

Report On Audit

**HOUSING AUTHORITY OF THE
CITY OF ENGLEWOOD**

**For the Year Ended
December 31, 2017**

Housing Authority of the City of Englewood

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Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550

fax: 732-842-4551

467 Middletown-Lincroft Rd.

Lincroft, NJ 07738

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Englewood
111 West Street
Englewood, New Jersey 07631

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Englewood (a governmental public corporation) in Englewood, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of December 31, 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 Housing Authority of the City of Englewood'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 Housing Authority of the City of Englewood'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 Housing Authority of the City of Englewood as of December 31, 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 budgetary comparison information on pages 4 through 17 and pages 57-58 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.

Other Information

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 Expenditures and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued reports dated July 18, 2018 on our consideration of the Housing Authority of the City of Englewood'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* in considering Housing Authority of the City of Englewood's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: July 18, 2018

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

As Management of the Housing Authority of the City of Englewood (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 exceeded its liabilities at the close of the most recent fiscal year by \$2,703,772 an increase in the financial position of \$197,754 or 8% as compared to the prior year.

As noted above, the net position of the Authority was \$2,703,772 as of December 31, 2017. Of this amount, the unrestricted net position is negative (\$760,879) representing a decrease in the deficit of \$202,978 or 21% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 18 the financial statements, which is included in this report.

The net investment in capital assets decreased \$929,573 or 29% percent for an ending balance of \$2,254,895.

The restricted net position increased \$924,349 from the prior year for and ending balance of \$1,209,756. Additional information on the Authority's restricted net position can be found in Notes 17 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at December 31, 2017 is \$2,518,051 resenting a decrease of \$406,824 or 14% percent from the prior year. Total restricted cash decreased \$80,520 or 6% percent for an ending balance of \$1,280,972. The full detail of these amounts can be found in the Statement of Cash Flows on pages 21-22 of this report.

The Authority's total assets and deferred outflows are \$8,260,582 of which deferred outflows are \$607,213, capital assets net book value is \$3,305,032, restricted cash of \$1,280,972, leaving total current assets at \$3,067,365. Total current assets decreased from the previous year by \$94,534 or 3% percent. Unrestricted cash and cash equivalents decreased by \$406,824, account's receivables increased by \$311,032, and prepaid expenses increased by \$1,258.

Restricted cash and cash equivalents decreased \$80,520 or 6% percent for an ending balance of \$1,280,972.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

FINANCIAL HIGHLIGHTS - CONTINUED

Capital assets reported an increase in the net book value of the capital assets in the amount of \$16,189 or less than 1% percent. The major factor that contributed to the increase was the purchase of fixed assets in the amount of \$150,967, less the recording of depreciation expense in the amount of \$134,778. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 7 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$338,547 for an ending balance of \$607,213. The Authority also reported an increase in the deferred inflow for the pension cost in the amount of \$575,576 for an ending balance of \$688,656. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 8 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$4,868,154, of which noncurrent liabilities are stated at \$4,576,505. Total liabilities decreased during the year as compared to the prior year in the amount of \$1,270,742, or 21% percent. Total current liabilities decreased during the year by \$585,469, leaving non-current liabilities for a decrease of \$685,273 as compared to the previous year.

Total current liabilities decreased from the previous year by \$585,469 or 67% percent. Accounts payables increased by \$22,069, accrued liabilities decreased by \$32,914, tenant security deposit payable increased by \$7,657, unearned revenue decreased \$583,596, and current portion of long term debt increased by \$1,315. Unearned revenue decreased significantly due to the receipt of January's 2017 subsidy for the Housing Choice Voucher program in December 2016.

Total noncurrent liabilities decreased by \$685,273 or 13% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$44,462, with no offsetting assets, increased \$1,318 from the previous year. Long-term debt decreased \$55,553 for an ending balance of \$992,025. Accrued pension and OPEB liability decreased \$631,038 or 15% percent. Additional information on GASB 68's effect and the Authority's accrued pension at December 31, 2017 can be found in Notes 15 & 16 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$9,347,693 as compared to \$8,036,057 from the prior year for an increase of \$1,311,636 or 16% percent. The Authority had total operating expenses of \$9,118,825 as compared to \$8,461,745 from the previous year for an increase of \$657,080 or 8% percent, resulting in excess revenue from operations in the amount of \$228,868 for the current year as compared to excess expenses over revenue from operations in the amount of \$425,688 for a decrease in expenses over revenue in the amount of \$654,556 or 154% percent from the previous year.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had capital outlays in the amount of \$150,967 for the fiscal year. These expenditures were funded from the Authority's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 7 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$7,887,911 for the year 2017 as compared to \$7,158,131 for the previous year 2016 for an increase of \$729,780 or 10% 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. Business Activities – RAD 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 basic 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.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis 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.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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 year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flows– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current 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 year (i.e. accounts receivable, notes receivable, etc.).

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 54.

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.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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 55-56 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 Housing Authority of the City of Englewood are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended December 31, 2017. Type B programs for the Housing Authority of the City of Englewood are those which are less than \$750,000 in expenditures for the fiscal year ended December 31, 2017.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between December 31, 2017 and December 31, 2016:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase
	December-17	December-16	(Decrease)
Cash	\$ 3,799,023	\$ 4,286,367	\$ (487,344)
Other Current Assets	549,314	237,024	312,290
Capital Assets - Net	3,305,032	3,288,843	16,189
Deferred Outflows	607,213	945,760	(338,547)
Total Assets	8,260,582	8,757,994	(497,412)
Less: Current Liabilities	(291,649)	(877,118)	585,469
Less: Non Current Liabilities	(4,576,505)	(5,261,778)	685,273
Less: Deferred Inflows	(688,656)	(113,080)	(575,576)
Net Position	<u>\$ 2,703,772</u>	<u>\$ 2,506,018</u>	<u>\$ 197,754</u>
Net Investment in Capital Assets	\$ 2,254,895	\$ 3,184,468	\$ (929,573)
Restricted Net Position	1,209,756	285,407	924,349
Unrestricted Net Position	(760,879)	(963,857)	202,978
Net Position	<u>\$ 2,703,772</u>	<u>\$ 2,506,018</u>	<u>\$ 197,754</u>

Cash decreased by \$487,344 or 11% percent. Net cash used by operating activities was \$534,110, net cash provided by capital and related financing activities was \$30,134, and net cash provided by investing activities was \$16,632. The full detail of this amount can be found in the Statement of Cash Flow on page 21-22 of this audit report.

Other current assets - Account receivable increased \$311,032. This increase can primarily be attributed to increase in advances to the component unit in regards to HUD funding which was delayed at year end. Prepaid expenses increased \$1,258.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$16,189 or less than 1% percent. The major factor that contributed to the increase was the purchase of fixed assets in the amount of \$150,967, less the recording of depreciation expense in the amount of \$134,778. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note - 7 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$338,547 for an ending balance of \$607,213. The Authority also reported an increase in the deferred inflow for the pension cost in the amount of \$575,576 for an ending balance of \$688,656.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities decreased from the previous year by \$585,469 or 67% percent. Accounts payables increased by \$22,069, accrued liabilities decreased by \$32,914, tenant security deposit payable increased by \$7,657, unearned revenue decreased \$583,596, and current portion of long term debt increased by \$1,315. Unearned revenue decreased significantly due to the receipt of January's 2017 subsidy for the Housing Choice Voucher program in December 2016.

Total noncurrent liabilities decreased by \$685,273 or 13% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$44,462, with no offsetting assets, increased \$1,318 from the previous year. Long-term debt decreased \$55,553 for an ending balance of \$992,025. Accrued pension and OPEB liability decreased \$631,038 or 15% percent.

The Authority's reported net position of \$2,703,772 is made up of three categories. The net investment in capital assets in the amount of \$2,254,895 represents the majority of the total account balance. 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 year:

Balance December 31, 2016	3,184,468
Acquisition in Fixed Assets	150,967
Depreciation Expense	(134,778)
Debt Acquisition	(1,000,000)
Debt Payment	54,238
Balance December 31, 2017	<u>2,254,895</u>

The Housing Authority of the City of Englewood operating results for December 31, 2017 reported an increased in unrestricted net position of \$202,978 or 21% percent for an ending balance of negative (\$760,879). A full detail of this account can be found in the Notes to the Financial Statements Section Note 18.

The Authority reported restricted net position in the amount of \$1,209,756 which increased \$924,349 compared to the prior year. A full detail of this account can be found in the Notes to the Financial Statements Section Note 17.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between December 31, 2017 and December 31, 2016:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase
	December-17	December-16	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 1,385,134	\$ 818,846	\$ 566,288
HUD Subsidies	7,887,911	7,158,131	729,780
Other Revenues	74,648	59,080	15,568
Total Operating Income	<u>9,347,693</u>	<u>8,036,057</u>	<u>1,311,636</u>
<u>Expenses</u>			
Operating Expenses	8,984,047	8,217,832	766,215
Depreciation Expense	134,778	243,913	(109,135)
Total Operating Expenses	<u>9,118,825</u>	<u>8,461,745</u>	<u>657,080</u>
Operating Income before Non Operating Income	228,868	(425,688)	654,556
Interest Income	16,632	13,945	2,687
Interest Expense	<u>(47,746)</u>	<u>(9,653)</u>	<u>(38,093)</u>
Change in Net Position	197,754	(421,396)	619,150
Net Position Prior Year	2,506,018	2,927,414	(421,396)
Total Net Position	<u>\$ 2,703,772</u>	<u>\$ 2,506,018</u>	<u>\$ 197,754</u>

Approximately 84% percent of the Authority's total revenue was provided by HUD operating subsidy, while 15% percent resulted from tenant revenue. Charges for various services and fraud recovery provided for the remaining 1% percent of the total operating income.

The Authority had capital expenditures of \$150,967. The current year additions included electrical panels upgrades, paving of parking lots, site improvements, and appliances for the apartments.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 79% percent of total operating expenses. Administrative expenses accounted for 11% percent, tenant services accounted 1% percent, utilities expense accounted for 3% percent, maintenance expense accounted for 3% percent, other operating expenses accounted for 2% percent, and depreciation accounted for the remaining 1% of the total operating expenses.

The Authority operating income exceeded its operating expenses resulting in excess revenue over expenses from operations in the amount of \$228,868 from operations as compared to excess expenses over revenue from operations of \$425,688 for the previous year. The key elements for the decrease in deficit in comparison to the prior year are as follow:

- The Authority experienced an increase in HUD operating grants in the amount of \$729,780, or 10% percent. Grants are awarded based on the Authority's needs against a preauthorized funding level.
- Tenant rental income increased \$566,288 from the previous year. This was associated to the business activities program for the RAD conversion.
- Housing Assistance Payments increased in the amount of \$1,073,691 or 18% percent, this was associated with the RAD conversion of the public housing units.
- The Authority experienced decreases in the following expenses:
 - Administrative Expenses decreased \$94,359 or 8% percent.
 - Utility Expenses decrease \$49,998 or 15% percent.
 - Maintenance Expenses decreased \$77,685 or 24% percent.
 - Other Operating Expenses decreased \$86,167 or 35% percent
 - Depreciation Expense decreased \$109,135 or 45% percent.

Total net cash used by operating activities during the year was \$534,110. A full detail of this amount can be found on the Statement of Cash Flows on page 21-22 of this report.

Overall the Authority reported an increase in unrestricted net position of \$202,978 or an increase of 21% percent for an ending balance of (\$760,879). Additional information on the Authority's unrestricted net position can be found in Note 18 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four-year period of time ending on December 31, 2017:

	December-17	December-16	December-15	December-14
Significant Income				
Total Tenant Revenue	\$ 1,385,134	\$ 818,846	\$ 801,890	\$ 792,904
HUD Operating Grants	7,887,911	7,158,131	6,154,292	6,799,847
HUD Capital Grants	-	-	300,507	67,188
Investment Income	16,632	13,945	9,277	9,970
Other Income	74,648	59,080	107,911	95,502
Total	<u>\$ 9,364,325</u>	<u>\$ 8,050,002</u>	<u>\$ 7,373,877</u>	<u>\$ 7,765,411</u>
Payroll Expense				
Administrative Salaries	\$ 399,889	\$ 397,994	\$ 364,895	\$ 343,760
Tenant Services Salaries	41,009	40,031	40,261	41,217
Utilities Labor	33,500	48,166	30,420	34,587
Maintenance Labor	64,846	48,050	69,498	55,155
Employee Benefits Expense	562,719	712,488	408,974	345,058
Total Payroll Expense	<u>\$ 1,101,963</u>	<u>\$ 1,246,729</u>	<u>\$ 914,048</u>	<u>\$ 819,777</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 199,283	\$ 167,629	\$ 179,740	\$ 189,268
Utilities Expense	225,143	244,814	225,246	414,702
Maintenance Supplies	45,858	55,909	48,418	44,430
Maintenance Contract Cost	78,393	152,414	105,197	156,815
Insurance Premiums	67,682	62,429	59,574	60,080
Housing Assistance Payments	7,159,748	6,086,057	5,678,255	5,426,657
Total	<u>\$ 7,776,107</u>	<u>\$ 6,769,252</u>	<u>\$ 6,296,430</u>	<u>\$ 6,291,952</u>
Total Operating Expenses	<u>\$ 9,118,825</u>	<u>\$ 8,461,745</u>	<u>\$ 7,511,431</u>	<u>\$ 7,384,403</u>
Total of Federal Awards	<u>\$ 7,887,911</u>	<u>\$ 7,158,131</u>	<u>\$ 6,454,799</u>	<u>\$ 6,867,035</u>

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

THE HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD PROGRAMS

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 lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Rental Assistance Demonstration Program: Business Activities

The Rental Assistance Demonstration Program ("RAD") was created in order to give public housing authorities ("PHA's") a powerful tool to preserve and improve public housing properties. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% percent of their income towards rent.

Section 8 New Construction and Substantial Rehabilitation

The New Construction and Substantial Rehabilitation Programs provide rental assistance in connection with the development of newly constructed or substantially rehabilitated privately owned rental housing financed with any type of construction or permanent financing, including the applicable FHA Multifamily Mortgage Insurance Programs. The maximum term of assistance provided by HUD under the New Construction and Substantial Rehabilitation Programs for a project financed with the proceeds of a loan insured by FHA is 20 years.

Blended Component Units

The Authority also has Component Units which consist of activities pertaining to Englewood Housing Management Services, Inc. (EHMS). The non-profit corporation was formed for the purpose of developing, operating, and managing low and moderate income housing in the City of Englewood. The program currently consists of four units. The audit report for EHMS covered the year ended December 31, 2017.

THE AUTHORITY AS A WHOLE

The Authority's 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 revenues were not sufficient to cover all expenses excluding depreciation expense. By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority 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. The unrestricted position of the Authority is available for future use to provide program services.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2017, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. 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.

NEW INITIATIVES

For the fiscal year ended 2017 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 84% percent of its revenue from the Department of Housing and Urban Development, (2016 was 89% 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 our operations, all the while maintaining a strong 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 Englewood all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2017 was \$3,305,032 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total increase during the year in the Authority's investment in capital assets was \$16,189 or less than 1% percent. Major capital expenditures of \$150,967 were made during the year. Major capital assets events during the year included the following:

- Electrical Panels Upgrades
- Paving of parking Lots
- Site Improvements
- Apartment Appliances

	December-17	December-16	Increase (Decrease)
Land	\$ 806,719	\$ 806,719	\$ -
Building	8,421,429	8,294,449	126,980
Furniture, Equipment - Dwelling	271,318	247,879	23,439
Furniture, Equipment - Administration	234,944	234,396	548
Total Fixed Assets	\$ 9,734,410	\$ 9,583,443	\$ 150,967
Accumulated Depreciation	(6,429,378)	(6,294,600)	(134,778)
Net Book Value	<u>\$ 3,305,032</u>	<u>\$ 3,288,843</u>	<u>\$ 16,189</u>

Additional information on the Authority's capital assets can be found in Note 7 to the financial statements, which is included in this report.

2 - Debt Administration

As of December 31, 2017, the Authority had two notes outstanding. The first note was with NVE Bank in the amount of \$66,605 of which \$40,816 was stated as current. Interest is payable at 4.875%. The monthly payments are \$3,502 which includes principal and interest.

The second noted was with Bank of New Jersey in the amount of \$983,532 of which \$17,296 was stated as the current portion. Interest is payable at 4.35% percent. The monthly payments are \$3,978 which includes principal and interest.

Additional information on the Authority's debt can be found in Note 14 of the notes to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The following factors were considered in preparing the Authority's budget for the year ending December 31, 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. The Authority accepted the administration of a 15-year project based housing choice vouchers.

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 Mr. Domingo Senande, Executive Director, Housing Authority of the City of Englewood, 111 West Street, Englewood, N.J. 07631, or call (201) 871-3451.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
STATEMENT OF NET POSITION -1
AS OF DECEMBER 31, 2017

	<u>2017</u>
Assets	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	\$ 2,518,051
Accounts Receivables, Net of Allowances	539,422
Investments	9,892
Total Current Assets	<u>3,067,365</u>
Noncurrent Restricted Assets	
Cash and Cash Equivalents - Restricted	<u>1,280,972</u>
Noncurrent Assets	
Capital Assets	
Land	806,719
Building	8,421,429
Furniture, Equipment - Dwelling	271,318
Furniture, Equipment - Administration	234,944
Total Capital Assets	<u>9,734,410</u>
Less: Accumulated Depreciation	<u>(6,429,378)</u>
Net Book Value	<u>3,305,032</u>
 Total Assets	 <u>7,653,369</u>
Deferred Outflow of Resources	
State of New Jersey P.E.R.S.	<u>607,213</u>
 Total Assets and Deferred Outflow of Resources	 <u>\$ 8,260,582</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
STATEMENT OF NET POSITION -2
AS OF DECEMBER 31, 2017

	<u>2017</u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 116,327
Accrued Liabilities	44,347
Tenant Security Deposit Payable	70,889
Unearned Revenue	1,974
Mortgage Payable - Current Portion	58,112
Total Current Liabilities	<u>291,649</u>
Noncurrent Liabilities	
Mortgage Payable - Long Term	992,025
Accrued Compensated Absences - Long-Term	44,462
Accrued Pension Liability	3,540,018
Total Noncurrent Liabilities	<u>4,576,505</u>
Total Liabilities	<u>4,868,154</u>
Deferred Inflow of Resources	
State of New Jersey P.E.R.S.	<u>688,656</u>
Net Position:	
Net Investments in Capital Assets	2,254,895
Restricted Net Position	1,209,756
Unrestricted Net Position	(760,879)
Total Net Position	<u>2,703,772</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 8,260,582</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017

	<u>2017</u>
Revenue:	
Tenant Rental Revenue	\$ 1,385,134
HUD PHA Operating Grants	7,887,911
Other Revenue	74,648
Total Revenue	<u>9,347,693</u>
 Operating Expenses:	
Administrative Expense	1,029,103
Tenant Services	98,522
Utilities Expense	288,447
Maintenance Expense	249,589
Other Operating Expenses	158,638
Housing Assistance Payments	7,159,748
Depreciations Expense	134,778
Total Operating Expenses	<u>9,118,825</u>
 Excess Expenses Over Revenue From Operations	<u>228,868</u>
 Non Operating Income:	
Investment Income	16,632
Mortgage Interest Expense	(47,746)
Total Non Operating Income	<u>(31,114)</u>
 Change in Net Position	 197,754
 Beginning Net Position	 <u>2,506,018</u>
 Ending Net Position	 <u><u>\$ 2,703,772</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
STATEMENT OF CASH FLOW -1
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017

	2017
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 1,384,946
Receipts from Federal Grants	7,664,811
Receipts from Misc. Sources	74,648
Payments to Vendors and Suppliers	(862,860)
Payments for Housing Assistance Payments	(7,159,748)
Payments to Employees	(539,244)
Payment of Employee Benefits	(562,719)
Loan to Westmoor Gardens, Inc.	(533,944)
Net Cash (Used) by Operating Activities	<u>(534,110)</u>
Cash Flow From Capital and Related Financing Activities	
Acquisitions and Construction of Capital Assets	(150,967)
Interest Expense	(47,746)
Principal Payments made on Mortgage	(54,238)
Change in Accrued Pension and OPEB Liabilities	(631,038)
Net Effect of Deferred Inflows and Outflows	914,123
Net Cash Provided by Related Financing Activities	<u>30,134</u>
Cash Flow From Investing Activities	
Interest Income	16,632
Net Cash Provided by Investing Activities	<u>16,632</u>
Net (Decrease) in Cash and Cash Equivalents	(487,344)
Beginning Cash	<u>4,286,367</u>
Ending Cash	<u><u>\$ 3,799,023</u></u>
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 2,518,051
Tenant Security Deposit	70,889
Cash - Restricted for Current Liabilities	327
Restricted Escrows	1,209,756
Total Ending Cash	<u><u>\$ 3,799,023</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
STATEMENT OF CASH FLOW -2
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017

	<u>2017</u>
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expense Over Revenue - Operations	\$ 228,868
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	134,778
(Increase) Decrease in:	
Accounts Receivables	(311,032)
Prepaid Expenses	(1,258)
Increase (Decrease) in:	
Accounts Payable	22,069
Accrued Liabilities	(32,914)
Tenant Security Deposit Payable	7,657
Unearned Revenue	(583,596)
Accrued Compensated Absences - Long-Term	1,318
Net Cash (Used) by Operating Activities	<u><u>\$ (534,110)</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 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 Englewood 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 the City of Englewood. 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 Englewood 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 Englewood reporting entity.

Based on the following criteria, the Authority has identified one 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.

As of December 31, 2017, based upon the application of these criteria, the Authority considers Englewood Housing Management Services, Inc. (EHMS) to be a component unit because the organization meets the financial accountability criteria for inclusion.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 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 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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 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 proprietary fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

Other revenue composed primarily of miscellaneous services fees and residents 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.

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

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

Basis of Accounting – Continued

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

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

Blended Component Units

The Authority has identified the Englewood Housing Management Services, Inc. (EHMS) as a component unit. The Authority has an ownership in the EHMS Corporation. EHMS is reported as if it were part of the Authority because of the ownership in the Corporation. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The financial data included in this report is based on the information for the Corporation at the end of its year, which was December 31, 2017.

Report Presentation -

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges, designated to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

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.
- 8 – The Authority does not have any infrastructure assets for its Enterprise Fund.
- 9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.
- 10- Advertising cost is charged to expense when incurred.
- 11- 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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

Other accounting policies - Continued

12- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

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.

14- Management Contract Fees

The Authority provides property management and administrative services to certain outside parties providing affordable housing. Management fees for these services are determined as prescribed in the individual management contracts. Revenue from these contracts is recognized on an accrual basis.

15 - Taxes

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

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

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

16 - Net Position

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

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

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

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

Budgetary and Policy Control -

The Authority submits its annual operating budgets 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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

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

Program	CFDA #	Project #	Units Authorized
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ39-VO55-001	761
N/C S/R Program	14.182	NJ55-SRO-001	13
<u>Business Activities</u>			
Rental Assistance Demonstration Program (RAD)			152
John J. Foti Sr. Property			9
<u>Component Unit</u>			
Englewood Housing Management Services, Inc. (EHMS)			4

Business Activities - RAD

The Authority converted its 152 Public and Indian Housing Program units to Rental Assistance Demonstration Program (RAD) Project Based Vouchers (PBV). The conversion took place in December 2017. The RAD Program was created in order to give public housing authorities ("PHA's") a powerful tool to preserve and improve public housing properties. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% percent of their income towards rent.

The Authority also owns and manages a 9-unit apartment building at 115 Humphry Street, known as the John J. Foti, Sr. Property. Since there is no Federal funding, it is referred to as Business Activities on the Financial Data Schedule.

Blended Component Units

The Authority also has Component Units which consist of activities pertaining to Englewood Housing Management Services, Inc. (EHMS). The non-profit corporation was formed for the purpose of developing, operating, and managing low and moderate income housing in the City of Englewood. The program currently consists of four units. The audit report for EHMS covered the year ended December 31, 2017.

The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The financial data included in this report is based on the information for the entity at the end of its year, which was December 31, 2017.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

Activities - Continued

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 lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Section 8 New Construction and Substantial Rehabilitation

The New Construction and Substantial Rehabilitation Programs provide rental assistance in connection with the development of newly constructed or substantially rehabilitated privately owned rental housing financed with any type of construction or permanent financing, including the applicable FHA Multifamily Mortgage Insurance Programs. The maximum term of assistance provided by HUD under the New Construction and Substantial Rehabilitation Programs for a project financed with the proceeds of a loan insured by FHA is 20 years.

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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 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/2017divisioncombined.pdf>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 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 6.64% 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 is \$80,023.

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 do to the adoption of GASB 68 can be found in Note 16- 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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED

The Authority has total unrestricted cash, cash equivalents at December 31, 2017 in the amount of \$2,518,051 and restricted cash in the amount of \$1,280,972 which is located in Bank of New Jersey

Below is the detail of the restricted cash amounts for December 31, 2017 in the amount of \$1,280,972:

	<u>December-17</u>
Tenant Security Deposits	\$ 70,889
Restricted for Current Liabilities	327
RAD Required Reserve Escrows	<u>1,209,756</u>
Total Restricted Cash	<u>\$ 1,280,972</u>

RAD capital reserve escrow funds are restricted for capital improvements related to properties specified in mortgage agreement with Bank of New Jersey.

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 December 31, 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. 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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 4 – CASH, CASH EQUIVALENTS -CONTINUED

The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>December-17</u>
Insured	\$ 250,500
Collateralized held by pledging bank's trust department in the Authority's name	3,548,523
Total Cash, Cash Equivalents	<u>\$ 3,799,023</u>

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable at December 31, 2017 consisted of the following:

	<u>December-17</u>
Tenants Accounts Receivable	\$ 5,478
Advance to Westmoor Gardens - RAP Subsidy	533,944
Total Accounts Receivable	<u>\$ 539,422</u>

Accounts Receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management continually monitors tenants accounts receivable payment patterns, 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. No allowance for doubtful accounts was required at December 31, 2017.

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 December 31, 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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements

December 31, 2017

NOTE 7 - FIXED ASSETS

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

Depreciation Expense

Property and equipment are stated at cost. Donated fixed assets are stated at their fair value on the date donated. 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

Impairment Losses

Housing Authority of the City of Englewood reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2017.

Below is a schedule of changes in fixed assets for the twelve months ended December 31, 2017:

	<u>December-16</u>	<u>Additions</u>	<u>December-17</u>
Land	\$ 806,719	\$ -	\$ 806,719
Building	8,294,449	126,980	8,421,429
Furniture, Equipment - Dwelling	247,879	23,439	271,318
Furniture, Equipment - Administration	234,396	548	234,944
Total Fixed Assets	9,583,443	150,967	9,734,410
Accumulated Depreciation	(6,294,600)	(134,778)	(6,429,378)
Net Book Value	<u>\$ 3,288,843</u>	<u>\$ 16,189</u>	<u>\$ 3,305,032</u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 7 - FIXED ASSETS - CONTINUED

Below is a schedule of the net book value of the fixed assets for the Authority as of December 31, 2017:

<u>Net Book Value of the Fixed Assets</u>	<u>December-17</u>
Land	\$ 806,719
Building	2,373,596
Furniture, Equipment - Dwelling	8,904
Furniture, Equipment - Administration	115,813
Net Book Value	<u>\$ 3,305,032</u>

NOTE 8 - 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 17 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experiences	\$ 47,348	\$ -
Changes in Assumptions	405,110	403,625
Net Difference Between Projected and Actual Earning on Pension Plan Investments	13,692	-
Changes in Proportion	141,063	285,031
Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 607,213</u>	<u>\$ 688,656</u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

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 \$47,348 and \$-0-.

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 \$405,110 and \$-0-.

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

The difference between the System's expected rate of return of 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 \$13,692 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 \$141,063 and \$285,031.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 9 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of December 31, 2017. Accounts payable vendors are amount owed to creditors as a result of delivered goods and completed services. Accounts payable at December 31, 2017 consist of the following:

	<u>December-17</u>
Accounts Payable Vendors	\$ 20,597
Accounts Payable - P.I.L.O.T.	82,495
Accounts Payable - HUD HCV Program	13,235
Total Accounts Payable	<u>\$ 116,327</u>

NOTE 10 – 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 Englewood. Under the Cooperation Agreements, the Authority must pay the municipality the littles of 10% of its net shelter rent or the approximate full real property taxes. PILOT payable at December 31, 2017 consist of the following:

	<u>December-17</u>
Balance Beginning of Year	\$ 35,195
P.I.L.O.T. Accrued	56,910
Less: Payments Made	(9,610)
Total P.I.L.O.T. Payable	<u>\$ 82,495</u>

NOTE 11 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities incurred on or before December 31. Accrued liabilities at December 31, 2017 consist of the following:

	<u>December-17</u>
Compensated Absences - Current Portion	\$ 4,940
Accrued Wages and Payroll Taxes	14,279
Accrued Interest Payable	3,947
Accrued - Various Vendors	21,181
Total Accrued Liabilities	<u>\$ 44,347</u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements

December 31, 2017

NOTE 12 – 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.

An employee may not carry over unused vacation days in which the vacation days are earned. When an employee's employment terminated, the employee will be entitled to receive payment for any unused accumulated vacation time.

Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of voluntary resignation of employment, an employee shall be entitled to be paid for fifty (50%) percent of unused sick time not to exceed \$15,000.

For December 31, 2017 the Authority has determined that the potential liability for accumulated vacation time, sick leave, and terminal pay to be as follows:

	<u>December-17</u>
Accumulated Sick Time	\$ 49,402
Compensated Absences - Current Portion	<u>(4,940)</u>
Total Compensated Absences - Noncurrent	<u>\$ 44,462</u>

NOTE 13 – 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. The unearned revenue account balance at December 31, 2017 is \$1,974 which consisted of January 2018 prepaid tenant rents.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 14 - LONG TERM DEBT

The Authority as of December 31, 2017 had the following notes outstanding:

	<u>December-17</u>
NVE Bank	\$ 66,605
Bank of New Jersey	983,532
Total Notes Payable	<u>\$ 1,050,137</u>

First Note Payable - NVE Bank

The Authority received a mortgage from NVE Bank for the acquisition of 115 Humphry Street at an interest rate is 4.875%. Monthly payments are \$3,502 including principal and interest. The loan matures in 2019. The balance at December 31, 2017 was \$66,605 of which \$40,816 is due within one year.

The annual debt service requirements to maturity, including principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2018	\$ 40,816	\$ 1,209	\$ 42,025
2019	25,789	956	26,745
Total	<u>\$ 66,605</u>	<u>\$ 2,165</u>	<u>\$ 68,770</u>

Second Note Payable - Bank of New Jersey

The Authority received a note from Bank of New Jersey in the amount of \$1,000,000 in connection with the Authority's RAD program to provide long-term capital improvement funding for low income properties in Englewood, New Jersey. The loan term is 20 years based upon a 30 year amortization schedule with an interest rate of 4.35% percent. Payments will be made in 240 equal monthly installments of principal and interest with a balloon payment at maturity.

The balance at December 31, 2017 was \$983,532 of which \$17,296 is due within one year.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 14 - LONG TERM DEBT - CONTINUED

The annual debt service requirements to maturity, including principal and interest are as follows:

Year	Principal	Interest	Total Payment
December 31, 2018	\$ 17,296	\$ 42,441	\$ 59,737
December 31, 2019	18,064	41,673	59,737
December 31, 2020	18,865	40,872	59,737
December 31, 2021	19,703	40,034	59,737
December 31, 2022	20,577	39,160	59,737
Sub Total	94,505	204,181	298,687
Therafter	889,027	543,591	1,432,618
Total	<u>\$ 983,532</u>	<u>\$ 747,772</u>	<u>\$ 1,731,305</u>

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of December 31, 2017 reported accrued pension and OPEB liability amounts as follows:

	December-17
Accrued OPEB Liability	\$ 1,529,201
Accrued Pension Liability	2,010,817
Total OPEB and Pension Liability	<u>\$ 3,540,018</u>

These amounts arose due to adoption of GASB 45 several years ago as well as GASB 68 which was just adopted this fiscal year. This note will discuss the liability associated with GASB 45, which is accrued other postemployment benefits. Note - 16 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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – 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:

	December-17
Annual Required Contribution	\$ 209,859
Interest on net OPEB obligation	50,894
Adjustment to annual required contribution	13,089
Annual OPEB cost (expense)	273,842
Contributions made	(16,979)
Increase in net OPEB obligation	256,863
Net OPEB Obligation – beginning of year	1,272,338
Net OPEB Obligation – end of year	<u>\$ 1,529,201</u>

FUNDED STATUS AND FUNDING PROGRESS

As of January 1, 2016, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$2,045,957, and the actuarial value of assets was \$-0-, resulting in an unfunded accrued liability (UAL) of \$2,045,957.

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.

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 that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Accrued Liability would increase \$587,821 or by 28.7% percent and the corresponding Present Value of Future Benefits Cost would increase to \$4,235,197 from \$3,192,561 or by 32.7% percent.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements

December 31, 2017

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED

Reconciliation of Plan Participation (As of January 1, 2016) Active Employees (13):

	January-16	January-13	Change
Number of Active Employees	13	12	1
Number of Retired Employees	1	1	0
Average Age - Actives	50.8	49.3	1.5
Average Years of Service	11.9	11.8	0.1
Average Age - Retirees	66	62.5	3.5

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the 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. The following simplifying assumptions were made:

- Actuarial Cost Method Projected Unit Credit
- Investment Rate of Return 4.00% per annum
- Healthcare Trend Rates:

	Year	Pre-65	Post 65
Initial Trend	January 1, 2017	9.0%	9.0%
Ultimate Trend	January 1, 2025 and Later	5.0%	5.0%
Grading Per Year		0.5%	0.5%

- General Inflation Assumption: 1% per annum
- Annual Compensation Increases 1% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
- Remaining Amortization Period: 12 years at January 1, 2010

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 16 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of December 31, 2017 reported a net pension liability in the amount of \$2,010,817 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:

	PERS
Employer Total Pension Liability	\$ 3,874,403
Plan Net Position	(1,863,586)
Employer Net Pension Liability	<u>\$ 2,010,817</u>

The Authority allocation percentage is 0.0086381247% 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.

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).

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
- Tier 5 – Members who were eligible to enroll on or after June 28, 2011.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

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.

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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements

December 31, 2017

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions - Continued

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>	

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.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements

December 31, 2017

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate -Continued

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)	\$ 2,494,555	\$ 2,010,817	\$ 1,607,804

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	\$ 47,337
Year Ending June 30, 2019	71,432
Year Ending June 30, 2020	43,284
Year Ending June 30, 2021	(57,568)
Year Ending June 30, 2022	(41,959)
Total	<u>\$ 62,525</u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements

December 31, 2017

NOTE 16 - ACCRUED PENSION LIABILITY - CONTINUED

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	\$ 93,790
Interest on the Total Pension Liability	170,195
Member Contributions	(44,614)
Administrative Expenses	1,167
Expected Investment Return Net of Investment Expenses	(121,518)
Pension Expense Related to Specific Liabilities of Individual Employers	(1,320)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:	
Difference Between Expected and Actual Experience	14,913
Changes of Assumptions	34,751
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	(2,328)
Total	<u>\$ 145,037</u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 17 – RESTRICTED NET ASSETS

The Authority restricted net position account balance at December 31, 2017 is \$1,209,756. The detail of the reserve account balances are as follows:

	RAD Capital Reserves	HCV HAP Reserve	Total
Balance December 31, 2016	\$ 267,408	\$ 17,999	\$ 285,407
Decrease During the Year	-	(17,999)	(17,999)
Increase During the Year	942,348	-	942,348
Balance December 31, 2017	<u>\$ 1,209,756</u>	<u>\$ -</u>	<u>\$ 1,209,756</u>

RAD Capital Escrows

RAD capital reserve escrow funds are restricted for capital improvements related to properties specified in mortgage agreement with Bank of New Jersey.

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 December 31, 2017 was \$1.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements
December 31, 2017

NOTE 18 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at December 31, 2017 is negative (\$760,879). The detail of the account balance is as follows:

	Section 8		Shelter		Business Activities	Component	
	N/C - S/R	HCV	Care			Unit	Total
Balance December 31, 2016	53,528	211,765	165		(1,839,434)	610,119	(963,857)
Increase During the Year	15,648	130,722			19,605	37,003	202,978
Balance December 31, 2017	\$ 69,176	\$ 342,487	\$ 165	\$ (1,819,829)	\$	647,122	\$ (760,879)

Housing Choice Voucher Program - Reserves

Administrative fee paid by HUD to the Authority in excess of administrative expenses are also part of the undesignated fund balance and are considered to be administrative fee reserves. Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR 982.155 – i.e. other housing purposes permitted by state and local law. Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements

December 31, 2017

NOTE 19 - 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 December 31, 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.

NOTE 20 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

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 contributions for the Section 8 Housing Choice Voucher for December 31, 2017 were in the amount of \$7,829,100.

NOTE 21 - 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 \$7,887,911 to the Authority which represents approximately 84% percent of the Authority's total revenue for the year ended December 31, 2017.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Notes to Financial Statements December 31, 2017

NOTE 22 - CONTINGENCIES

Litigation – At December 31, 2017, the Authority is subject to one legal proceeding arising in the ordinary course of business. The Authority's insurance carrier and legal counsel are handling this case. While the outcome of this matter is currently undeterminable, management does not expect that the ultimate cost to resolve this matter will have a material adverse effect on the Authority's financial position, results of operation or cash flows.

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 24 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position 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 Position's date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru July 18, 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.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017**

Programs funded by:

U.S. Department of Housing and Urban Development

Section 8 Programs	CFDA #'s	Grant Period		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
		From	To				
<u>Section 8 Housing Choice Voucher Program</u>							
NJ39PO55	14.871	1/1/2017	12/31/2017	\$ 7,829,100	\$ 7,829,100	\$ 7,829,100	\$ 7,829,100
<u>Section 8 New Construction and Substantial Rehabilitation Program</u>							
NJ055SR0001	14.182	1/1/2017	12/31/2017	58,333	58,333	58,333	58,333
Total Section 8 Programs				<u>7,887,433</u>	<u>7,887,433</u>	<u>7,887,433</u>	<u>7,887,433</u>
<u>Public and Indian Housing</u>							
NJ055-00000116D	14.850	1/1/2016	12/31/2016	347,966	478	478	347,966
Total Awards				<u>\$ 8,235,399</u>	<u>\$ 7,887,911</u>	<u>\$ 7,887,911</u>	<u>\$ 8,235,399</u>

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017**

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of Englewood is under programs of the federal government for the year ended December 31, 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 Housing Authority of the City of Englewood, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the City of Englewood.

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

Note 3. Loans Outstanding:

Housing Authority of the City of Englewood has notes payable in the amount of \$1,050,137 outstanding at December 31, 2017. See Note 14 on pages 41-42 of this report for full detail.

Note 4. Sub recipients:

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

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2017.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Schedule of Proportionate Share of the Net Pension Liability Of the Public Employee Retirement System (PERS) December 31, 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	2014
Housing Authority's proportion of the net pension liability	0.00863812%	0.00323170%	0.00870481%	0.00866924%
Housing Authority's proportionate share of the net pension liability	\$ 2,010,817	\$ 261,133	\$ 1,954,055	\$ 1,623,120
Housing Authority's covered employee payroll	\$ 539,244	\$ 534,241	\$ 505,074	\$ 474,719
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	372.90%	48.88%	386.88%	341.91%
Plan fiduciary net position as a percentage of the total pension liability	48.01%	59.86%	52.07%	52.08%

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

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)
December 31, 2017

REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

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

	2017	2016	2015	2014
Contractually required contribution	\$ 80,023	\$ 86,949	\$ 74,838	\$ 71,468
Contribution in relation to the contractually required contribution	(80,023)	(86,949)	(74,838)	(71,468)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 539,244	\$ 534,241	\$ 505,074	\$ 474,719
Contribution as a percentage of covered employee payroll	14.84%	16.28%	14.82%	15.05%

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

Englewood Housing Authority (NJ055)
ENGLEWOOD, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	Project Total	14.218 Community Development Block	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs	14.238 Shelter Plus Care	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted									
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted									
114 Cash - Tenant Security Deposits				\$3,068			\$1,209,756	\$1,209,756	\$1,209,756
115 Cash - Restricted for Payment of Current Liabilities			\$327				\$67,821	\$70,889	\$70,889
100 Total Cash	\$0	\$0	\$996,966	\$249,072	\$69,176	\$165	\$2,483,644	\$3,799,023	\$3,799,023
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects									
124 Accounts Receivable - Other Government									
125 Accounts Receivable - Miscellaneous				\$400,000			\$133,944	\$533,944	\$533,944
126 Accounts Receivable - Tenants				\$1,315			\$4,163	\$5,478	\$5,478
126.1 Allowance for Doubtful Accounts - Tenants				\$0			\$0	\$0	\$0
126.2 Allowance for Doubtful Accounts - Other				\$0			\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0	\$401,315	\$0	\$0	\$138,107	\$539,422	\$539,422
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets									
143 Inventories			\$4,968				\$4,924	\$9,892	\$9,892
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From									
145 Assets Held for Sale									
150 Total Current Assets	\$0	\$0	\$1,001,934	\$650,387	\$69,176	\$165	\$2,626,675	\$4,348,337	\$4,348,337
161 Land									
162 Buildings				\$54,400			\$752,319	\$806,719	\$806,719
163 Furniture, Equipment & Machinery - Dwellings		\$30,000		\$492,108			\$7,899,321	\$8,421,429	\$8,421,429
164 Furniture, Equipment & Machinery - Administration		\$62,302		\$7,155			\$201,861	\$271,318	\$271,318
165 Leasehold Improvements				\$0			\$234,944	\$234,944	\$234,944
166 Accumulated Depreciation									
167 Construction in Progress									
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$51,807	\$0	\$149,158	\$0	\$0	\$3,104,067	\$3,305,032	\$3,305,032

See accompanying notes to the financial statements

Englewood Housing Authority (NJ055)
ENGLEWOOD, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2017

	Project Total	14,218 Community Development Block	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	14,182 N/C S/R Section 8 Programs	14,238 Shelter Plus Care	1 Business Activities	Subtotal	Total
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due									
173 Grants Receivable - Non-Current									
174 Other Assets									
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$0	\$51,807	\$0	\$149,158	\$0	\$0	\$3,104,067	\$3,305,032	\$3,305,032
200 Deferred Outflow of Resources							\$607,213	\$607,213	\$607,213
290 Total Assets and Deferred Outflow of Resources	\$0	\$51,807	\$1,001,934	\$799,545	\$69,176	\$165	\$6,337,955	\$8,260,582	\$8,260,582
311 Bank Overdraft									
312 Accounts Payable <= 90 Days			\$8,461	\$103			\$12,033	\$20,597	\$20,597
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable			\$4,456				\$9,823	\$14,279	\$14,279
322 Accrued Compensated Absences - Current Portion			\$2,221				\$2,719	\$4,940	\$4,940
324 Accrued Contingency Liability									
325 Accrued Interest Payable							\$3,947	\$3,947	\$3,947
331 Accounts Payable - HUD PHA Programs			\$13,235					\$13,235	\$13,235
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government							\$82,495	\$82,495	\$82,495
341 Tenant Security Deposits				\$3,068			\$67,821	\$70,889	\$70,889
342 Unearned Revenue				\$94			\$1,880	\$1,974	\$1,974
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities									
346 Accrued Liabilities - Other							\$21,181	\$21,181	\$21,181
347 Inter Program - Due To									
348 Loan Liability - Current							\$58,112	\$58,112	\$58,112
310 Total Current Liabilities	\$0	\$0	\$28,373	\$3,265	\$0	\$0	\$260,011	\$291,649	\$291,649
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other									
354 Accrued Compensated Absences - Non-Current			\$19,990				\$24,472	\$44,462	\$44,462
355 Loan Liability - Non-Current							\$992,025	\$992,025	\$992,025
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities			\$611,084				\$2,928,934	\$3,540,018	\$3,540,018

Englewood Housing Authority (NJ055)
ENGLEWOOD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2017						
		14.218	14.871	6.2	14.182 N/C	14.238	1 Business	
	Project Total	Community Development Block	Housing Choice Vouchers	Component Unit - Blended	S/R Section 8 Programs	Shelter Plus Care	Activities	Subtotal
350 Total Non-Current Liabilities	\$0	\$0	\$631,074	\$0	\$0	\$0	\$3,945,431	\$4,576,505
300 Total Liabilities	\$0	\$0	\$659,447	\$3,265	\$0	\$0	\$4,205,442	\$4,868,154
400 Deferred Inflow of Resources							\$688,656	\$688,656
508.4 Net Investment in Capital Assets		\$51,807		\$149,158			\$2,053,930	\$2,254,895
511.4 Restricted Net Position							\$1,209,756	\$1,209,756
512.4 Unrestricted Net Position	\$0	\$0	\$342,487	\$647,122	\$69,176	\$165	-\$1,819,829	-\$760,879
513 Total Equity - Net Assets / Position	\$0	\$51,807	\$342,487	\$796,280	\$69,176	\$165	\$1,443,857	\$2,703,772
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$51,807	\$1,001,934	\$799,545	\$69,176	\$165	\$6,337,955	\$8,260,582

Englewood Housing Authority (NJ055)
ENGLEWOOD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2017

	14.218 Community Development Block	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs	14.238 Shelter Plus Care	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue			\$61,329			\$1,295,192	\$1,356,521	\$1,356,521
70400 Tenant Revenue - Other						\$28,613	\$28,613	\$28,613
70500 Total Tenant Revenue	\$0	\$0	\$61,329	\$0	\$0	\$1,323,805	\$1,385,134	\$1,385,134
70600 HUD PHA Operating Grants								
70610 Capital Grants		\$7,829,100		\$58,333			\$7,887,911	\$7,887,911
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue								
70800 Other Government Grants								
71100 Investment Income - Unrestricted		\$5,127	\$1,086	\$1,209		\$9,210	\$16,632	\$16,632
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery						\$300	\$300	\$300
71500 Other Revenue		\$979	\$17,506			\$55,863	\$74,348	\$74,348
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$0	\$7,835,206	\$79,921	\$59,542	\$0	\$1,389,178	\$9,364,325	\$9,364,325
91100 Administrative Salaries		\$205,900		\$4,202		\$189,787	\$399,889	\$399,889
91200 Auditing Fees		\$4,050	\$3,510	\$450		\$6,005	\$14,015	\$14,015
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative		\$219,796		\$4,486		\$205,649	\$429,931	\$429,931
91600 Office Expenses		\$93,531	\$2,496	\$1,909		\$52,738	\$150,674	\$150,674
91700 Legal Expense		\$20,466		\$418		\$13,620	\$34,504	\$34,504
91800 Travel		\$66		\$1		\$23	\$90	\$90
91810 Allocated Overhead								
91900 Other								
91000 Total Operating - Administrative	\$0	\$543,809	\$6,006	\$11,466	\$0	\$467,822	\$1,029,103	\$1,029,103
92000 Asset Management Fee								
92100 Tenant Services - Salaries								
92200 Relocation Costs		\$10,780		\$220		\$30,009	\$41,009	\$41,009

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	Project Total	14.218 Community Development Block	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs	14.238 Shelter Plus Care	1 Business Activities	Subtotal	Total
92300 Employee Benefit Contributions - Tenant Services					\$236		\$30,688	\$42,492	\$42,492
92400 Tenant Services - Other							\$15,021	\$15,021	\$15,021
92500 Total Tenant Services	\$0	\$0	\$22,348	\$0	\$456	\$0	\$75,718	\$98,522	\$98,522
93100 Water									
93200 Electricity							\$48,933	\$48,933	\$48,933
93300 Gas				\$525			\$108,271	\$108,796	\$108,796
93400 Fuel							\$52,314	\$52,314	\$52,314
93500 Labor									
93600 Sewer							\$33,500	\$33,500	\$33,500
93700 Employee Benefit Contributions - Utilities							\$15,100	\$15,100	\$15,100
93800 Other Utilities Expense							\$29,804	\$29,804	\$29,804
93000 Total Utilities	\$0	\$0	\$0	\$525	\$0	\$0	\$287,922	\$288,447	\$288,447
94100 Ordinary Maintenance and Operations - Labor									
94200 Ordinary Maintenance and Operations - Materials and Other				\$1,128			\$64,846	\$64,846	\$64,846
94300 Ordinary Maintenance and Operations Contracts				\$4,981			\$44,730	\$45,858	\$45,858
94500 Employee Benefit Contributions - Ordinary Maintenance							\$73,412	\$78,393	\$78,393
94000 Total Maintenance	\$0	\$0	\$0	\$6,109	\$0	\$0	\$60,492	\$60,492	\$60,492
95100 Protective Services - Labor							\$243,480	\$249,589	\$249,589
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance									
96120 Liability Insurance				\$5,153			\$25,013	\$30,166	\$30,166
96130 Workmen's Compensation			\$12,252		\$250		\$12,506	\$12,506	\$12,506
96140 All Other Insurance							\$12,508	\$25,010	\$25,010
96100 Total Insurance Premiums	\$0	\$0	\$12,252	\$5,153	\$250	\$0	\$50,027	\$67,682	\$67,682
96200 Other General Expenses									
96210 Compensated Absences			\$15,081				\$17,500	\$32,581	\$32,581
96300 Payments in Lieu of Taxes			\$967				\$498	\$1,465	\$1,465
96400 Bad debt - Tenant Rents				\$9,610			\$47,300	\$56,910	\$56,910
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	Project Total	14,218 Community Development Block	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	14,182 N/C S/R Section 8 Programs	14,238 Shelter Plus Care	1 Business Activities	Subtotal	Total
96000 Total Other General Expenses	\$0	\$0	\$16,048	\$9,610	\$0	\$0	\$65,298	\$90,956	\$90,956
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)							\$47,746	\$47,746	\$47,746
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$47,746	\$47,746	\$47,746
96900 Total Operating Expenses	\$0	\$0	\$594,457	\$27,403	\$12,172	\$0	\$1,238,013	\$1,872,045	\$1,872,045
97000 Excess of Operating Revenue over Operating Expenses	\$478	\$0	\$7,240,749	\$52,518	\$47,370	\$0	\$151,165	\$7,492,280	\$7,492,280
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments			\$7,114,272		\$31,722			\$7,145,994	\$7,145,994
97350 HAP Portability-In			\$13,754					\$13,754	\$13,754
97400 Depreciation Expense		\$3,115		\$19,109			\$112,554	\$134,778	\$134,778
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$0	\$3,115	\$7,722,483	\$46,512	\$43,894	\$0	\$1,350,567	\$9,166,571	\$9,166,571
10010 Operating Transfer In									
10020 Operating Transfer Out									
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							\$478	\$478	\$478
10094 Transfers between Project and Program - Out							-\$478	-\$478	-\$478
10100 Total Other financing Sources (Uses)		\$0	\$0	\$0	\$0	\$0	\$478	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	-\$3,115	\$112,723	\$33,409	\$15,648	\$0	\$39,089	\$197,754	\$197,754
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$54,237	\$54,237	\$54,237

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2017								
	Project Total	14.218 Community Development Block	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs	14.238 Shelter Plus Care	1 Business Activities	Subtotal	Total	
11030 Beginning Equity	\$0	\$54,922	\$229,764	\$762,871	\$53,528	\$165	\$1,404,768	\$2,506,018	\$2,506,018	
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			\$357,675					\$357,675	\$357,675	
11180 Housing Assistance Payments Equity			-\$15,188					-\$15,188	-\$15,188	
11190 Unit Months Available	0	0	7308	48	156	0	1932	9444	9444	
11210 Number of Unit Months Leased	0	0	7012	48	94	0	1913	9067	9067	
11270 Excess Cash	\$0							\$0	\$0	
11610 Land Purchases	\$0							\$0	\$0	
11620 Building Purchases	\$0							\$0	\$0	
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0	\$0	
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0	\$0	
11650 Leasehold Improvements Purchases	\$0							\$0	\$0	
11660 Infrastructure Purchases	\$0							\$0	\$0	
13510 CFFP Debt Service Payments	\$0							\$0	\$0	
13901 Replacement Housing Factor Funds	\$0							\$0	\$0	



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

**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
Housing Authority of the City of Englewood
111 West Street
Englewood, New Jersey 07631

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 Housing Authority of the City of Englewood as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Englewood's basic financial statements, and have issued our report thereon dated July 18, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Englewood's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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: July 18, 2018



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

**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
Housing Authority of the City of Englewood
111 West Street
Englewood, New Jersey 07631

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Englewood compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the City of Englewood major federal programs for the year ended December 31, 2017. Housing Authority of the City of Englewood 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 Housing Authority of the City of Englewood 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 Housing Authority of the City of Englewood 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 Housing Authority of the City of Englewood's compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Englewood 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 December 31, 2017.

Report on Internal Control Over Compliance

Management of Housing Authority of the City of Englewood 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 Housing Authority of the City of Englewood'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 Housing Authority of the City of Englewood's 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: July 18, 2018

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

Schedule of Findings and Questioned Cost

Year Ended December 31, 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 Vouchers Program	\$ 7,829,100

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 – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of Englewood
111 West Street
Englewood, New Jersey 07631

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the City of Englewood 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. Housing Authority of the City of Englewood 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 Housing Authority of the City of Englewood as of and for the year ended December 31, 2017, and have issued our reports thereon dated July 18, 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 December 31, 2017, was expressed in relation to the basic financial statements of Housing Authority of the City of Englewood 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 Housing Authority of the City of Englewood. 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 Housing Authority of the City of Englewood 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
July 18, 2018

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

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