HOUSING AUTHORITY OF THE CITY OF VINELAND

REPORT OF AUDIT

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

HOUSING AUTHORITY OF THE CITY OF VINELAND

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September 30, 2018 and 2017

HOUSING AUTHORITY OF THE CITY OF VINELAND

PART I - FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Vineland

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Vineland (the "Authority"), a component unit of the City of Vineland, and its blended component unit, Vineland Housing Development Corporation as of and for the fiscal years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards.*

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the City of Vineland, and its blended component unit, Vineland Housing Development Corporation as of September 30, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principle

As discussed in note 2 to the financial statements, during the fiscal year ended September 30, 2018, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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 that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the financial statements. The 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* is presented for purposes of additional analysis and are not a required part of the financial statements.

The 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* is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 our report dated August 28, 2019 on our consideration of the Housing Authority of the City of Vineland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Vineland's internal control over financial reporting and compliance.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
August 28, 2019

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

Board of Commissioners
Housing Authority of the City of Vineland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Housing Authority of the City of Vineland, a component unit of the City of Vineland, as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated August 28, 2019. The component unit, Vineland Housing Development Corporation, issues its own audited financial statements which are not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not extend to the blended component unit.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Housing Authority of the City of Vineland's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
August 28, 2019

Housing Authority of the City of Vineland
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
September 30, 2018

As management of the Vineland Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activity of the Authority for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which includes its blended component unit, Vineland Housing Development Corporation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Management's Discussion and Analysis is intended to share management's analysis of the Authority's financial performance. The Authority's financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private businesses, such as real estate development and management. The financial statements included in this report were prepared in accordance with GAAP applicable to governmental entities for Proprietary Fund types ("Business-Type" activities). The financial statements and accompanying data include the following:

1. **The Statements of Net Position** - reports information on all the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and with the difference reported as net position (equity).

2. **The Statements of Revenue, Expenses and Changes in Net Position** - reports the Authority's operating and nonoperating revenue, by major sources, along with operating and nonoperating expenses and capital contributions.

3. **Statements of Cash Flows** - reports the Authority's net cash from operating, investing, non-capital financing, and capital and related financial activities.

4. **Notes to Financial Statements** - provides disclosures essential to fully understanding the data provided in the financial statements.

5. **Supplemental Information** - presents the Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget (2 CFR 200 *Uniform Guidance).* Also included is the Capital Grant Schedule. Schedules for the Authority's post-retirement plan and the State-Administered pension plan are presented as Required Supplementary Information.

FINANCIAL HIGHLIGHTS

- The Authority's Total Net Position (equity) decreased from 2017 to 2018 by ($9,082,029) due to a decrease in Unrestricted Net Position of ($8,640,938), which includes a decrease of ($8,905,248) due to a cumulative effect of change in accounting principle and a decrease in Net Investment in Capital Assets of ($84,630) offset by an increase in Restricted Net Position of $117,961. The Authority's Total Net Position (equity) increased from 2016 to 2017 by $939,952 due to an increase in Unrestricted Net Assets of $956,830 and an increase in Restricted Net Assets of $115,547 offset by a decrease in Net Investment in Capital Assets of $132,425.

FINANCIAL HIGHLIGHTS (continued)

- The Authority's Current Assets balance including cash at the reporting year end was $5,790,079 for 2018, $5,254,621 for 2017 and $5,270,830 for 2016. This includes amounts designated for current restricted use.

- The Authority had Total Revenues of $9,626,283 in 2018, $9,114,447 in 2017 and 9,324,936 in 2016. The Authority had Total Expenses of $9,629,589 in 2018, $9,609,025 in 2017 and $9,773,431 in 2016.

- The Authority had contributed Capital of $0 in 2018, $1,600,489 in 2017 and $50,800 in 2016.

- The Primary Government's Expenditures of Federal Awards amounted to $6,376,964 in 2018, $6,242,532 in 2017 and $6,026,416 in 2016.

OTHER FINANCIAL INFORMATION

The Housing Authority of the City of Vineland operates various programs involving the provisioning of affordable housing services. Some programs are federal and state instituted and others are management operations of affordable housing.

The major programs of the Authority are:

1. Public Housing Program
2. Section 8 Housing Choice Voucher Program
3. Business Activities, consisting of General Management and Supplemental funds.
4. Component Units, which are legally separate corporations and instrumentalities of the Housing Authority formed to carry out the mission of the Authority and expand affordable housing opportunities.
5. Congregate Service Program
6. ROSS - Resident Opportunity & Self-Sufficiency Program
7. FSS - Family Self-Sufficiency Program
8. Shelter Plus Care Program

HOUSING FACTS:

1. Over 1,051 Low-income families have been assisted throughout the county by the Housing Authority in 2018; affording them decent, safe, and sanitary housing based on their ability to pay.

2. Over $3 million was disbursed in Housing Assistance Payments for the year ended 9-30-18.

3. The average monthly housing assistance provided for Section 8 families was $723.00.

BUDGETARY HIGHLIGHTS

As for the fiscal year ended September 30, 2018, a consolidated budget (excluding the component unit) was prepared by the Authority and was approved by the Board of Commissioners. Individual project, program and grant budgets were also prepared and used internally by management. The budgets are used primarily as a management tool. However, for the Authority's annual entity-wide (excluding the component unit) State buget, the total amount of appropriations constitutes the legal level of control. Expenditures may not exceed appropriations at this level without approval State of New Jersey Department of Community Affairs.

In some governmental programs, funding is derived by formula. The Authority experienced major funding changes in recent years, including recent reductions.

STATEMENTS OF NET POSITION

	September 30, 2018		September 30, 2017		September 30, 2016	
	Primary Government	Component Unit	Primary Government	Component Unit	Primary Government	Component Unit
Current Assets	$ 5,803,277	$ 71,732	$ 5,254,621	$ 663,762	$ 5,270,830	$ 160,329
Non-current Restricted Assets	500,748	372,001	384,968	357,794	337,553	279,280
Capital Assets, net	15,434,226	3,784,054	16,068,848	4,012,929	16,974,426	4,241,754
Other Assets	1,269,237	48,688	1,775,463	52,607	1,750,463	38,363
Total Assets	23,007,488	4,276,475	23,483,900	5,087,092	24,333,272	4,719,726
Deferred Outflows of Resources	748,084	-	879,366	-	1,552,669	-
Current Liabilities	920,106	83,345	1,029,642	91,638	1,252,287	93,443
Long-term Liabilities	11,093,624	3,043,979	5,992,402	3,672,828	8,076,400	4,738,187
Total Liabilities	12,013,730	3,127,324	7,022,044	3,764,466	9,328,687	4,831,630
Deferred Inflows of Resources	4,734,074	-	1,424,900	-	146,354	-
Net Investment in Capital Assets	13,159,226	958,602	13,543,848	658,610	14,214,426	120,457
Restricted Net Position	201,574	311,214	97,766	297,061	-	279,280
Unrestricted Net Position (Deficit)	(6,353,032)	(120,665)	2,274,708	366,955	2,196,474	(511,641)
Net Position (Deficit)	$ 7,007,768	$ 1,149,151	$ 15,916,322	$ 1,322,626	$ 16,410,900	$ (111,904)

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	September 30, 2018		September 30, 2017		September 30, 2016	
	Primary Government	Component Unit	Primary Government	Component Unit	Primary Government	Component Unit
Revenues:						
Federal grant awards	$ 5,935,314	$ -	$ 5,791,078	$ -	$ 5,865,377	$ -
State and local grant awards	91,652	-	82,229	-	98,269	-
Tenant charges	2,524,587	99,823	2,437,723	88,527	2,497,151	51,350
Housing assistance payments	-	169,036	-	-	-	126,902
Other Revenues	253,211	62	281,351	200,723	690,735	210
Total Revenues	8,804,764	268,921	8,592,381	289,250	9,151,532	178,462
Operating Expenses:						
Housing assistance payments	3,732,598	-	3,841,776	-	3,574,700	-
Administrative and Other Expenses	4,754,680	153,037	4,564,430	141,762	5,071,812	83,680
Depreciation expense	1,033,024	232,794	1,082,758	232,744	1,126,919	192,925
Total Operating Expenses	9,520,302	385,831	9,488,964	374,506	9,773,431	276,605
Operating Income (Loss)	(715,538)	(116,910)	(896,583)	(85,256)	(621,899)	(98,143)
Non-Operating Revenues (Expenses):						
Tower Rental Income	52,729	-	59,615	-	-	-
Capital Grants	441,650	-	451,454	-	161,039	-
Investment Income	11,985	1,601	10,997	698	12,365	1,133
Interest Expense	(109,287)	(69,882)	(120,061)	(75,727)	-	(70,167)
Insurance Recovery on capital assets, net of impairment loss	315,155	-	-	-	-	-
NJHMFA loan fees	-	(5,674)	-	(5,674)	-	(11,606)
Capital contribution	-	-	-	1,600,489	-	50,800
Other nonoperating income	-	17,390	-	-	-	-
Net non-operating revenue (expenses)	712,232	(56,565)	402,005	1,519,786	173,404	(29,840)
Increase (decrease) in net position	(3,306)	(173,475)	(494,578)	1,434,530	(448,495)	(127,983)
Net position at the beginning of the year, as originally stated	15,916,322	1,322,626	16,410,900	(111,904)	16,859,395	16,079
Cumulative effect of change in accounting principle	(8,905,248)	-	-	-	-	-
Net position (deficit) at the beginning of the year, as restated	7,011,074	1,322,626	16,410,900	(111,904)	16,859,395	16,079
Net position (deficit) at the end of the year	$ 7,007,768	$ 1,149,151	$ 15,916,322	$ 1,322,626	$ 16,410,900	$ (111,904)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The following table summarizes the changes in capital assets between September 30, 2018, 2017 and 2016:

	September 30, 2018		September 30, 2017		September 30, 2016	
	Primary Government	Component Unit	Primary Government	Component Unit	Primary Government	Component Unit
Land	$ 3,398,069	$ 50,800	$ 3,398,069	$ 50,800	$ 3,398,069	$ 50,800
Building	45,554,704	3,922,740	45,216,971	3,922,740	45,172,656	3,922,740
Equipment	2,087,511	458,882	2,038,075	458,882	1,971,213	458,882
Total	51,040,284	4,432,422	50,653,115	4,432,422	50,541,938	4,432,422
Accumulated Depreciation	35,606,058	648,368	34,584,267	419,493	33,567,512	190,668
Net Capital Assets	$ 15,434,226	$ 3,784,054	$ 16,068,848	$ 4,012,929	$ 16,974,426	$ 4,241,754

Debt:

As of September 30, 2018, the Authority had $2,275,000 in outstanding bond debt from the capital leveraging program. As of September 30, 2018, the component unit had $2,825,452 in outstanding mortgage debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2018.

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wages rates
- Local inflationary, recession and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, supplies, interest rates and other costs

CONTRACTING 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 information should be addressed to the Executive Director, Vineland Housing Authority, 191 W. Chestnut Avenue, Vineland, NJ 08360-5499, 856-691-4099.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Statements of Net Position
September 30, 2018 and 2017

	September 30, 2018		**September 30, 2017**	
	Primary Government	Component Unit	Primary Government	Component Unit
ASSETS				
Current assets				
Cash and cash equivalents	$ 5,288,349	$ 56,907	$ 4,392,971	$ 646,966
Accounts receivable, net of allowance for doubtful accounts of $6,793 in 2018 and $5,537 in 2017	21,050	565	16,856	1,780
Development fee receivable	267,146	-	435,050	-
Due from HUD	116,477	-	287,878	-
Due from other governments	42,868	-	49,655	-
Other receivables	2,621	789	1,292	789
Prepaid expenses	64,766	13,471	70,919	14,227
Total current assets	5,803,277	71,732	5,254,621	663,762
				4,590,859
Non-current restricted assets				
Cash and cash equivalents	500,748	372,001	384,968	357,794
Capital assets, net	15,434,226	3,784,054	16,068,848	4,012,929
Due from Melrose Court Homes, LP	1,269,237	-	1,775,463	-
Deferred charges	-	48,688	-	52,607
Total assets	$ 23,007,488	$ 4,276,475	$ 23,483,900	$ 5,087,092
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	$ 724,507	$ -	$ 879,366	$ -
Related to OPEB	23,577	-	-	-
Total deferred outflows of resources	$ 748,084	$ -	$ 879,366	$ -

(continued)

HOUSING AUTHORITY OF THE CITY OF VINELAND
Statements of Net Position (continued)
September 30, 2018 and 2017

	September 30, 2018		September 30, 2017	
	Primary Government	Component Unit	Primary Government	Component Unit
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	$ 404,369	$ 49,342	$ 517,933	$ 56,626
Current portion of liability for compensated absences	63,164	-	55,854	-
Due to other governments	133,145	5,516	140,916	7,155
Unearned revenue	15,411	338	16,364	823
Current portion of long-term debt	260,000	28,149	250,000	27,034
Accrued interest payable	44,017	-	48,575	-
Total current liabilities	920,106	83,345	1,029,642	91,638
Long-term liabilities				
Tenant funds on deposit	198,369	35,687	198,178	35,633
Pension liability	2,846,879	-	3,231,234	-
Pension liability - contributions subsequent to measurement date	35,955	-	32,148	-
Other postemployment benefits	5,748,552	-	-	-
Long-term debt, net of current portion	2,015,000	2,797,303	2,275,000	3,327,285
Liability for compensated absences, net of current portion	189,493	-	167,563	-
Tenant funds on deposit	59,376	-	88,279	-
Development fee payable	-	154,539	-	266,996
Accrued interest	-	56,450	-	42,914
Total long-term liabilities	11,093,624	3,043,979	5,992,402	3,672,828
Total liabilities	$ 12,013,730	$ 3,127,324	$ 7,022,044	$ 3,764,466
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	$ 1,547,800	$ -	$ 1,424,900	$ -
Related to OPEB	3,186,274	-	-	-
Total deferred inflows of resources	$ 4,734,074	$ -	$ 1,424,900	$ -
NET POSITION (DEFICIT)				
Net investment in capital assets	$ 13,159,226	$ 958,602	$ 13,543,848	$ 658,610
Restricted net position	201,574	311,214	97,766	297,061
Unrestricted net position (deficit)	(6,353,032)	(120,665)	2,274,708	366,955
Total net position	$ 7,007,768	$ 1,149,151	$ 15,916,322	$ 1,322,626

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Statements of Revenue, Expenses, and Changes in Net Position
For the Fiscal Years Ended September 30, 2018 and 2017

	September 30, 2018		September 30, 2017	
	Primary Government	Component Unit	Primary Government	Component Unit
Operating revenue				
Federal grant awards	$ 5,935,314	$ -	$ 5,791,078	$ -
State and local grant awards	91,652	-	82,229	-
Tenant charges	2,524,587	99,823	2,437,723	88,527
Housing assistance payments	-	169,036	-	164,389
Management contract fees	152,753	-	108,565	-
Other income	100,458	62	172,786	36,334
Total operating revenue	8,804,764	268,921	8,592,381	289,250
Operating expenses				
Administration	1,772,589	55,143	1,674,017	56,431
Tenant services	200,162	-	221,813	-
Utilities	1,132,644	13,771	988,230	14,201
Housing assistance payments	3,732,598	-	3,841,776	-
Ordinary maintenance and operation	1,228,812	39,433	1,260,434	25,550
Protective services	1,200	-	1,200	-
General expenses	201,416	16,625	202,866	17,955
Depreciation expense	1,033,024	232,794	1,082,758	232,744
Insurance	217,857	28,065	215,870	27,625
Total operating expenses	9,520,302	385,831	9,488,964	374,506
Operating loss	(715,538)	(116,910)	(896,583)	(85,256)
Non-operating revenue (expenses):				
Tower rental income	52,729	-	59,615	-
Capital grants	441,650	-	451,454	-
Investment income	11,985	1,601	10,997	698
Interest expense	(109,287)	(69,882)	(120,061)	(75,727)
Insurance recovery on capital assets, net of impairment loss	315,155	-	-	-
NJHMFA loan fees	-	(5,674)	-	(5,674)
Capital contribution	-	-	-	1,600,489
Other nonoperating income	-	17,390	-	-
Net non-operating revenue (expenses)	712,232	(56,565)	402,005	1,519,786
Decrease in net position	(3,306)	(173,475)	(494,578)	1,434,530
Net position at the beginning of the year, as originally stated	15,916,322	1,322,626	16,410,900	(111,904)
Cumulative effect of change in accouting principle	(8,905,248)	-	-	-
Net position (deficit) at the beginning of the year, as restated	7,011,074	1,322,626	16,410,900	(111,904)
Net position at the end of the year	$ 7,007,768	$ 1,149,151	$ 15,916,322	$ 1,322,626

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Statements of Cash Flows
For the Fiscal Years Ended September 30, 2018 and 2017

	September 30, 2018		September 30, 2017	
	Primary Government	Component Unit	Primary Government	Component Unit
Cash flows from operating activities				
Cash received from federal and state assistance programs	$ 6,574,167	$ -	$ 5,722,212	$ -
Cash received from tenants	2,490,728	99,823	2,398,409	124,104
Cash received from management contracts	152,753	-	108,565	-
Other operating cash receipts	169,141	62	172,786	-
Payments for goods and services	(4,154,497)	(146,938)	(3,421,473)	(117,329)
Payments to employees and for benefits	(1,223,926)	-	(1,193,592)	-
Payments to landlords for rent	(3,729,281)	-	(3,841,776)	-
Housing assistance payment receipts	-	169,036	-	164,389
Cash received from related organizations	672,801	-	48,262	-
Net cash provided by (used in) operating activities	951,886	121,983	(6,607)	171,164
Cash flows from non-capital financing activities				
Tower rental income	52,729	-	59,615	-
Net cash provided by non-capital financing activities	52,729	-	59,615	-
Cash flows from capital and related financing activities				
Purchase of capital assets	(83,247)	-	(177,180)	-
Capital grants received	441,650	-	451,454	-
Principal payments on long-term debt	(250,000)	(528,867)	(235,000)	(1,031,825)
Interest payments on long-term debt	(113,845)	(69,882)	(124,344)	(75,727)
Payment of development fee	-	(112,403)	-	(239,735)
Payment of NJHMFA loan fees	-	(5,674)	-	(5,674)
Additional long-term borrowings	-	-	-	263,500
Contributed capital	-	-	-	1,600,489
Other nonoperating income	-	17,390	-	-
Net cash provided by (used in) capital and related financing activities	(5,442)	(699,436)	(85,070)	511,028
Cash flows from investing activities				
Interest income received	11,985	1,601	10,997	698
Advance on behalf of affiliate	-	-	-	(788)
Construction retainage paid	-	-	-	(85,000)
Payments for deferred charges	-	-	-	(18,163)
Net cash provided by (used in) investing activities	11,985	1,601	10,997	(103,253)
Increase (decrease) in cash and cash equivalents	1,011,158	(575,852)	(21,065)	578,939
Cash and cash equivalents, beginning of year	4,777,939	1,004,760	4,799,004	425,821
Cash and cash equivalents, end of year	$ 5,789,097	$ 428,908	$ 4,777,939	$ 1,004,760

HOUSING AUTHORITY OF THE CITY OF VINELAND
Statements of Cash Flows (continued)
For the Years Ended September 30, 2018 and 2017

	September 30, 2018		September 30, 2017	
	Primary Government	Component Unit	Primary Government	Component Unit
Reconciliation of operating loss to net cash used in operating activities				
Operating loss	$ (715,538)	$ (116,910)	$ (896,583)	$ (85,256)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Depreciation	1,033,024	228,875	1,082,758	232,744
Reduction in allowance of doubtful accounts	1,256	-	3,543	-
Adjustment to actuarial pension expense	(87,561)	-	(63,205)	-
Adjustment to actuarial accounts payable amount	(19,035)	-	34,669	-
Adjustment to actuarial other postemployment benefits	6,001	-	-	-
Deferred charges, net	-	3,919	-	812
Accrued interest	-	13,536	-	17,755
(Increase) decrease in assets				
Accounts receivable, net of allowance for doubtful accounts	(5,450)	1,215	6,839	(1,780)
Development fee receivable	167,904	-	71,831	-
Due from HUD	171,401	-	(110,302)	-
Due from other governments	6,787	-	(25,337)	-
Due from Melrose Court Homes, LP	506,226	-	(25,000)	-
Other receivables	(1,329)	-	1,431	-
Prepaid expenses	6,153	755	(276)	-
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	(109,757)	(8,922)	(20,922)	6,453
Liability for compensated absences	29,240	-	14,508	-
Tenant funds on deposit	(28,712)	-	(50,249)	-
Due to other governments	(7,771)	-	(15,410)	-
Unearned revenue	(953)	(485)	(14,902)	436
Net cash provided by (used in) operating activities	$ 951,886	$ 121,983	$ (6,607)	$ 171,164
Reconciliation of cash and cash equivalents to the statements of net position				
Cash and cash equivalents - unrestricted	$ 5,288,349	$ 56,907	$ 4,392,971	$ 646,966
Cash and cash equivalents - restricted	500,748	372,001	384,968	357,794
	$ 5,789,097	$ 428,908	$ 4,777,939	$ 1,004,760

The accompanying notes are an integral part of the financial statements.

Note 1: **ORGANIZATION AND ACTIVITY**

The Housing Authority of the City of Vineland (the "Authority") was created through a resolution of the Council of the City of Vineland in 1965. Organized as a public housing authority ("PHA") as defined by state statute (N.J.S.A. 40A:12A-1, et seq., the "Housing Authority Act"), the Authority functions under the supervision of the U.S. Department of Housing and Urban Development and the New Jersey State Department of Community Affairs. The Board of Commissioners of the Authority is a seven-member board with five members appointed by the Council of the City of Vineland, one member appointed by the Mayor of the City of Vineland, and one member appointed by the Commissioner of the New Jersey State Department of Community Affairs.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority is a component unit of the City of Vineland. The Council and Mayor of the City of Vineland appoint six out of seven commissioners. These financial statements would be either blended or discreetly presented as a part of the City's financial statements if the City reported using generally accepted accounting principles applicable to governmental entities.

As of September 30, 2018, based upon the application of these criteria, the Authority considers the Vineland Housing Development Corporation (VHDC) and Melrose Court Homes, LP (MCH) to be component units because of the significance of their operational or financial relationships with the Authority.

Note 1: **ORGANIZATION AND ACTIVITY (continued)**

VHDC is a separate legal entity from the Housing Authority of the City of Vineland but is related by common management. VHDC is a blended component unit which is included in the financial statements of the Authority. VHDC is a nonprofit entity incorporated June 8, 1999 and works in conjunction with the Housing Authority of the City of Vineland and the City of Vineland in an effort to create and increase affordable housing units within the city limits of Vineland, New Jersey. The component unit's fiscal year covers the period ending June 30, 2018. The financial statements of the individual component unit may be obtained by writing to the Authority's Executive Director at 191 W. Chestnut Avenue, Vineland, NJ 08360-5499. The purpose of VHDC is to provide affordable housing to the needy and for other charitable purposes permitted by N.J.S.A. 15A:2-(1) and the Internal Revenue Code Section 501 (c)(3).

MCH is a separate legal entity from the Housing Authority of the City of Vineland but is related by common management. MCH is a discretely presented component unit in the financial statements of the Authority. MCH was formed as a limited partnership on March 31, 2014. The purpose of MCH is to develop, construct, lease, maintain, and operate a multifamily complex consisting of seventeen (17) detached single family homes on a single parcel for rental to persons of low to moderate income. The property is located in Vineland, New Jersey and operates under the name of Melrose Court. The project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 which regulates the use of the project through the New Jersey Housing Mortgage Finance Agency (NJHMFA) as to occupant eligibility and unit gross rent, among other requirements. MCH must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. The component unit's fiscal year covers the period ending December 31, 2018. The financial statements of the individual component unit may be obtained by writing to the Authority's Executive Director at 191 W. Chestnut Avenue, Vineland, NJ 08360-5499.

As of September 30, 2018, the activities of the Authority included the ownership and/or management or oversight management of the following programs in Vineland, New Jersey:

The Housing Choice Voucher Program 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 as defined by the Housing Act of 1998, at rents that they can afford. The U.S. Department of Housing and Urban Development ("HUD") provides assistance for approximately 466 housing units to the Authority. This includes 347 units of tenant based rental assistance and 196 units of project based vouchers. Project based vouchers are currently available only to tenants of Oakview Apartments in Millville, New Jersey (119), Parkview Gardens in Buena, New Jersey (60), and Melrose Court Homes in Vineland, New Jersey (17).

The Public Housing Program consists of 600 rental units constructed or purchased and operated by the Authority. The purpose of this program is to provide decent, safe, and sanitary housing to eligible low-income families and the elderly at rents they can afford. HUD provides assistance to the Authority in the form of operating subsidies.

The Congregate Services Program is a state-funded program that provides nutrition, housekeeping, and certain other services to tenants residing in the Authority's owned or managed housing projects for the elderly and disabled.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of 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.

Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Tenant charges, management contract fees, and other income are recognized as revenue when services are provided. Development fee revenue is recognized in accordance with a partnership agreement.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgets and budgetary control

The Authority prepares an annual budget as required by N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current year and to adopt not later than the beginning of the Authority's year. The governing body may amend the budget at any point during the year. The Authority's budget includes all operations of the Authority, exclusive of its component unit. Planned Capital Fund expenditures are included in a capital budget, which is part of the annual budget. The original budget and budget amendments must be approved by Board resolution. Budget amendments during the fiscal years ended September 30, 2018 and 2017 were not significant.

Annual budgets are prepared on the modified accrual basis of accounting. This basis differs in certain respects from the full accrual basis of accounting that the Authority utilizes for financial reporting.

The Authority's annual budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by function and nature. The total amount of appropriations constitutes the legal level of control. Expenditures may not exceed appropriations at this level without approval of the State of New Jersey Department of Community Affairs.

Cash and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value, as applicable.

New Jersey governmental units 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 of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services, Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and cash equivalents and investments (continued)

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the GUDPA. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Restricted assets

Certain cash of the Authority is restricted by HUD for use to fund future housing assistance payment, for tenant security deposits, Family Self-Sufficiency deposits, or for other specified purposes.

Capital assets

Land, buildings, and furniture and equipment are carried substantially at cost. All additions and betterments are charged to the capital asset accounts. The Authority has no infrastructure assets.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital assets currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Interest has been capitalized during the construction period on buildings and equipment.

Assets capitalized generally have an original cost of $2,000 or more and a useful life in excess of three years. Depreciation has been provided on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Building improvements	15 years
Furniture and equipment	3 to 7 years

Deferred outflows and deferred inflows of resources

The statements of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report amounts related to the defined benefit pension plan that are applicable to future periods as deferred outflows of resources and deferred inflows of resources. See notes 6 and 7 for more information regarding the pension plan other postemployment benefits (OPEB), respectively.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position

In accordance with the provisions of GASB 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted net position – This component of net position consists of net position that does not meet the definitions of "restricted" or "net investment in capital assets". This component includes net position that may be allocated for specific purposes by the Board.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115. The for-profit component unit is recognized as partnerships for federal and state purposes. No provisions for income taxes are presented in the financial statements since taxable income or loss is reported by the partners on their individual income tax returns.

Operating and non-operating revenues and expenses

Federal and state grant revenue - Operating subsidies, Section 8 housing choice voucher revenue, and Capital Fund program revenue received from the U.S. Department of Housing and Urban Development are susceptible to accrual and are recognized during the fiscal year earned in accordance with applicable HUD program guidelines. The Authority is generally entitled to receive monies under an established payment schedule or, for the Capital Fund program, as expenditures are made. Housing Choice Voucher Program income is recognized based on amounts reported per HUD's Voucher Management System (VMS), with subsequent adjustments computed by HUD in accordance with current regulations. Adjustments made by HUD in periods subsequent to the year end are reflected in the financial statements when they become known and are not anticipated to be material in amount. Advance payments received for the subsequent year are recorded as unearned revenue.

Federal grants are generally classified as operating unless they are capital specific in which case they are classified as non-operating. During the fiscal year ended September 30, 2018, the Authority determined that certain grant revenues related to capital leveraging were more properly classified as non-operating as the funds were used for capital improvements. Amounts totaling $441,650 for 2018 and $451,454 for 2017 have been reclassified from operating revenues, federal grant awards to non-operating, capital grants in the accompanying Statements of Revenue, Expenses, and Changes in Net Position.

State financial assistance applicable to the Congregate Services Program is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

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.

Tenant charges - Tenant charges consist of rental income and fees for nutrition, housekeeping, and certain other services. Charges are determined and billed monthly and are recognized as revenues when assessed because they are measurable and are collectible within the current period. Amounts not received by year-end are considered to be accounts receivable, and amounts paid for the subsequent year are recorded as unearned revenue.

Other income - Miscellaneous income is composed primarily of miscellaneous service fees. This revenue is recorded as earned since it is measurable and available.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

New accounting standards adopted

During the fiscal year ended September 30, 2018, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Issued June 2015, this Statement's objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities.

The adoption of this statement had a material impact on the Authority's financial statements, see Notes 7 and 15.

Statement No. 85, Omnibus 2017

Issued March 2017, the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The adoption of this statement has not made a material impact on the Authority's financial statements.

Statement No. 86, Certain Debt Extinguishment Issues

Issued May 2017, the primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The adoption of this statement has not made a material impact on the Authority's financial statements.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

New accounting pronouncements to be implemented in the future

The Authority plans to implement the following pronouncements by the required implementation dates or earlier, when deemed feasible. Management has not determined the potential impact of these new pronouncements on the financial statements.

Statement No. 83, Certain Asset Retirement Obligations

Issued November 2016, this Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement is effective for periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities

Issued January 2017, The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

<u>New accounting pronouncements to be implemented in the future</u>

Statement No. 87, Leases

Issued June 2017, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

Issued April 2018, the primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

New accounting pronouncements to be implemented in the future (continued)

Statement No. 90, Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61

Issued August 2018, the primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Note 3: **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's formal policy regarding custodial credit risk is the same as described in Note 1, N.J.S.A. 17:9-41 et seq. and included in its cash management plan. The Authority shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of September 30, 2018 and 2017, the bank balances of the Authority and the component unit, were insured or collateralized as follows:

	September 30, 2018	
	Authority	Component Unit
Insured	$ 701,154	$ 128,122
Collateralized under GUDPA	5,056,256	-
Uninsured or uncollateralized	-	-
	$ 5,757,410	$ 128,122

	September 30, 2017	
	Authority	Component Unit
Insured	$ 723,937	$ 122,697
Collateralized under GUDPA	3,965,807	-
Uninsured or uncollateralized	-	-
	$ 4,689,744	$ 122,697

Note 4: **RESTRICTED ASSETS**

The Authority established restricted cash accounts as required by HUD to report cash associated with unused Housing Assistance Payments, to hold tenant security deposits, and for capital leveraging purposes. The Authority also established a restricted cash account to hold money the Authority has set aside for tenants participating in the Family Self-Sufficiency Program. The purpose of the program is to reduce dependency on housing assistance. Participants can withdraw monies from their account to pay for certain expenditures, including the purchase of a home.

The Authority's restricted cash is as follows:

	September 30, 2018	September 30, 2017
Housing Assistance Payments	$ 242,137	$ 97,766
Tenant security deposits	198,369	198,178
Family Self-Sufficiency deposits	59,376	75,312
Capital leveraging	866	745
	$ 500,748	$ 372,001

Note 5: **CAPITAL ASSETS**

The Authority's capital asset activity for the fiscal years ended September 30, 2018 and 2017 was as follows:

	Balance September 30, 2017	Additions	Reductions	Balance September 30, 2018
Land	$ 3,398,069			$ 3,398,069
Buildings	45,216,971	$ 412,796	$ 75,063	45,554,704
Furniture, equipment & machinery - dwelling	452,068	17,840	2,180	467,728
Furniture, equipment & machinery – administration	1,586,007	37,352	3,576	1,619,783
	50,653,115	467,988	80,819	51,040,284
Less accumulated depreciation	34,584,267	1,033,024	11,233	35,606,058
Capital assets, net	$ 16,068,848	$ (565,036)	$ 69,586	$ 15,434,226

	Balance September 30, 2016	Additions	Reductions	Balance September 30, 2017
Land	$ 3,398,069			$ 3,398,069
Buildings	45,172,656	$ 44,316	$ 6,790	45,216,971
Furniture, equipment & machinery - dwelling	412,467	46,390		452,068
Furniture, equipment & machinery – administration	1,558,746	93,264	66,004	1,586,007
	50,541,938	183,970	72,794	50,653,115
Less accumulated depreciation	33,567,512	1,082,758	66,004	34,584,267
Capital assets, net	$ 16,974,426	$ (898,788)	$ 6,790	$ 16,068,848

Note 6: **PENSION PLAN**

Public Employees' Retirement System

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). This plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
http://www.state.nj.us/treasury/pensions/financial-reports.shtml

General Information about the Pension Plan

Plan Description

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions

The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

1. Members who were enrolled prior to July 1, 2007
2. Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3. Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4. Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
5. Members who were eligible to enroll on or after June 28, 2011

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Authority’s contractually required contribution rate for the fiscal years ended September 30, 2018 and 2017 were 14.12% and 12.70%, respectively, of the Authority’s covered payroll. These amounts were actuarially determined as the amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2018, the Authority’s contractually required contribution to the pension plan for the fiscal year ended September 30, 2018 was $143,819, and was paid on April 1, 2019. Based on the PERS measurement date of June 30, 2017, the Authority’s contractually required contribution to the pension plan for the fiscal year ended September 30, 2017 was $128,591, which was paid on April 1, 2018. Employee contributions to the Plan during the fiscal years ended September 30, 2018 and 2017 were $75,416 and $73,601, respectively.

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the Authority's proportionate share of the net pension liability was $2,846,879. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Authority's proportion was 0.0144588657%, which was an increase of 0.0005780428% from its proportion measured as of June 30, 2017.

At September 30, 2017, the Authority's proportionate share of the net pension liability was $3,231,234. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the Authority's proportion was 0.0138808229%, which was a decrease of 0.0037158130% from its proportion measured as of June 30, 2016.

For the fiscal years ended September 30, 2018 and 2017, the Authority recognized pension expense of $41,030 and $93,252, respectively. These amounts were based on the plan's June 30, 2018 and 2017 measurement dates, respectively.

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2018 and 2017, the Authority had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2018		September 30, 2017	
	Measurement Date June 30, 2018		Measurement Date June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,290	$ 14,679	$ 76,084	
Change of assumptions	469,118	910,280	650,982	$ 648,596
Net difference between projected and actual earnings on pension plan investments		26,704	22,003	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	165,144	596,137	98,149	776,304
Authority contributions subsequent to the measurement date	35,955		32,148	
	$ 724,507	$ 1,547,800	$ 879,366	$ 1,424,900

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The deferred outflows of resources related to pensions totaling $35,955 and $32,148 will be included as a reduction of the net pension liability in the fiscal years ended September 30, 2019 and 2018, respectively. This amount is based on an estimated April 1, 2020 and April 1, 2019 contractually required contribution, prorated from the pension plans measurement date of June 30, 2018 and June 30, 2017 to the Authority's year end of September 30, 2018 and 2017.

The Authority will amortize of the other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
Changes of assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral:		
June 30, 2014	-	5.00
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	-	5.00
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
Year of pension plan deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

Fiscal Year Ending September 30,	
2019	$ (97,027)
2020	(166,199)
2021	(338,316)
2022	(217,842)
2023	(39,864)
	$ (859,248)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018 and 2017. These actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date June 30, 2018	Measurement Date June 30, 2017
Inflation	2.25%	2.25%
Salary increases:		
Through 2026	1.65% - 4.15% Based on age	1.65% - 4.15% Based on age
Thereafter	2.65% - 5.15% Based on age	2.65% - 5.15% Based on age
Investment rate of return	7.00%	7.00%
Period of actuarial experience Study upon which actuarial assumptions were based	July 1, 2011 – June 30, 2014	July 1, 2011 – June 30, 2014

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Actuarial Assumptions (continued)

For the June 30, 2018 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. 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).

For the June 30, 2017 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 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).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 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' target asset allocation as of June 30, 2018 and 2017 are summarized in the table on the following page.

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Actuarial Assumptions (continued)

	Measurement Date June 30, 2018		Measurement Date June 30, 2017	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.60%	1.00%	6.60%
Private Real Estate	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
U.S. Equity	30.00%	8.19%	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%
	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2018 was 5.66%. The respective single blended discount rates were based on the long-term expected rate of return on pension Plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current Plan members through 2046; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Discount Rate (continued)

The discount rate used to measure the total pension liability at June 30, 2017 was 5.00%. The respective single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. 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 liabilities.

Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability at September 30, 2018, calculated using a discount rate of 5.66%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Proportionate share of the net pension liability	$ 3,579,622	$ 2,846,879	$ 2,232,154

The following presents the Authority's proportionate share of the net pension liability at September 30, 2017, calculated using a discount rate of 5.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Proportionate share of the net pension liability	$ 4,008,565	$ 3,231,234	$ 2,583,621

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at https://www.nj.gov/treasury/pensions/financial-reports.shtml.

Note 7: **OTHER POST-RETIREMENT BENEFITS**

State Health Benefits Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided - The Authority contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at https://www.state.nj.us/treasury/pensions/ financial-reports.shtml.

The Plan provides medical and prescription drug benefit coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Note 7: **OTHER POST-RETIREMENT BENEFITS (continued)**

State Health Benefits Local Government Retired Employees Plan (continued)

General Information about the OPEB Plan (continued)

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Contributions - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The Authority was billed monthly by the Plan and for the fiscal years ended September 30, 2018, the Authority paid $194,736. This amounts represents 19.11% of the Authority's covered payroll. Retiree contributions for the fiscal year ended September 30, 2018 were not made available by the Plan.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. Payments made by plan members or beneficiaries receiving benefits at September 30, 2017 and 2016 totaled $19,128, $21,235 respectively.

The Authority began contributions for post-retirement health benefits to the SHBP in the fiscal year ended September 30, 2011. The Authority contributions to the SHBP for post-retirement benefits for the fiscal years ended September 30, 2017 and 2016 were $229,086 and $200,497, respectively, which equaled the required contributions for that year. There were approximately 25 participants eligible at September 30, 2017, and approximately 27 at September 30, 2016.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - At September 30, 2018, the Authority's proportionate share of the net OPEB liability was $5,748,552.

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2017 through June 30, 2018. For the June 30, 2018 measurement date, the Authority's proportion was 0.036693%.

OPEB Expense - At September 30, 2018, the Authority's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2018 measurement date is $133,294. As previously mentioned, for the year ended September 30, 2018, the Authority made contributions to the Plan totaling $194,736.

Note 7: **OTHER POST-RETIREMENT BENEFITS (continued)**

State Health Benefits Local Government Retired Employees Plan (continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2018, the Authority had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	September 30, 2018	
	Measurement Date June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,167,161
Change of assumptions	-	1,458,196
Net difference between projected and actual earnings on OPEB plan investments	3,038	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	560,917
Authority contributions subsequent to the measurement date	20,539	-
	$ 23,577	$ 3,186,274

Note 7: **OTHER POST-RETIREMENT BENEFITS (continued)**

State Health Benefits Local Government Retired Employees Plan (continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The Authority reported $20,539 as a deferred outflow of resources resulting from the Authority's contributions subsequent to the measurement date and will be included as a reduction of the Authority's net OPEB liability in the (fiscal) year ending September 30, 2019. The Authority will amortize the other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	-	8.14
Net difference between projected and actual earnings on OPEB plan investments	5.00	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	8.14	8.14

Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

Fiscal Year Ending September 30,	
2019	$ (475,489)
2020	(475,489)
2021	(475,489)
2022	(475,810)
2023	(476,328)
Thereafter	(804,631)
	$ (3,183,236)

Note 7: **OTHER POST-RETIREMENT BENEFITS (continued)**

State Health Benefits Local Government Retired Employees Plan (continued)

Actuarial Assumptions

The actuarial valuation at June 30, 2018 used the following actuarial assumptions, applied to all periods in the measurement:

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

* Salary Increases are Based on the Defined Benefit Plan that the Member is Enrolled in and his or her Age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2017 valuation were based on the results of the Public Employees' Retirement System (PERS) experience study. The PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools.* The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of $1.00. Participant shares are valued on a fair value basis. The CMF pays interest to participants on a monthly basis.

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Note 7: **OTHER POST-RETIREMENT BENEFITS (continued)**

State Health Benefits Local Government Retired Employees Plan (continued)

Actuarial Assumptions (continued)

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

The net OPEB liability as of June 30, 2018, the plans measurement date, for the Authority calculated using a discount rate of 3.87%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Proportionate share of the net OPEB liability	$ 6,744,571	$ 5,748,552	$ 4,952,958

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The Authority's proportionate share of the net OPEB Liability as of June 30, 2018, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 4,795,214	$ 5,748,552	$ 6,982,313

Note 7: **OTHER POST-RETIREMENT BENEFITS (continued)**

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (the Plan) and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 8: **LONG-TERM DEBT**

The following summarizes compensated absences:

	September 30, 2018	September 30, 2017
Beginning balance	$ 223,417	$ 208,909
Increase	132,135	110,680
Decrease	(102,895)	(96,172)
Ending balance	$ 252,657	$ 223,417
Current portion	$ 63,164	$ 55,854

On December 12, 2004, the Authority issued Capital Fund Program Revenue Bonds, Series 2004A in the amount of $4,760,000. These bonds bear interest at 4.466 percent and require semi-annual payments of principal and interest on May 1 and November 1 through November 1, 2025.

The following is a summary of bonds payable for the fiscal year ended September 30, 2018:

Beginning Balance	Additions	Retirements	Ending Balance	Amounts due within the year
$ 2,525,000	$ -	$ (250,000)	$ 2,275,000	$ 260,000

As of September 30, future principal and interest payments are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	$ 260,000	$ 102,798	$ 362,798
2020	270,000	91,313	361,313
2021	285,000	78,725	363,725
2022	295,000	65,213	360,213
2023	315,000	51,113	366,113
2024-2026	850,000	61,100	911,100
	$ 2,275,000	$ 450,262	$ 2,725,262

Note 9: **COMMITMENTS**

As of September 30, 2018, the Authority had commitments to expend approximately $222,156 for various capital improvements and related costs for the 2017, 2016, and 2015 Capital Fund grants.

Note 10: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through a joint insurance pool as described below. Settled claims from these risks have not exceeded coverage for the past several years.

The Authority is a member of the New Jersey Public Housing Authority Joint Insurance Fund. The Fund provides its members with the following coverage:

Property and Physical Damage
General and Automobile Liability
Workers' Compensation
Public Official Liability/Employment Practices Liability

Contributions to the Fund are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment to the Fund's obligation.

The Fund publishes its own financial report which can be obtained from:

New Jersey Public Housing Authorities Joint Insurance Fund
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054-4412

Note 11: **RELATED PARTY TRANSACTIONS**

Vineland Housing Development Corporation

Housing Authority of the City of Vineland has an outstanding loan due from Vineland Housing Development Corporation ("VHDC") dated August 1, 2000. The purpose of the loan is to enable Vineland Housing Development Corporation to purchase and/or construct single family residences within the City of Vineland for sale to qualified buyers. This loan was refinanced and included in the loan described below in 2005.

Housing Authority of the City of Vineland entered into a loan agreement with Vineland Housing Development Corporation dated June 1, 2005, in the amount of $379,660 which was intended to refinance the remaining balance of the original note described above plus the remaining amount of additional funds at the time that the new note was formalized in writing. Although this new note was prepared, no formal board resolution was ever passed refinancing the balance on the remaining balance on the original note. The purpose of this new note was to enable Vineland Housing Development Corporation to purchase land located on Chestnut Avenue in Vineland, New Jersey in order to construct single family residential homes for sale to qualified buyers. Despite the agreement's provision to charge a six percent interest on the unpaid principal balance, no interest has been accrued or paid on the loan. The balance outstanding of the note, including the amount of the original note and additional funds advanced, at September 30, 2018 and 2017 is $374,167. As of the date of the preparation of the financial statements, no payments were made to the Authority on this loan.

Note 11: **RELATED PARTY TRANSACTIONS (continued)**

In conjunction with the development of this project, the mortgages which secured this debt discussed above were discharged in November 2012.

In addition to the loans described above, the Housing Authority of the City of Vineland has advanced amounts to Vineland Housing Development Corporation for operating purposes, without interest. In April 2008, the Board of the Housing Authority of the City of Vineland passed a resolution authorizing cash advances of up to $50,000 with no set payment terms. No amounts have been advanced for this purpose for the fiscal year ending September 30, 2018. $3,500 has been advanced for this purpose to Vineland Housing Development Corporation for the fiscal year ending September 30, 2017. Additionally, from time to time the Authority has paid expenses attributable to VHDC. The amount of outstanding advances and payments made for expenditures on behalf of VHDC by the Housing Authority of the City of Vineland at September 30, 2018 and 2017 totaled $86,357 and $86,799, respectively. As of the date of the preparation of the financial statements, no payments were made to the Authority on these amounts due.

Melrose Court Homes, LP

Several organizations are involved in the project, including, Melrose Court Homes, LP (the "LP") who is the owner of the development. Melrose Court GP, LLC (the “LLC”) is a General Partner with a .01% ownership interest in the LP. The LLC is owned 49% by the Authority and 51% by VHDC. The remaining ownership interest in the LP of 99.99% was held by an investor limited partner.

The Authority provided a construction loan and permanent financing of up to a $2.1M to Melrose Court Homes, LP. This loan will be treated as a second mortgage and will be paid for out of cash flow. Interest is accrued at a rate of 1% using the simple interest method. The balance on this loan at September 30, 2018 and 2017 is $1,269,237 and $1,775,463, respectively.

As the developer for the construction of the Melrose Court Project, Vineland Housing Development Corporation earned development fees which are paid in accordance with the Amended and Restated Partnership Agreement. Payments of $167,904 and $71,831 were paid to Vineland Housing Development Corporation during 2018 and 2017, respectively.

Note 12: **RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY**

The following schedule reports receivables and payables at year-end. Receivables and payables within the Authority have been eliminated in the aggregation of financial data in the accompanying financial statements.

Within the Authority

Due to Other Programs	Due from Other Programs	
Section 8 Program	PHA Owned Housing Program	$ 194,058
ROSS Program	PHA Owned Housing Program	26,565
FSS Program	PHA Owned Housing Program	19,047
Homeownership Program	PHA Owned Housing Program	12,735
Congregate	PHA Owned Housing Program	5,792
		$ 258,197

Between the Authority and Component Units

Due to (from) Authority	Due to (from) Component Units	
PH Owned Housing Program	VHDC	$ (45,857)
Homeownership Program	VHDC	(414,667)
		$ (460,524)

The balances above resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 13: BLENDED COMPONENT UNIT CONSOLIDATION

The following schedule details the blending of the primary government and its blended component unit, including eliminations in the Statement of Net Position as of September 30, 2018.

	PG	CU	Eliminations	Consolidated 2018
Assets				
Current assets	$ 5,738,304	$ 395,551	$ (460,524)	$ 5,803,277
Non-current assets	1,769,985	-	-	1,769,985
Capital assets, net	15,382,114	52,112	-	15,434,226
Total assets	23,020,349	447,663	(460,524)	23,007,488
Deferred outflows of resources	724,507	-	-	724,507
Liabilities				
Current liabilities	921,806	462,224	(460,524)	920,106
Long term liabilities	5,345,072	-	-	5,345,072
Total liabilities	6,266,878	462,224	(460,524)	6,265,178
Deferred inflows of resources	1,547,800	-	-	1,547,800
Net position				
Net investment in capital assets	13,107,114	52,112	-	13,159,226
Restricted	201,574	-	-	201,574
Unrestricted	2,624,890	(66,673)	-	2,558,217
Total net position (deficit)	$ 15,933,578	$ (14,561)	$ -	$ 15,919,017

Note 13: **BLENDED COMPONENT UNIT CONSOLIDATION (continued)**

The following schedule details the blending of the primary government and its blended component unit, including eliminations in the Statement of Net Position as of September 30, 2017.

	PG	CU	Eliminations	Consolidated 2017
Assets				
Current assets	$ 5,157,542	$ 558,045	$ (460,966)	$ 5,254,621
Non-current assets	2,160,431	-	-	2,160,431
Capital assets, net	16,016,736	52,112	-	16,068,848
Total assets	23,334,709	610,157	(460,966)	23,483,900
Deferred outflows of resources	879,366	-	-	879,366
Liabilities				
Current liabilities	1,066,515	622,271	(460,966)	1,227,820
Long term liabilities	5,794,224	-	-	5,794,224
Total liabilities	6,860,739	622,271	(460,966)	7,022,044
Deferred inflows of resources	1,424,900	-	-	1,424,900
Net position				
Net investment in capital assets	13,491,736	52,112	-	13,543,848
Restricted	97,766	-	-	97,766
Unrestricted	2,338,934	(64,226)	-	2,274,708
Total net position (deficit)	$ 15,928,436	$ (12,114)	$ -	$ 15,916,322

Note 13: **BLENDED COMPONENT UNIT CONSOLIDATION (continued)**

The following schedule details the blending of the primary government and its blended component unit, including eliminations in the Statement of Revenue, Expenses, and Changes in Net Position for the fiscal year ended September 30, 2018.

	PG	CU	Eliminations	Consolidated 2018
Operating revenue	$ 9,167,210	$ 3,250	$ -	$ 9,170,460
Operating expenses	8,472,263	5,697	-	8,477,960
Depreciation	1,033,024	-	-	1,033,024
Operating loss	(338,077)	(2,447)	-	(340,524)
Non-operating revenue	452,506	-	-	452,506
Non-operating expense	(109,287)	-	-	(109,287)
Increase (decrease) in net position	5,142	(2,447)	-	2,695
Net position, beginning	15,928,436	(12,114)	-	15,916,322
Net position (deficit), ending	$ 15,933,578	$ (14,561)	$ -	$ 15,919,017

Note 13: **BLENDED COMPONENT UNIT CONSOLIDATION (continued)**

The following schedule details the blending of the primary government and its blended component unit, including eliminations in the Statement of Revenue, Expenses, and Changes in Net Position for the fiscal year ended September 30, 2017.

	PG	CU	Eliminations	Consolidated 2017
Operating revenue	$ 8,540,381	$ 52,000	$ -	$ 8,592,381
Operating expenses	8,366,891	39,315	-	8,406,206
Depreciation	1,082,758	-	-	1,082,758
Operating income (loss)	(909,268)	12,685	-	(896,583)
Non-operating revenue	522,066	-	-	522,066
Non-operating expense	(120,061)	-	-	(120,061)
Increase (decrease) in net position	(507,263)	12,685	-	(494,578)
Net position, beginning	16,435,699	(24,799)	-	16,410,900
Net position (deficit), ending	$ 15,928,436	$ (12,114)	$ -	$ 15,916,322

Note 13: **BLENDED COMPONENT UNIT CONSOLIDATION (continued)**

The following schedule details the blending of the primary government and its blended component unit, including eliminations in the Statement of Cash Flows for the fiscal year ended September 30, 2018.

	PG	CU	Eliminations	Consolidated 2018
Net cash provided by operating activities	$ 1,316,068	$ 4,831	$ -	$ 1,320,899
Net cash provided by non-capital financing activities	52,729	-	-	52,729
Net cash used in capital and related financing activities	(374,455)	-	-	(374,455)
Net cash provided by investing activities	11,985	-	-	11,985
Increase in cash and cash equivalents	1,006,327	4,831	-	1,011,158
Cash and cash equivalents, beginning of year	4,655,242	122,697	-	4,777,939
Cash and cash equivalents, end of year	$ 5,661,569	$ 127,528	$ -	$ 5,789,097

Note 13: **BLENDED COMPONENT UNIT CONSOLIDATION (continued)**

The following schedule details the blending of the primary government and its blended component unit, including eliminations in the Statement of Cash Flows for the fiscal year ended September 30, 2017.

	PG	CU	Eliminations	Consolidated 2017
Net cash provided by (used in) operating activities	$ (126,599)	$ 119,992	$ -	$ (6,607)
Net cash provided by non-capital financing activities	59,615	-	-	59,615
Net cash used in capital and related financing activities	(85,070)	-	-	(85,070)
Net cash provided by investing activities	10,997	-	-	10,997
Increase (decrease) in cash and cash equivalents	(141,057)	119,992	-	(21,065)
Cash and cash equivalents, beginning of year	4,796,299	2,705	-	4,799,004
Cash and cash equivalents, end of year	$ 4,655,242	$ 122,697	$ -	$ 4,777,939

Note 14: **OTHER MATTERS**

The Rental Assistance Demonstration (RAD) program was created to assist housing authorities with preserving and/or improving public housing properties. The RAD program allows housing authorities to leverage public housing stock and public and private debt to make these improvements in the absence of federal funding for this purpose. In addition, converting to RAD provides for a more stable funding stream.

The Authority has converted Parkview Apartments, Tarkiln Acres, and Asselta Acres to RAD. Kidston Towers and Olivio Towers are in the conversion process. The first step in conversion is completing an application to the Department of Housing and Urban Development ("HUD"). Several forms and tasks must be completed prior to being approved for conversion. Once approved, HUD will issue a commitment to enter into a Housing Assistance Payment ("CHAP"). Then HUD will issue a RAD Conversion Commitment ("RCC"), along with a checklist of items required to complete the contract and closing documents. A final closing is necessary to complete the process.

The properties listed above are in various stages of conversion. Parkview Apartments, Tarkiln Acres, and Asselta Acres converted to RAD effective December 1, 2018. This conversion involved a bond issuance. Kidston Towers and Olivio Towers applied for RAD in October 2017 and received their CHAP February 2018. In addition, a Federal Home Loan Bank of New York (FHLBNY) application was filed for funding to assist with repairs in conjunction with the RAD conversion. The FHLBNY is scheduled to announce the recipients of the grant funding in the last quarter of 2019. If this funding is received, the Authority will submit the financial package to HUD for a conversion of Kidston and Olivio Towers to RAD with an anticipated closing in 2020.

The Authority cannot pay itself housing assistance payments, per RAD regulations, a separate not-for-profit entity was created in April 2018, the Affordable Housing Corporation of Vineland, to be party to the HAP contract.

Note 15: **CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

As indicated in Note 2 to the financial statements, in 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result of implementing this new GASB statement, it was necessary to adjust unrestricted (deficit) net position in the financial statements, for the Authority's Other Post-Employment Benefits (OPEB) liability. This affects only the primary government statements. The cumulative effect on the financial statements as reported for September 30, 2017 is as follows:

	Primary Government
As reported – September 30, 2017	
Net position (deficit), as originally stated	$ 15,916,322
Effects of accounting for adoption of GASB Statement No. 75:	
Deferred outflows	1,301
OPEB liability as of September 30, 2017	(7,588,957)
Deferred inflows	(1,317,592)
Restatement of net position	(8,905,248)
Restated – September 30, 2017	
Net position (deficit), as restated	$ 7,011,074

HOUSING AUTHORITY OF THE CITY OF VINELAND

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018 AND 2017

Vineland Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
State Health Benefits Local Government Retired Employees Plan
Plan Year

Authority's Proportion of the Net OPEB Liability	0.036693%
Authority's Proportionate Share of the Net OPEB Liability	$ 5,748,552
Authority's Covered Payroll (Plan Measurement Period)	$ 1,018,764
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	564.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Vineland Housing Authority
Required Supplementary Information
Schedule of the Authority's OPEB Contributions
State Health Benefits Local Government Retired Employees Plan
For the Fiscal Year Ended September 30, 2018

Authority's Required Contributions	$	194,736
Authority's Contributions in Relation to the Required Contribution	$	(194,736)
Authority's Contribution Deficiency (Excess)	$	-
Authority's Covered Payroll (Fiscal Year)	$	1,018,764
Authority's Contributions as a Percentage of Covered Payroll		19.11%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Note to Required Supplementary Information
Public Employees' Retirement System (PERS)
For the Fiscal Year Ended September 30, 2018

Note to Required Supplementary Information

Changes in benefit terms - None

Changes in Assumptions - In 2017, the discount rate changed from 3.58% to 2.85%. In 2018, the discount rate changed to 3.87% from 3.58%, there were changes in the census, claims and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Six Plan Years

	Measurement Date Ending June 30,					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
Authority's proportion of the net pension liability	0.0144588657%	0.0138808229%	0.0175966359%	0.0184563371%	0.0185062675%	0.0171508299%
Authority's proportionate share of the net pension liability	$ 2,846,879	$ 3,231,234	$ 5,211,619	$ 4,143,078	$ 3,464,879	$ 3,277,864
Authority's covered payroll (plan measurement period)	1,015,380	944,324	1,172,256	1,274,948	1,279,812	1,156,124
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	280.38%	342.17%	444.58%	324.96%	270.73%	283.52%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Six Fiscal Years

	Fiscal Year Ended September 30,					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
Contractually required contribution	$ 143,819	$ 128,591	$ 156,326	$ 158,675	$ 152,536	$ 129,228
Contributions in relation to the contractually required contribution	(143,819)	(128,591)	(156,326)	(158,675)	(152,536)	(129,228)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll (fiscal year)	$ 1,018,764	$ 1,012,832	$ 1,006,307	$ 1,177,257	$ 1,257,149	$ 1,254,517
Contributions as a percentage of Authority's covered payroll	14.12%	12.70%	15.53%	13.48%	12.13%	10.30%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Note to Required Supplementary Information

Changes in benefit terms - None

Changes in Assumptions - The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017 and 5.66% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

For 2015, the social security wage base was set at $118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at $265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

HOUSING AUTHORITY OF THE CITY OF VINELAND

PART II - SINGLE AUDIT SECTION

SEPTEMBER 30, 2018

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

Board of Commissioners
Housing Authority of the City of Vineland

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Vineland's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended September 30, 2018. The Authority's federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Authority's blended component unit, Vineland Housing Development Corporation is not subject to Single Audit requirements and is not covered by this report.

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 the Housing Authority of the City of Vineland's 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; audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 the Housing Authority of the City of Vineland's compliance with those requirements and performing such other procedures as we considered 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 Vineland's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Vineland 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 fiscal year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Vineland 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 the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order 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 the Authority'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 to significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
August 28, 2019

HOUSING AUTHORITY OF THE CITY OF VINELAND
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2018

Federal Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Programs				
Housing Choice Voucher Cluster - Section 8 Housing Choice Voucher Program	14.871	N/A		$ 4,172,445
Public and Indian Housing Program	14.850a	N/A		1,285,855
Resident Opportunity and Supportive Services - Service Coordinators	14.870	N/A		71,131
Family Self-Sufficiency Program	14.896	N/A		69,380
Public Housing - Capital Fund Program	14.872	N/A		746,729
Shelter Plus Care	14.238	N/A		31,424
Total expenditures of federal awards				$ 6,376,964

See accompanying notes to schedule of expenditures of federal awards.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Schedule of Expenditures of Federal Awards

Note 1: **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Housing Authority of the City of Vineland (the "Authority") under programs of the federal government for the fiscal year ended September 30, 2018. 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 Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: **RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's financial statements.

Note 4: **RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Included in the amount reported as Federal expenditures in the accompanying schedule for CFDA number 14.871 are settlements for prior year's administrative fees received from the United States Department of Housing and Urban Development (HUD) of $883 for 2017 and no amounts for 2017 for housing assistance payments were included. All other amounts in the accompanying schedule agree with, in all material respects, the amounts reported in the related federal financial reports.

Additionally, there were expenditures of $91,652 under the State of New Jersey, Department of Community Affairs Congregate Housing Services Program, which is not subject to a State Single Audit.

Note 5: **PHA'S STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS**

There were no Modernization Cost Certificates filed by the Housing Authority in 2018.

HOUSING AUTHORITY OF THE CITY OF VINELAND

PART III – SCHEDULE OF FINDINGS & QUESTIONED COSTS

SEPTEMBER 30, 2018

HOUSING AUTHORITY OF THE CITY OF VINELAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2018

Section 1 – Summary of Auditor's Results

Financial Statements

A.	Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
B.	Internal control over financial reporting:	
	1. Material weakness(es) identified?	None noted
	2. Significant deficiency(ies) identified?	None noted
C.	Noncompliance material to financial statements noted?	None noted

Federal Awards Section

D.	Internal control over major federal programs:	
	1. Material weakness(es) identified?	None noted
	2. Significant deficiency(ies) identified?	None noted
E.	Type of auditor's report on compliance for major federal programs:	Unmodified
F.	Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a):	None noted
G.	Identification of major federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
14.850	Public and Indian Housing Program
14.872	Public Housing – Capital Fund Program

H.	Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
I.	Auditee qualified as low-risk auditee?	Yes

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None noted.

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

None noted.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Summary Schedule of Prior Year Audit Findings
And Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and Federal Awards that are required to be reported in accordance with Government Auditing Standards, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

FINANCIAL STATEMENT FINDINGS

None noted.

FEDERAL AWARDS

None noted.

APPRECIATION

We express our appreciation for the courtesies extended and assistance rendered to us during the course of this audit.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants