, 2017

### NOTE 20 – UNRESTRICTED NET POSITION

The Authority's primary government unrestricted net position account balance at September 30, 2017 is a negative (\$2,593,533) and the component unit with a balance of \$22,609 is as follows:

Primary Government	PIH Program Reserves	HCV Reserve	COCC Center	Total
Balance September 30, 2016	\$ (773,043)	\$ (129,399)	\$ (1,388,631)	\$(2,291,073)
Decrease During the Year	(68,408)	(30,308)	(203,744)	(302,460)
Balance September 30, 2017	<u>\$ (841,451)</u>	<u>\$ (159,707)</u>	<u>\$ (1,592,375)</u>	<u>\$(2,593,533)</u>

	Component Unit
Balance September 30, 2016	\$ (5,184)
Increase During the Year	27,793
Balance September 30, 2017	<u>\$ 22,609</u>

The Authority primary government unrestricted net position reflects a negative (\$2,593,533) balance, as of September 30, 2017, because of the requirement to adopt GASB #45 (OPEB) and GASB #68 pension liability. The Authority recorded OPEB liability to date of \$132,687 which has a direct effect on the reserves. The Authority recorded an accrued pension liability to date of \$3,669,968 which also has a direct effect on the reserves. GASB #45 and GASB #68 do not require the Authority to fund the liability.

### 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, 2017, 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, 2017

#### **NOTE 22 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

Pursuant to the Annual Contribution Contract, HUD contributes operating subsidy approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions received for the year ended September 30, 2017 was \$1,537,769.

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 programs provide 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 contribution received for the Section 8 Housing Choice Voucher for September 30, 2017 was \$1,568,083.

#### **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 \$3,561,225 to the Authority which represents approximately 62% percent of the Authority's total revenue for the fiscal year September 30, 2017.

## **MILLVILLE HOUSING AUTHORITY**

### Notes to Financial Statements September 30, 2017

#### **NOTE 24 - CONTINGENCIES**

Litigation – At September 30, 2017, 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.

#### **NOTE 25 – SUBSEQUENT EVENTS**

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 May 31, 2018; 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**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017**

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				
<u>Public and Indian Housing Program</u>							
NJ061-00000116D	14.850	1/1/2016	12/31/2016	\$ 230,664	\$ 58,480	\$ 58,480	\$ 230,664
NJ061-00000117D	14.850	1/1/2017	12/31/2017	230,467	172,390	172,390	172,390
NJ061-00000216D	14.850	1/1/2016	12/31/2016	248,308	62,954	62,954	248,308
NJ061-00000217D	14.850	1/1/2017	12/31/2017	270,024	201,861	201,861	201,861
NJ061-00000316D	14.850	1/1/2016	12/31/2016	311,273	78,809	78,809	311,273
NJ061-00000317D	14.850	1/1/2017	12/31/2017	284,135	213,035	213,035	213,035
NJ061-00000416D	14.850	1/1/2016	12/31/2016	323,343	81,864	81,864	323,343
NJ061-00000417D	14.850	1/1/2017	12/31/2017	314,969	235,597	235,597	235,597
NJ061-00000516D	14.850	1/1/2016	12/31/2016	270,841	68,572	68,572	270,841
NJ061-00000517D	14.850	1/1/2017	12/31/2017	261,805	195,830	195,830	195,830
NJ061-00000616D	14.850	1/1/2016	12/31/2016	172,405	43,650	43,650	172,405
NJ061-00000617D	14.850	1/1/2017	12/31/2017	166,747	124,727	124,727	124,727
Grant Subtotal				<u>3,084,981</u>	<u>1,537,769</u>	<u>1,537,769</u>	<u>2,700,274</u>
<u>Public Housing Capital Fund Program</u>							
NJ39P061501-15	14.872	4/13/2015	4/12/2019	536,070	109,435	109,435	536,070
NJ39P061501-16	14.872	4/13/2016	4/12/2020	517,785	345,938	345,938	345,937
Grant Subtotal				<u>1,053,855</u>	<u>455,373</u>	<u>455,373</u>	<u>882,007</u>
<u>Section 8 Housing Choice Voucher Program</u>							
NJ058	14.871	10/1/2016	9/30/2017	1,568,083	1,568,083	1,568,083	1,568,083
Grant Subtotal				<u>1,568,083</u>	<u>1,568,083</u>	<u>1,568,083</u>	<u>1,568,083</u>
Total Awards				\$ 5,706,919	\$ 3,561,225	\$ 3,561,225	\$ 5,150,364

**MILLVILLE HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017**

**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, 2017. 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 flow 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.

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

**Note 3. Loans Outstanding:**

Millville Housing Authority primary government had loans payable in the amount of \$1,921,993 outstanding at September 30, 2017. See Note 16 on page 45-48 of this report for full detail.

**Note 4. Non- Cash Federal Assistance:**

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2017.

**Note 5. 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

### Schedule of Proportionate Share of the Net Pension Liability Of the Public Employee Retirement System (PERS) September 30, 2017

#### **REQUIRED SUPPLEMENTAL INFORMATION**

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.

	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.01576555%	0.01526477%	0.01655000%
Housing Authority's proportionate share of the net pension liability	\$ 3,669,968	\$ 4,520,986	\$ 3,429,949
Housing Authority's covered employee payroll	\$ 1,350,881	\$ 1,221,636	\$ 1,171,548
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	271.67%	370.08%	292.77%
Plan fiduciary net position as a percentage of the total pension liability	48.01%	59.86%	52.07%

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

# MILLVILLE HOUSING AUTHORITY

Schedule of Proportionate Share of the Net Pension Liability  
Of the Public Employee Retirement System (PERS)  
September 30, 2017

## **REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED**

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

	2017	2016	2015
Contractually required contribution	\$ 146,051	\$ 135,160	\$ 145,047
Contribution in relation to the contractually required contribution	(146,051)	(135,160)	(145,047)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 1,350,881	\$ 1,221,636	\$ 1,171,548
Contribution as a percentage of covered employee payroll	10.81%	11.06%	12.38%

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

**MILLVILLE HOUSING AUTHORITY  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND GRANT COST  
AS OF SEPTEMBER 30, 2017**

	NJ39P061501-14		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 105,429	\$ 105,429	\$ -
Administration	52,714	52,714	-
Dwelling Structures	147,309	147,309	-
Dwelling Equipment	4,000	4,000	-
Bond Debt Obligation	217,697	217,697	-
Total	<u>\$ 527,149</u>	<u>\$ 527,149</u>	<u>\$ -</u>
Funds Advanced	\$ 527,149		
Funds Expended	527,149		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-14 was completed on May 25, 2017.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

**MILLVILLE HOUSING AUTHORITY  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND GRANT COST  
AS OF SEPTEMBER 30, 2017**

	NJ39P061501-15		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 107,214	\$ 107,214	\$ -
Administration	53,607	53,607	-
Dwelling Structures	153,619	153,619	-
Bond Debt Obligation	221,630	221,630	-
Total	<u>\$ 536,070</u>	<u>\$ 536,070</u>	<u>\$ -</u>
Funds Advanced	\$ 536,070		
Funds Expended	536,070		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-15 was completed on May 25, 2017.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

Millville Housing Authority (NJ061)  
MILLVILLE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$873,550	\$62,541	\$50,121	\$137,378	\$1,123,590		\$1,123,590
112 Cash - Restricted - Modernization and Development	\$213,757				\$213,757		\$213,757
113 Cash - Other Restricted		\$42,189			\$42,189		\$42,189
114 Cash - Tenant Security Deposits	\$9,867				\$9,867		\$9,867
115 Cash - Restricted for Payment of Current Liabilities	\$0				\$0		\$0
100 Total Cash	\$1,097,174	\$104,730	\$50,121	\$137,378	\$1,389,403		\$1,389,403
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government	\$0				\$0		\$0
125 Accounts Receivable - Miscellaneous			\$48,735	\$102,318	\$151,053		\$151,053
126 Accounts Receivable - Tenants	\$14,012				\$14,012		\$14,012
126.1 Allowance for Doubtful Accounts - Tenants	-\$7,006				-\$7,006		-\$7,006
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$7,006	\$0	\$48,735	\$102,318	\$158,059		\$158,059
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current							
142 Prepaid Expenses and Other Assets			\$1,134	\$88,428	\$89,562		\$89,562
143 Inventories	\$106,435				\$106,435		\$106,435
143.1 Allowance for Obsolete Inventories	-\$10,644				-\$10,644		-\$10,644
144 Inter Program Due From				\$0	\$0		\$0
145 Assets Held for Sale							
150 Total Current Assets	\$1,199,971	\$104,730	\$99,990	\$328,124	\$1,732,815		\$1,732,815
161 Land	\$514,903				\$514,903		\$514,903
162 Buildings	\$30,782,735		\$388,495	\$21,512	\$31,192,742		\$31,192,742

See accompanying notes to the financial statements

Millville Housing Authority (NJ061)  
MILLVILLE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
163 Furniture, Equipment & Machinery - Dwellings	\$4,557,925				\$4,557,925		\$4,557,925
164 Furniture, Equipment & Machinery - Administration	\$1,029,336	\$7,374	\$45,952	\$111,806	\$1,194,468		\$1,194,468
165 Leasehold Improvements	\$2,180,919		\$13,333		\$2,194,252		\$2,194,252
166 Accumulated Depreciation	-\$28,219,098	-\$7,374	-\$41,805	-\$100,793	-\$28,369,070		-\$28,369,070
167 Construction in Progress	\$142,228				\$142,228		\$142,228
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$10,988,948	\$0	\$405,975	\$32,525	\$11,427,448		\$11,427,448
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	\$10,988,948	\$0	\$405,975	\$98,644	\$11,493,567		\$11,493,567
200 Deferred Outflow of Resources	\$488,108	\$60,405		\$558,682	\$1,107,195		\$1,107,195
290 Total Assets and Deferred Outflow of Resources	\$12,677,027	\$165,135	\$505,965	\$985,450	\$14,333,577		\$14,333,577
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$146,320	\$1,023	\$60,115	\$16,914	\$224,372		\$224,372
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$14,008	\$2,616	\$9,789	\$24,080	\$50,493		\$50,493
322 Accrued Compensated Absences - Current Portion	\$3,778	\$1,276	\$125	\$8,400	\$13,579		\$13,579
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$45,817				\$45,817		\$45,817
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$77,834				\$77,834		\$77,834
341 Tenant Security Deposits	\$9,867				\$9,867		\$9,867
342 Unearned Revenue	\$12,786		\$6,230		\$19,016		\$19,016
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$229,817				\$229,817		\$229,817

See accompanying notes to the financial statements

Millville Housing Authority (NJ061)  
MILLVILLE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities							
346 Accrued Liabilities - Other							
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$540,227	\$4,915	\$76,259	\$49,394	\$670,795		\$670,795
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,692,176		\$66,119		\$1,758,295		\$1,758,295
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current	\$34,008	\$11,483	\$1,122	\$75,601	\$122,214		\$122,214
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$1,614,925	\$208,256		\$1,979,474	\$3,802,655		\$3,802,655
350 Total Non-Current Liabilities	\$3,341,109	\$219,739	\$67,241	\$2,055,075	\$5,683,164		\$5,683,164
300 Total Liabilities	\$3,881,336	\$224,654	\$143,500	\$2,104,469	\$6,353,959		\$6,353,959
400 Deferred Inflow of Resources	\$356,430	\$57,999		\$440,831	\$855,260		\$855,260
508.4 Net Investment in Capital Assets	\$9,066,955		\$339,856	\$32,525	\$9,439,336		\$9,439,336
511.4 Restricted Net Position	\$213,757	\$42,189	\$0	\$0	\$255,946		\$255,946
512.4 Unrestricted Net Position	-\$841,451	-\$159,707	\$22,609	-\$1,592,375	-\$2,570,924		-\$2,570,924
513 Total Equity - Net Assets / Position	\$8,439,261	-\$117,518	\$362,465	-\$1,559,850	\$7,124,358		\$7,124,358
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$12,677,027	\$165,135	\$505,965	\$985,450	\$14,333,577		\$14,333,577

See accompanying notes to the financial statements

Millville Housing Authority (NJ061)  
MILLVILLE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,615,198				\$1,615,198		\$1,615,198
70400 Tenant Revenue - Other	\$24,626				\$24,626		\$24,626
70500 Total Tenant Revenue	\$1,639,824	\$0	\$0	\$0	\$1,639,824	\$0	\$1,639,824
70600 HUD PHA Operating Grants	\$1,771,470	\$1,568,083			\$3,339,553		\$3,339,553
70610 Capital Grants	\$221,672				\$221,672		\$221,672
70710 Management Fee				\$448,208	\$448,208	-\$448,208	\$0
70720 Asset Management Fee				\$33,520	\$33,520	-\$33,520	\$0
70730 Book Keeping Fee				\$57,407	\$57,407	-\$57,407	\$0
70740 Front Line Service Fee				\$95,462	\$95,462	-\$95,462	\$0
70750 Other Fees							
70700 Total Fee Revenue				\$634,597	\$634,597	-\$634,597	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$9	\$17	\$99	\$2,200	\$2,325		\$2,325
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery		\$3,574			\$3,574		\$3,574
71500 Other Revenue	\$183,089	\$20,517	\$525,677	\$377,407	\$1,106,690		\$1,106,690
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted	\$1,256				\$1,256		\$1,256
70000 Total Revenue	\$3,817,320	\$1,592,191	\$525,776	\$1,014,204	\$6,949,491	-\$634,597	\$6,314,894
91100 Administrative Salaries	\$236,628	\$71,093	\$4,559	\$529,804	\$842,084		\$842,084
91200 Auditing Fees	\$23,501	\$2,500	\$11,000		\$37,001		\$37,001
91300 Management Fee	\$430,644	\$17,564			\$448,208	-\$448,208	\$0
91310 Book-keeping Fee	\$42,452	\$14,955			\$57,407	-\$57,407	\$0
91400 Advertising and Marketing			\$3,877		\$3,877		\$3,877
91500 Employee Benefit contributions - Administrative	\$190,431	\$39,634	\$193	\$280,161	\$510,419		\$510,419
91600 Office Expenses	\$214,822	\$20,642	\$13,850	\$110,138	\$359,452		\$359,452
91700 Legal Expense	\$47,970		\$792	\$17,464	\$66,226		\$66,226
91800 Travel	\$4,876	\$1,660		\$17,197	\$23,733		\$23,733

See accompanying notes to the financial statements



Millville Housing Authority (NJ061)  
MILLVILLE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
91810 Allocated Overhead							
91900 Other	\$136,298		\$19,921		\$156,219		\$156,219
91000 Total Operating - Administrative	\$1,327,622	\$168,048	\$54,192	\$954,764	\$2,504,626	-\$505,615	\$1,999,011
92000 Asset Management Fee	\$33,520				\$33,520	-\$33,520	\$0
92100 Tenant Services - Salaries			\$216,357		\$216,357		\$216,357
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services			\$32,010		\$32,010		\$32,010
92400 Tenant Services - Other	\$27,227		\$18,438		\$45,665		\$45,665
92500 Total Tenant Services	\$27,227	\$0	\$266,805	\$0	\$294,032	\$0	\$294,032
93100 Water	\$336,258			\$774	\$337,032		\$337,032
93200 Electricity	\$353,442		\$54,429	\$2,663	\$410,534		\$410,534
93300 Gas	\$180,169		\$2,952		\$183,121		\$183,121
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$869,869	\$0	\$57,381	\$3,437	\$930,687	\$0	\$930,687
94100 Ordinary Maintenance and Operations - Labor	\$227,250		\$65,226		\$292,476		\$292,476
94200 Ordinary Maintenance and Operations - Materials and Other	\$183,168	\$1,291	\$9,558	\$283	\$194,300		\$194,300
94300 Ordinary Maintenance and Operations Contracts	\$517,657	\$212	\$15,687		\$533,556	-\$95,462	\$438,094
94500 Employee Benefit Contributions - Ordinary Maintenance	\$80,798				\$80,798		\$80,798
94000 Total Maintenance	\$1,008,873	\$1,503	\$90,471	\$283	\$1,101,130	-\$95,462	\$1,005,668
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs	\$5,775				\$5,775		\$5,775
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$5,775	\$0	\$0	\$0	\$5,775	\$0	\$5,775

See accompanying notes to the financial statements

Millville Housing Authority (NJ061)  
MILLVILLE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
96110 Property Insurance							
96120 Liability Insurance							
96130 Workmen's Compensation							
96140 All Other Insurance	\$179,204	\$10,008	\$28,026	\$51,604	\$268,842		\$268,842
96100 Total Insurance Premiums	\$179,204	\$10,008	\$28,026	\$51,604	\$268,842	\$0	\$268,842
96200 Other General Expenses	\$32	\$1,415			\$1,447		\$1,447
96210 Compensated Absences	\$16,446	\$6,564		\$6,750	\$29,760		\$29,760
96300 Payments in Lieu of Taxes	\$75,609		\$465		\$76,074		\$76,074
96400 Bad debt - Tenant Rents	\$4,490				\$4,490		\$4,490
96500 Bad debt - Mortgages							
96600 Bad debt - Other			\$643		\$643		\$643
96800 Severance Expense							
96000 Total Other General Expenses	\$96,577	\$7,979	\$1,108	\$6,750	\$112,414	\$0	\$112,414
96710 Interest of Mortgage (or Bonds) Payable	\$72,403				\$72,403		\$72,403
96720 Interest on Notes Payable (Short and Long Term)	\$17,630				\$17,630		\$17,630
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$90,033	\$0	\$0	\$0	\$90,033	\$0	\$90,033
96900 Total Operating Expenses	\$3,638,700	\$187,538	\$497,983	\$1,016,838	\$5,341,059	-\$634,597	\$4,706,462
97000 Excess of Operating Revenue over Operating Expenses	\$178,620	\$1,404,653	\$27,793	-\$2,634	\$1,608,432	\$0	\$1,608,432
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments		\$1,392,772			\$1,392,772		\$1,392,772
97350 HAP Portability-In							
97400 Depreciation Expense	\$1,122,678		\$34,073	\$5,748	\$1,162,499		\$1,162,499
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							

See accompanying notes to the financial statements

Millville Housing Authority (NJ061)  
MILLVILLE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$4,761,378	\$1,580,310	\$532,056	\$1,022,586	\$7,896,330	-\$634,597	\$7,261,733
10010 Operating Transfer In	\$103,556				\$103,556		\$103,556
10020 Operating transfer Out	-\$103,556				-\$103,556		-\$103,556
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	\$350,000				\$350,000		\$350,000
10094 Transfers between Project and Program - Out				-\$350,000	-\$350,000		-\$350,000
10100 Total Other financing Sources (Uses)	\$350,000	\$0	\$0	-\$350,000	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$594,058	\$11,881	-\$6,280	-\$358,382	-\$946,839	\$0	-\$946,839
Total Expenses							
11020 Required Annual Debt Principal Payments	\$217,475	\$0	\$0	\$0	\$217,475		\$217,475
11030 Beginning Equity	\$9,033,319	-\$129,399	\$368,745	-\$1,201,468	\$8,071,197		\$8,071,197
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors							
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		-\$159,707			-\$159,707		-\$159,707

See accompanying notes to the financial statements

Millville Housing Authority (NJ061)  
MILLVILLE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
11180 Housing Assistance Payments Equity		\$42,189			\$42,189		\$42,189
11190 Unit Months Available	5892	2292			8184		8184
11210 Number of Unit Months Leased	5683	1994			7677		7677
11270 Excess Cash	\$63,683				\$63,683		\$63,683
11610 Land Purchases	\$0			\$0	\$0		\$0
11620 Building Purchases	\$78,228			\$0	\$78,228		\$78,228
11630 Furniture & Equipment - Dwelling Purchases	\$3,082			\$0	\$3,082		\$3,082
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0			\$0	\$0		\$0
11660 Infrastructure Purchases	\$0			\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$140,000			\$0	\$140,000		\$140,000
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, 2017, and the related notes to the financial statements, which collectively comprise Millville Housing Authority basic financial statements, and have issued our report thereon dated May 31, 2018.

**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: May 31, 2018



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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**

**(Unmodified Opinion on Compliance for Each Major Program:  
No Material Weakness or Significant Deficiencies  
in Internal Control Over Compliance Identified)**

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, 2017. 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, 2017.

### ***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: May 31, 2018

**MILLVILLE HOUSING AUTHORITY**

**Schedule of Findings, Questioned Costs, and Recommendations  
Year Ended September 30, 2017**

**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
14.871	Section 8 Housing Choice Voucher Program	\$ 1,568,083

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, 2017, and have issued our reports thereon dated May 31, 2018. 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, 2017, 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  
May 31, 2018

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

<b>PROCEDURE</b>	<b>UFRS RULE INFORMATION</b>	<b>HARD COPY DOCUMENTS</b>	<b>AGREES</b>	<b>DOES NOT AGREE</b>
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"/>