

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

**WITH
REPORT OF INDEPENDENT AUDITORS**

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Page</u>
Report of Independent Auditors	1-3
Management's Discussion and Analysis	4-11
Financial Statements:	
Statement of Net Position	12-13
Statement of Revenues, Expenses, and Changes in Net Position	14
Statement of Cash Flows	15-16
Notes to Financial Statements	17-33
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and State of New Jersey OMB Circular 15-08	36-37
Supplementary Information:	
Schedule of Expenditures of Federal Awards	38
Notes to Schedule of Expenditures of Federal Awards	39-40
Schedule of Findings and Questioned Costs	41-42
Required Pension Information	43
Financial Data Schedule	44-48



REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners
Housing Authority of the Township of Brick:

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Township of Brick (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Housing Authority of the Township of Brick as of June 30, 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. The accompanying financial data schedule is also not a required part of the basic financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards and financial data schedule are 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 January 5, 2018 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Novogardac & Company LLP

January 5, 2018
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As Management of the Housing Authority of the Township of Brick (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A Financial Highlights

1. The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,728,821 (net position) as opposed to \$5,338,672 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority reported ending unrestricted net position of \$414,993.
3. The Authority's unrestricted cash and cash equivalents and restricted deposit balances at June 30, 2017 were \$5,219,381 representing an increase of \$3,017,146 from the prior fiscal year.
4. The Authority had total operating revenues of \$4,734,758 and total operating expenses of \$4,371,153 for the year ended June 30, 2017.
5. The Authority's capital outlays for the fiscal year were \$115,990, all of which was purchased through the Authority's Public Housing Capital Fund program.
6. The Authority's expenditures of federal awards amounted to \$3,619,820 for the fiscal year.
7. The Authority adopted GASB 68 *Accounting and Financial Reporting for Pensions* during the year ended June 30, 2016. As of June 30, 2017, the Authority reported a net pension liability of \$1,534,388, \$460,209 in deferred outflows of resources and \$368,562 of deferred inflows of resources.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

B. Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America.

2. Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position, Statement of Revenues Expenses and Changes in Net Position and Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows present relevant information about the Authority's cash receipts and cash payments during the year.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 12 through 16 in this Report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

B. Using the Annual Report (continued)

3. Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to Financial Statements can be found in this Report after the financial statements.

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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). The Schedule of Expenditures of Federal awards can be found on page 38 of this report.

C. The Authority as a Whole

The Authority's net position increased during the fiscal year as detailed on the following page. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were sufficient to cover all expenses, excluding depreciation during the fiscal year.

A large portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services for its tenants; consequently, these assets are not available for future spending. The Authority also maintains a large restricted net position balance which consists of cash reserves that contain temporary constraints by grantors and creditors. The unrestricted net position of the Authority is available for future use to provide program services.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

C. The Authority as a Whole (continued)

Computations of Net Position are as follows:

	As of	
	6/30/2017	6/30/2016
Cash and Other Assets	\$ 1,826,433	\$ 2,235,042
Restricted Cash	3,451,649	21,759
Capital Assets - Net	4,567,540	4,787,455
Deferred Outflows of Resources	460,209	240,405
Total Assets and Deferred Outflows	10,305,831	7,284,661
Less: Total Liabilities	4,208,448	1,666,210
Less: Deferred Inflows of Resources	368,562	279,779
Net Position	<u>\$ 5,728,821</u>	<u>\$ 5,338,672</u>
Net Investment in Capital Assets	\$ 2,191,610	\$ 4,787,455
Restricted Net Position	3,122,218	21,759
Unrestricted Net Position	414,993	529,458
Net Position	<u>\$ 5,728,821</u>	<u>\$ 5,338,672</u>

- Cash and other assets decreased \$408,609 from 2016 to 2017 primarily due to the Authority's restriction of cash as part of the Rental Assistance Demonstration program.
- Restricted cash increased \$3,429,890 primarily due to the restriction of Capital Reserve Escrow funds in 2017. These funds are restricted for capital improvements related to the Authority's participation in the Rental Assistance Demonstration program.
- Capital assets, net decreased \$219,915 from 2016 to 2017 as depreciation expense of \$335,905 exceeded capital purchases of \$115,990.
- Total liabilities increased \$2,542,238, primarily due to the Authority borrowing \$2,400,000 during the year as part of funding future building improvements as part of the Rental Assistance Demonstration program.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

C. The Authority as a Whole (continued)

Computations of Changes in Net Position are as follows:

	Year Ended	
	6/30/2017	6/30/2016
<u>Revenues</u>		
Tenant Revenues	\$ 974,262	\$ 965,255
HUD Subsidies	3,103,276	2,390,369
Other Revenues	657,220	703,272
Total Operating Revenues	4,058,896	4,058,896
<u>Expenses</u>		
Other Operating Expenses	2,183,203	1,870,213
Housing Assistance Payments	1,852,045	1,914,415
Depreciation Expense	335,905	321,349
Total Operating Expenses	4,371,153	4,105,977
Operating Income/(Loss)	363,605	(47,081)
<u>Non-Operating Revenues & Expenses</u>		
Interest on Investments	14,831	2,313
Interest Expense	(37,977)	-
Gain/(Loss) before capital grants	340,459	(44,768)
Capital grants	49,690	75,129
Change in Net Position	390,149	30,361
Net Position - Beginning of Year	5,338,672	5,308,311
Net Position - End of Year	\$ 5,728,821	\$ 5,338,672

- Tenant revenue increased \$9,007 from 2016 to 2017. Although the Authority had sixty-five less unit months leased in 2017 than in 2016, tenant income increased, which increased the amount of rent due by the tenant.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

C. The Authority as a Whole (continued)

- HUD subsidies increased from \$2,390,369 in 2016 to \$3,103,276 in 2017 or \$712,907. The primary reason for the increase was due to additional subsidies received in the Housing Choice Voucher Program (\$667,508) and additional Capital Fund grants utilized for operations (\$429,975), which was offset by a decrease in Low Rent Public Housing program subsidy (\$384,576).
- Other operating expenses increased from \$1,870,213 in 2016 to \$2,183,203 in 2017 or \$312,990. The increase is primarily due to increases in administrative expenses (\$165,201), ordinary maintenance and operations (\$39,279), utilities expense (\$35,237) and general expenses (\$47,346).
- Capital fund grants decreased from \$75,129 in 2016 to \$49,690 in 2017 or \$25,439. The primary reason for the decrease is that the Authority utilized more money for operations in 2017 instead of capital improvements.

D. Budgetary Highlights

For the year ended June 30, 2017, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the surplus of revenues over expenses (when accounting for the non-budgeted depreciation expense), the Authority stayed within its operating budget.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

E. Capital Assets and Debt Administration

1. Capital Assets

As of June 30, 2017, the Authority's net investment in capital assets, net of accumulated depreciation was \$4,567,540. This investment in capital assets includes land, buildings, equipment, and construction in progress and is shown net of accumulated depreciation.

Major capital assets purchased during the year totaled \$115,990, all of which came from the Capital Fund program.

Additional information on the Authority's capital assets can be found in the Notes to the Financial Statements, which is included in this Report.

The following table summarizes the change in capital assets as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 108,250	\$ 108,250	\$ -
Buildings and improvements	15,119,631	14,599,935	519,695
Furniture and equipment	665,739	655,569	10,170
Construction in progress	-	413,876	(413,875)
Total fixed assets	15,893,620	15,777,630	115,990
Less: accumulated depreciation	11,326,080	10,990,175	335,905
Net fixed assets	<u>\$ 4,567,540</u>	<u>\$ 4,787,455</u>	<u>\$ (219,915)</u>

2. Long Term Debt

On September 30, 2016, the Authority entered into a loan agreement with Lakeland Bank in the amount of \$2,400,000 in connection with the Authority's Rental Assistance Demonstration Program to provide long-term capital improvement funding for low income properties in the Township of Brick, New Jersey. The loan term shall be twenty (20) years with a variable interest rate. The current interest rate is 3.125% with monthly principal and interest payments totaling \$10,341.

Further details can be found in the notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

F. 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 June 30, 2017:

1. The state of the national and local economy.
2. The need for Congress to fund the war on terrorism and the continued cut-back of funding of federal programs.
3. The Authority's use of unrestricted reserves to offset the possible proration of subsidy from HUD.

G. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Jacob Naszimento, Executive Director, Housing Authority of the Township of Brick, 165 Chambers Bridge Road., Brick, NJ 08723.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,672,901
Tenant security deposits	94,831
Accounts receivable, net	1,690
Prepaid expenses	<u>46,062</u>
Total current assets	<u>1,815,484</u>
Non-current assets:	
Restricted cash and cash equivalents	3,451,649
Accrued interest - restricted	10,949
Capital assets, net	<u>4,567,540</u>
Total non-current assets	<u>8,030,138</u>
Total assets	<u>9,845,622</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>460,209</u>
Total assets and deferred outflows of resources	<u>\$ 10,305,831</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
STATEMENT OF NET POSITION (continued)
AS OF JUNE 30, 2017

LIABILITIES

Current liabilities:	
Accounts payable	93,557
Accounts payable - other government	23,115
Accrued expenses	2,604
Accrued compensated absences	47,248
Tenant security deposits	94,831
Current portion of mortgage payable	49,525
Other current liabilities	<u>632</u>
Total current liabilities	<u>311,512</u>
Non-current liabilities:	
Accrued compensated absences, non-current	36,143
Net pension liability	1,534,388
Mortgage payable, non-current	<u>2,326,405</u>
Total non-current liabilities	<u>3,896,936</u>
Total liabilities	<u>4,208,448</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>368,562</u>
------------------------------	----------------

NET POSITION

Net position:	
Net investment in capital assets	2,191,610
Restricted	3,122,218
Unrestricted	<u>414,993</u>
Total net position	<u>5,728,821</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,305,831</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

Operating revenues:	
Tenant revenue	\$ 974,262
HUD operating grants	3,103,276
Other revenues	<u>657,220</u>
Total operating revenues	<u>4,734,758</u>
Operating expenses:	
Administrative	840,377
Tenant services	81,544
Utilities	435,913
Ordinary repairs and maintenance	674,397
Insurance	101,028
General	49,944
Housing assistance payments	1,852,045
Depreciation	<u>335,905</u>
Total operating expenses	<u>4,371,153</u>
Operating income	<u>363,605</u>
Non-operating revenues (expenses):	
Investment income	14,831
Interest expense	<u>(37,977)</u>
Net non-operating revenues (expenses)	<u>(23,146)</u>
Income before capital grants	340,459
Capital grants	<u>49,690</u>
Change in net position	390,149
Net position, beginning of the year	<u>5,338,672</u>
Net position, end of the year	<u>\$ 5,728,821</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash Flows from Operating Activities:	
Cash received from grantors	\$ 3,099,765
Cash received from tenants	1,635,438
Cash paid to employees	(840,377)
Cash paid to suppliers	<u>(3,153,215)</u>
Net cash provided by operating activities	<u>741,611</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(115,990)
Proceeds from capital grants	49,690
Principal payments on long term debt	(24,070)
Proceeds from new borrowings	2,400,000
Interest paid on capital debt	<u>(37,977)</u>
Net cash provided by capital and related financing activities	<u>2,271,653</u>
Cash Flows from Investing Activities:	
Investment income	<u>3,882</u>
Net cash provided by investing activities	<u>3,882</u>
Net increase in cash and cash equivalents	3,017,146
Cash and cash equivalents at beginning of year	<u>2,202,235</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,219,381</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 1,672,901
Tenant security deposits	94,831
Restricted cash	<u>3,451,649</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,219,381</u></u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

Reconciliation of operating income to net
cash provided by operating activities:

Operating income	\$	363,605
------------------	----	---------

Adjustments to reconcile operating income to net cash
provided by operating activities:

Depreciation		335,905
--------------	--	---------

Changes in operating assets, liabilities, deferred
outflows and deferred inflows of resources:

Accounts receivable, net		4,191
Prepaid expenses		2,623
Deferred outflows of resources		(219,804)
Accounts payable		66,075
Accounts payable - other government		(3,511)
Accrued expenses		2,407
Accrued compensated absences		23,840
Tenant security deposits		(235)
Other current liabilities		(63,245)
Deferred inflows of resources		88,783
Accrued pension liability		<u>140,977</u>

Net cash provided by operating activities	\$	<u><u>741,611</u></u>
---	----	-----------------------

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the Township of Brick (the "Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A:12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Township of Brick, New Jersey (the "Township"). The Authority is responsible for operating certain low-rent housing programs in the Township under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The governing board is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's Board to manage the day-to-day operations of the Authority.

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

B. Basis of Accounting / Preparation of Financial Statements

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

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting / Preparation of Financial Statements (continued)

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

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

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

Any investment income earned on these funds is reflected in the net position account on which the investment income was earned. That is, investment income earned on HAP cash balances is credited to the HAP restricted net position account and investment income earned on administrative fee cash balances is credited to the unrestricted net position account.

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

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB 14 and 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

D. Description of Programs

Public and Indian Housing Program

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

During the year ended June 30, 2017, the Authority converted all of its public housing units to the Rental Assistance Demonstration Program and as such the Authority will no longer participate Pubic and Indian Housing Program.

Section 8 Housing Choice Voucher

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

Public Housing Capital Fund Program

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Rental Assistance Demonstration Program

The Rental Assistance Demonstration Program allows agencies to leverage public and private debt and equity in order to reinvest in their public housing stock. Under this program, units move to a Section 8 platform with a long-term contract under which residents continued to pay 30% of their income towards rent. During the year ended June 30, 2017, the Authority converted all of its 266 Public and Indian Housing Units to Project Based Vouchers under the Rental Assistance Demonstration Program.

E. Use of Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

F. Cash and Cash Equivalents

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

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit, or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents (continued)

For the Statement of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

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

G. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, accounts receivable balances primarily consist of rents past due and vacated units. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. Also included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation.

H. Allowance for Doubtful Accounts

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

I. Prepaid Expenses

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

J. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

◆	Furniture and Equipment	5 Years
◆	Site Improvements	15 Years
◆	New Buildings	40 Years

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements.

L. Prepaid Tenant Rents

The Authority's prepaid tenant rents primarily consists of the prepayment of rent by residents applicable to future periods.

M. 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 PERS. 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.

N. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

O. Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB 34, inter-program receivables and payables are eliminated for financial statement purposes, however they are reflected in the accompanying financial data schedule as required by HUD.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Taxes

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

Q. Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal awards. All budgets are prepared on a HUD basis, which is materially consistent with GAAP. All appropriations lapse at HUD's program year end or at the end of grant periods. Pursuant to N.J.S.A 40A:5A-10 and N.J.A.C. 5:31 each authority is required to submit a budget for each fiscal year to the Director of the Division of Local Government Services 60 days prior to the beginning of the fiscal year.

R. Compensated Absences

Compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. The Authority permits the carryover of one year of accrued unused vacation time up to a maximum of 25 days. Employees with at least 10 years of employment may be compensated for sick leave as used or at retirement. Other employees with at least 15 years of employment may be compensated for sick leave at separation. Sick leave is based on 4 days of pay for every 5 days accrued to a maximum of 107 days for employees who have been employed for less than 25 years and a maximum of 115 days for employees who have been employed for 25 years or more. Unlimited sick leave may be accrued.

S. Operating Revenues and Expenses

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

T. Equity Classifications

Equity is classified as net position and displayed in three components:

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Equity Classifications (continued)

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

U. Economic Dependency

The Section 8 Housing Choice Vouchers and Rental Assistance Demonstration Programs of the Authority are economically dependent on operating grants and subsidies from HUD. The programs operate at a loss prior to receiving the grants.

NOTE 2. CASH AND CASH EQUIVALENTS

As of June 30, 2017, the Authority had funds on deposit in checking, statement savings and money market accounts. The carrying amounts of the Authority's cash and cash equivalents (including restricted cash and cash equivalents) was \$5,219,381, and the bank balances approximated \$5,213,258.

<u>Cash Category</u>	<u>Amount</u>
Unrestricted	\$ 1,672,901
Tenant security deposits	94,831
Restricted	<u>3,451,649</u>
	<u>\$ 5,219,381</u>

Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remaining \$4,213,258 was collateralized with the pledging financial institution as of June 30, 2017.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of June 30, 2017, the Authority's bank balances were not exposed to custodial credit risk.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following at June 30, 2017:

<u>Description</u>	<u>Amount</u>
Accounts receivable - tenants	\$ 1,101
Accounts receivable - miscellaneous	<u>589</u>
	<u>\$ 1,690</u>

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The Authority considers this amount fully collectible and accordingly, has made no allowance for doubtful accounts.

Accounts Receivable - Miscellaneous

Accounts receivable - miscellaneous consists of amounts due from other housing authorities for portable tenants in the Section 8 Housing Choice Voucher program. The Authority considers this amount fully collectible and accordingly, has made no allowance for doubtful accounts.

NOTE 4. RESTRICTED DEPOSITS

As of June 30, 2017, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Amount</u>
Housing assistance payments reserves	\$ 341,224
Capital reserves escrow	3,110,425
Tenant security deposits	<u>94,831</u>
	<u>\$ 3,546,480</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

Capital reserve escrow funds are restricted for capital improvements related to the properties participating in the Rental Assistance Demonstration Program.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5. CAPITAL ASSETS, NET

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

Description	June 30, 2016	Additions	Disposals	Transfers	June 30, 2017
<u>Non-depreciable capital assets</u>					
Land	\$ 108,250	\$ -	\$ -	\$ -	\$ 108,250
Construction in progress	<u>413,875</u>	<u>-</u>	<u>-</u>	<u>(413,875)</u>	<u>-</u>
Total	<u>522,125</u>	<u>-</u>	<u>-</u>	<u>(413,875)</u>	<u>108,250</u>
<u>Depreciable capital assets</u>					
Buildings and improvements	14,599,936	115,990	-	403,705	15,119,631
Furniture and equipment	<u>655,569</u>	<u>-</u>	<u>-</u>	<u>10,170</u>	<u>665,739</u>
Total	<u>15,255,505</u>	<u>115,990</u>	<u>-</u>	<u>413,875</u>	<u>15,785,370</u>
Less: accumulated depreciation	<u>10,990,175</u>	<u>335,905</u>	<u>-</u>	<u>-</u>	<u>11,326,080</u>
Net capital assets	<u>\$ 4,787,455</u>	<u>\$ (219,915)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,567,540</u>

Depreciation expense for the year ended June 30, 2017 amounted to \$335,905.

NOTE 6. COMPENSATED ABSENCES

Accrued compensated absences represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. As of June 30, 2017, the Authority had accrued \$83,391 in compensated absences, of which \$47,248, is estimated to be currently due.

NOTE 7. PAYMENTS IN LIEU OF TAXES

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes ("PILOT") for Authority owned properties in accordance with the provisions of its Cooperation Agreement with the Township. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. For the year ended June 30, 2017, the Authority incurred PILOT expense in the amount of \$23,115.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8. PENSION PLAN

A. Plan Description

The State of New Jersey Public Employees Retirement System ("PERS") is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report ("CAFR"), which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

B. Benefits

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

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

Service retirement benefits of $1/55^{\text{th}}$ 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 $1/60^{\text{th}}$ 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 one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more 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 a member retires prior to the age at which a member 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.

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by all active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8. PENSION PLAN (continued)

C. Contributions (continued)

The local employers' contribution amounts are based on the actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

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

At June 30, 2017, the Authority reported a liability of \$1,534,388, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and rolled forward to June 30, 2016.

For the year ended June 30, 2017, the Authority recognized pension expense of \$82,663. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 317,843	\$ -
Changes in Proportion	-	368,562
Differences between expected and actual experience	28,535	-
Net differences between Expected and Actual Investments	58,508	-
Net differences between Proportionate Share and Actual Contribution	9,298	-
Contributions subsequent to the measurement date	<u>46,025</u>	<u>-</u>
Total	<u>\$ 460,209</u>	<u>\$ 368,562</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8. PENSION PLAN (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Amount</u>
Year ending June 30:	
2018	91
2019	93
2020	19,854
2021	20,417
2022	<u>5,167</u>
	<u>\$ 45,622</u>

E. Actuarial Assumptions

The total pension liability calculated utilizing a June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases 2012-2021	1.65-4.15%, based on age
Thereafter	2.65-5.15%, based on age
Investment rate of return	7.65%

Pre-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 one year for males and females) for service retirements and beneficiaries of former members and 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).

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8. PENSION PLAN (continued)

F. Long-term Expected Rate of Return

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class including PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

G. Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on the pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.98 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.98 percent) or 1 percentage point higher (4.98 percent) than the current rate.

	1% Decrease (2.98%)	Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	\$ <u>1,880,214</u>	\$ <u>1,534,388</u>	\$ <u>1,248,879</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

The Authority participates in the New Jersey State Health Benefits Program (the "SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

A retiree may also receive Authority-paid health benefits in accordance with labor agreements if they have twenty-five (25) or more years enrolled in the pension system.

The Division, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions:

<u>Year</u>	<u>Amount</u>
June 30, 2015	\$ <u>67,965</u>
June 30, 2016	\$ <u>61,611</u>
June 30, 2017	\$ <u>52,564</u>

NOTE 10. MORTGAGE PAYABLE

<u>Description</u>	<u>Amount</u>
On November 30, 2016, the Authority entered into a loan agreement with Lakeland Bank in the amount of \$2,400,000 in connection with the Authority's Rental Assistance Demonstration Program to provide long-term capital improvement funding for low income properties in Brick, New Jersey. The loan term is twenty (20) years and interest will be calculated at 3.125% per annum with monthly principal and interest payments totaling \$10,341. A balloon payment of \$1,072,640 is due on December 1, 2036. The loan is secured by a first mortgage on the underlying land and buildings.	\$ 2,375,930
Less: current portion	<u>49,525</u>
Mortgage payable, net of current portion	<u>\$ 2,326,405</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 10. MORTGAGE PAYABLE (continued)

Maturities of long-term debt over the next five years and in five year increments consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	49,525	74,568	124,093
2019	51,117	72,976	124,093
2020	52,566	71,527	124,093
2021	54,452	69,641	124,093
2022	56,202	67,891	124,093
2023 - 2027	304,269	316,196	620,465
2028 - 2032	356,443	264,022	620,465
2033 - 2037	<u>1,451,356</u>	<u>202,999</u>	<u>1,654,355</u>
	<u>\$ 2,375,930</u>	<u>\$ 1,139,820</u>	<u>\$ 3,515,750</u>

Interest expense for the year ended June 30, 2017 totaled \$37,977.

A summary of the Authority's long-term liabilities for the year ended June 30, 2017 consisted of the following:

<u>Description</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Amount due currently</u>
Mortgage payable	\$ -	\$ 2,400,000	\$ (24,070)	\$ 2,375,930	\$ 49,525
Net pension liability	1,393,411	187,002	(46,025)	1,534,388	-
Accumulated compensated absences	<u>59,551</u>	<u>23,840</u>	<u>-</u>	<u>83,391</u>	<u>47,248</u>
Total	<u>\$1,452,962</u>	<u>\$ 2,610,842</u>	<u>\$ (70,095)</u>	<u>\$ 3,993,709</u>	<u>\$ 96,773</u>

NOTE 11. RESTRICTED NET POSITION

Restricted net position consists of the following at June 30, 2017:

<u>Description</u>	<u>Amount</u>
Housing assistance payments reserves	\$ 844
Capital reserve escrow	<u>3,121,374</u>
Total restricted net position	<u>\$ 3,122,218</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

Capital reserve escrow funds are restricted for capital improvements related to the properties contained in the Rental Assistance Demonstration Program.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 12. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund ("JIF"). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the previous three years.

NOTE 13. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of June 30, 2017, the Authority estimates that no material liabilities will result from such audits.

NOTE 14. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through January 5, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**NOVOGRADAC
& COMPANY LLP***
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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 Township of Brick:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Township of Brick (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 5, 2018.

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.

Compliance and Other Matters

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

Purpose of this Report

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

Novogrudac & Company LLP

January 5, 2018
Toms River, New Jersey



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
STATE OF NEW JERSEY OMB CIRCULAR 15-08**

To the Board of Commissioners
Housing Authority of the Township of Brick:

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the Township of Brick's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement and the State of New Jersey OMB Circular 15-08 that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority'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; 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), and the State of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. 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 Authority'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 the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey OMB Circular 15-08, 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 or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 and the State of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Novogradac & Company LLP

January 5, 2018
Toms River, New Jersey

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period		Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
			From	To			
<u>U.S. Department of Housing and Urban Development</u>							
Housing Voucher Cluster							
Section 8 Housing Choice Voucher	14.871	N/A	7/1/15	6/30/16	\$ 2,157,839	\$ 2,624,693	\$ 2,624,693
Total Housing Voucher Cluster					<u>2,157,839</u>	<u>2,624,693</u>	<u>2,624,693</u>
Public and Indian Housing Program	14.850	N/A	7/1/16	06/30/17	382,505	382,505	382,505
Public Housing Capital Fund Program:	14.871	N/A	7/1/13	6/30/17	<u>1,015,511</u>	<u>612,622</u>	<u>1,015,511</u>
Total U.S. Department of Housing and Urban Development					<u>\$ 3,555,855</u>	<u>\$ 3,619,820</u>	<u>\$ 4,022,709</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2017. The information in the 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) and State of New Jersey OMB Circular 15-08. Because the Schedule presents only a selected portion of 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. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, OMB Circular A-133, and the State of New Jersey OMB Circular 15-08, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The Authority has not elected to use the ten percent de minimus indirect cost rate allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2017

NOTE 4.

SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

The total amount of Capital Fund Program Costs and Advances incurred and earned by the Housing Authority of the Township of Brick as of and for the year ended June 30, 2017 are provided herein.

	<u>501-13</u>	<u>501-14</u>	<u>501-15</u>	<u>501-16</u>	<u>Total</u>
Budget	\$ <u>257,411</u>	\$ <u>245,763</u>	\$ <u>251,352</u>	\$ <u>260,985</u>	\$ <u>1,015,511</u>
<u>Advances:</u>					
Cumulative through 6/30/16	\$ 255,631	\$ 123,999	\$ 17,378	\$ 5,881	\$ 402,889
Current Year	<u>1,780</u>	<u>121,764</u>	<u>233,974</u>	<u>255,104</u>	<u>612,622</u>
Cumulative through 6/30/17	<u>257,411</u>	<u>245,763</u>	<u>251,352</u>	<u>260,985</u>	<u>1,015,511</u>
<u>Costs:</u>					
Cumulative through 6/30/16	255,631	123,999	17,378	5,881	402,889
Current Year	<u>1,780</u>	<u>121,764</u>	<u>233,974</u>	<u>255,104</u>	<u>612,622</u>
Cumulative through 6/30/17	<u>257,411</u>	<u>245,763</u>	<u>251,352</u>	<u>260,985</u>	<u>1,015,511</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

The above referenced capital fund grants have been fully drawn down and expended as per Capital Fund Grant Regulations.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

I. Summary of Auditors' Results

Financial Statement Section

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | | | | | |
|--------------------|---|--------------------|--------------------------------|--------|-----------------------------------|--|
| 1. | Internal Control over compliance: | | | | | |
| a. | Material weakness(es) identified? | No | | | | |
| b. | Significant deficiency(ies) identified? | No | | | | |
| 2. | Type of auditors' report on compliance for major programs: | Unmodified | | | | |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No | | | | |
| 4. | Identification of major programs: | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: left;"><u>CFDA Number</u></td> <td style="text-align: left;"><u>Name of Federal Program</u></td> </tr> <tr> <td>14.871</td> <td>Section 8 Housing Choice Vouchers</td> </tr> </table> | <u>CFDA Number</u> | <u>Name of Federal Program</u> | 14.871 | Section 8 Housing Choice Vouchers | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> | | | | | |
| 14.871 | Section 8 Housing Choice Vouchers | | | | | |
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 | | | | |
| 6. | Auditee qualified as low-risk Auditee? | Yes | | | | |

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED JUNE 30, 2017**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Federal Award and State Financial Assistance Findings and Questioned Costs

None reported.

IV. Summary of Prior Audit Findings

There were no findings or questioned costs in the prior year.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK
REQUIRED PENSION INFORMATION
YEAR ENDED JUNE 30, 2017**

SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS***

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Contractually required contribution	\$ 60,130 \$	58,403 \$	53,366 \$	46,025	Not Available
Contributions in relation to the contractually required contribution	60,130	58,403	53,366	46,025	Not Available
(Over) / under funded	\$ - \$	- \$	- \$	- \$	- \$
District's covered-employee payroll	\$ 487,811 \$	469,583 \$	394,584 \$	474,649 \$	593,309
Contributions as a percentage of covered-employee payroll	12.33 %	12.44 %	13.52 %	9.70 %	Not Available

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET PENSION LIABILITY FOR THE LAST TEN FISCAL YEARS***

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Authority's proportion of the net pension liability	0.0080 %	0.0080 %	0.0071 %	0.0062 %	0.0052 %
Authority's proportionate share of the net pension liability	\$ 1,525,196 \$	1,326,399 \$	1,393,411 \$	1,393,411	Not Available
Authority's covered-employee payroll	\$ 487,811 \$	469,583 \$	394,584 \$	474,649 \$	593,309
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	312.66 %	282.46 %	353.13 %	293.57 %	Not Available
Plan fiduciary net position as a percentage of the total pension liability	48.72 %	52.08 %	40.14 %	40.14 %	Not Available

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

Housing Authority of the Township of Brick						
NJ065						
Financial Data Schedule (FDS)						
June 30, 2017						
Line Item #	Account Description	Projects	Housing Choice Vouchers	Business Activities	Elimination	TOTAL
ASSETS:						
CURRENT ASSETS:						
Cash:						
111	Cash - unrestricted	\$ -	\$ -	\$ 1,672,901	\$ -	\$ 1,672,901
112	Cash - restricted - modernization and development	-	-	-	-	-
113	Cash - other restricted	-	341,224	3,110,425	-	3,451,649
114	Cash - tenant security deposits	-	-	94,831	-	94,831
115	Cash - restricted for payment of current liabilities	-	-	-	-	-
100	Total cash	-	341,224	4,878,157	-	5,219,381
Accounts and notes receivables:						
121	Accounts receivable - PHA projects	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	-	-	-	-
124	Accounts receivable - other government	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	589	-	-	589
126	Accounts receivable- tenants	-	-	1,101	-	1,101
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	-	-	-	-
127	Notes and mortgages receivable- current	-	-	-	-	-
128	Fraud recovery	-	9,815	-	-	9,815
128.1	Allowance for doubtful accounts - fraud	-	(9,815)	-	-	(9,815)
129	Accrued interest receivable	-	-	10,949	-	10,949
120	Total receivables, net of allowances for doubtful accounts	-	589	12,050	-	12,639
Current investments						
131	Investments - unrestricted	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	46,062	-	46,062
143	Inventories	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-
150	TOTAL CURRENT ASSETS	-	341,813	4,936,269	-	5,278,082
NONCURRENT ASSETS:						
Fixed assets:						
161	Land	-	-	108,250	-	108,250
162	Buildings	-	-	13,864,690	-	13,864,690
163	Furniture, equipment & machinery - dwellings	-	-	665,739	-	665,739
164	Furniture, equipment & machinery - administration	-	-	-	-	-
165	Leasehold improvements	-	-	1,254,941	-	1,254,941
166	Accumulated depreciation	-	-	(11,326,080)	-	(11,326,080)
167	Construction in Progress	-	-	-	-	-
168	Infrastructure	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	-	-	4,567,540	-	4,567,540
Other non-current assets:						
171	Notes and mortgages receivable - non-current	-	-	-	-	-
172	Notes and mortgages receivable-non-current - past due	-	-	-	-	-
174	Other assets	-	-	-	-	-
175	Undistributed debits	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	-	-	4,567,540	-	4,567,540
200	Deferred Outflows of Resources	-	78,236	381,973	-	460,209
290	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ 420,049	\$ 9,885,782	\$ -	\$ 10,305,831

Housing Authority of the Township of Brick						
NJ065						
Financial Data Schedule (FDS)						
June 30, 2017						
Line Item #	Account Description	Projects	Housing Choice Vouchers	Business Activities	Elimination	TOTAL
LIABILITIES AND EQUITY:						
Liabilities:						
Current Liabilities:						
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable < 90 days	-	1,664	91,893	-	93,557
313	Accounts payable > 90 days past due	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	333	2,271	-	2,604
322	Accrued compensated absences - current portion	-	2,702	44,546	-	47,248
324	Accrued contingency liability	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-
333	Accounts payable - other government	-	-	23,115	-	23,115
341	Tenant security deposits	-	-	94,831	-	94,831
342	Deferred revenue	-	-	-	-	-
343	Current portion of L-T debt - capital projects	-	-	49,525	-	49,525
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-
346	Accrued liabilities - other	-	-	632	-	632
347	Interprogram - due to	-	-	-	-	-
310	TOTAL CURRENT LIABILITIES	-	4,699	306,813	-	311,512
NONCURRENT LIABILITIES:						
351	Long-term debt, net of current - capital projects	-	-	2,326,405	-	2,326,405
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-
353	Non-current liabilities- other	-	-	-	-	-
354	Accrued compensated absences - noncurrent	-	1,875	34,268	-	36,143
355	Loan Liability - Non Current	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-
357	Accrued pension and OPEB liabilities	-	260,846	1,273,542	-	1,534,388
350	TOTAL NONCURRENT LIABILITIES	-	262,721	3,634,215	-	3,896,936
300	TOTAL LIABILITIES	-	267,420	3,941,028	-	4,208,448
400	Deferred Inflows of Resources	-	62,656	305,906	-	368,562
EQUITY:						
508.1	Invested in Capital Assets, Net of Related Debt	2,191,610	-	-	-	2,191,610
511.1	Restricted Net Assets	3,121,374	844	-	-	3,122,218
512.1	Unrestricted Net Assets	(5,312,984)	89,129	5,638,848	-	414,993
513	TOTAL EQUITY	-	89,973	5,638,848	-	5,728,821
600	TOTAL LIABILITIES AND EQUITY	\$ -	\$ 420,049	\$ 9,885,782	\$ -	\$ 10,305,831
Proof of concept						

Housing Authority of the Township of Brick							
NJ065							
Financial Data Schedule (FDS)							
June 30, 2017							
Line Item #	Account Description	Operating	Capital	Housing Choice Vouchers	Business Activities	Elimination	TOTAL
REVENUE:							
70300	Net tenant rental revenue	\$ 491,775	\$ -	\$ -	\$ 479,197	\$ -	\$ 970,972
70400	Tenant revenue - other	3,290	-	-	-	-	3,290
70500	Total tenant revenue	495,065	-	-	479,197	-	974,262
70600	HUD PHA grants	382,505	562,932	2,157,839	-	-	3,103,276
70610	Capital grants	-	49,690	-	-	-	49,690
70800	Other government grants	-	-	-	531,588	(531,588)	-
71100	Investment income - unrestricted	2,394	-	438	-	-	2,832
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	-	-	3,726	-	-	3,726
71500	Other revenue	144,077	-	567,132	173	(57,888)	653,494
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-
72000	Investment income - restricted	11,999	-	-	-	-	11,999
70000	TOTAL REVENUE	1,036,040	612,622	2,729,135	1,010,958	(589,476)	4,799,279
EXPENSES:							
Administrative							
91100	Administrative salaries	186,151	20,000	99,084	-	-	305,235
91200	Auditing fees	3,682	-	2,340	4,703	-	10,725
91300	Outside management fees	-	-	-	-	-	-
91310	Book-keeping fee	-	-	-	-	-	-
91400	Advertising and marketing	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	183,882	-	57,189	-	-	241,071
91600	Office expenses	61,513	-	5,933	27,671	-	95,117
91700	Legal expenses	77,350	-	-	19,142	-	96,492
91800	Travel	3,993	-	849	1,302	-	6,144
91810	Allocated overhead	-	-	-	-	-	-
91900	Other	15,080	49,027	70,668	8,706	(57,888)	85,593
	Total administrative	531,651	69,027	236,063	61,524	(57,888)	840,377
92000	Asset Management Fee	-	-	-	-	-	-
Tenant services							
92100	Tenant services - salaries	61,041	-	-	-	-	61,041
92200	Relocation costs	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	12,973	-	-	-	-	12,973
92400	Tenant services - other	5,404	-	-	2,126	-	7,530
	Total tenant services	79,418	-	-	2,126	-	81,544
Utilities							
93100	Water	15,728	-	-	38,193	-	53,921
93200	Electricity	47,424	-	-	133,508	-	180,932
93300	Gas	14,275	-	-	77,441	-	91,716
93400	Fuel	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-
93600	Sewer	31,580	-	-	77,764	-	109,344
93700	Employee benefit contributions- utilities	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-
	Total utilities	109,007	-	-	326,906	-	435,913

Housing Authority of the Township of Brick							
NJ065							
Financial Data Schedule (FDS)							
June 30, 2017							
Line Item #	Account Description	Operating	Capital	Housing Choice Vouchers	Business Activities	Elimination	TOTAL
	Ordinary maintenance & operation						-
94100	Ordinary maintenance and operations - labor	227,033	-	-	-	-	227,033
94200	Ordinary maintenance and operations - materials & other	15,035	2,695	-	14,375	-	32,105
94300	Ordinary maintenance and operations - contract costs	102,480	3,370	-	154,299	-	260,149
94500	Employee benefit contributions- ordinary maintenance	155,110	-	-	-	-	155,110
	Total ordinary maintenance & operation	499,658	6,065	-	168,674	-	674,397
	Protective services						-
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services- other contract costs	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-
95500	Employee benefit contributions- protective services	-	-	-	-	-	-
	Total protective services	-	-	-	-	-	-
	General expenses						-
96100	Insurance premiums	-	-	-	-	-	-
96140	All other insurance	48,685	-	-	52,343	-	101,028
96200	Other general expenses	-	-	2,315	-	-	2,315
96210	Compensated absences	21,157	-	2,682	-	-	23,839
96300	Payments in lieu of taxes	23,115	-	-	-	-	23,115
96400	Bad debt - tenant rents	211	-	-	464	-	675
96500	Bad debt- mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96700	Interest expense	37,977	-	-	-	-	37,977
96710	Amortization of bond issue costs	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
	Total general expenses	131,145	-	4,997	52,807	-	188,949
96900	TOTAL OPERATING EXPENSES	1,350,879	75,092	241,060	612,037	(57,888)	2,221,180
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(314,839)	537,530	2,488,075	398,921	(531,588)	2,578,099
97100	Extraordinary maintenance	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	1,849,743	-	(531,588)	1,318,155
97350	HAP Portability - in	-	-	533,890	-	-	533,890
97400	Depreciation expense	335,905	-	-	-	-	335,905
97500	Fraud losses	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	TOTAL EXPENSES	1,686,784	75,092	2,624,693	612,037	(589,476)	4,409,130
	OTHER FINANCING SOURCES (USES)						
10010	Operating transfers in	487,840	-	-	-	(487,840)	-
10020	Operating transfers out	-	(487,840)	-	-	487,840	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-
10091	Inter Project excess cash transfer in	-	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	34,745	(34,745)	-
10094	Transfers between program and project out	(34,745)	-	-	-	34,745	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	453,095	(487,840)	-	34,745	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(197,649)	49,690	104,442	433,666	-	390,149

Housing Authority of the Township of Brick							
NJ065							
Financial Data Schedule (FDS)							
June 30, 2017							
Line Item #	Account Description	Operating	Capital	Housing Choice Vouchers	Business Activities	Elimination	TOTAL
MEMO ACCOUNT INFORMATION:							
11020	Required annual debt principal payments	24,070	-	-	24,070	-	48,140
11030	Beginning equity	5,353,141	-	(14,469)	-	-	5,338,672
11040	Prior period adjustments and equity transfers	(5,155,492)	(49,690)	-	5,205,182	-	-
11170	Administrative fee equity	-	-	16,422	-	-	16,422
11180	Housing assistance payments equity	-	-	844	-	-	844
11190	Unit months available	1,596	-	3,300	-	-	4,896
11210	Number of unit months leased	1,579	-	3,093	-	-	4,672
Equity Roll Forward Test:							
	Calculation from R/E Statement	\$ -		\$ 89,973	\$ 5,638,848	\$ -	\$ 5,728,821
	B/S Line 513	\$ -	\$ -	\$ 89,973	\$ 5,638,848	\$ -	\$ 5,728,821
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

HOUSING AUTHORITY OF THE TOWNSHIP OF BRICK

Synopsis of the Housing Authority of the Township of Brick audit report for the fiscal year ended June 30, 2017 as required by NJSA 40A: 5A-16. The Housing Authority of the Township of Brick primarily administers a Section 8 Housing Choice Voucher Program consisting of approximately 142 units and owns 266 units of public housing in the community.

STATEMENT OF NET POSITION

As of June 30, 2017

Cash and Other Assets	\$ 1,826,433
Restricted Cash	3,451,649
Capital Assets – Net	4,567,540
Deferred Outflows of Resources	<u>460,209</u>
Total Assets and Deferred Outflows of Resources	10,305,831
Less: Total Liabilities and Deferred Inflows of Resources	<u>4,577,010</u>
Net Position	<u>\$ 5,728,821</u>
Net Position:	
Invested in Capital Assets	2,191,610
Restricted	3,122,218
Unrestricted	<u>414,993</u>
Total Net Position	<u>\$ 5,728,821</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION

For the year ended June 30, 2017

Operating Revenues:	
HUD Operating Grants	\$ 3,103,276
Tenant and Other Revenue	<u>1,631,482</u>
Total Operating Revenue	4,058,896
Operating Expenses	<u>4,371,153</u>
Operating Income	<u>363,605</u>
Non-Operating Revenues (Expenses):	
Interest Expense	(37,977)
Interest on Investments	<u>14,831</u>
Gain Before Capital Grants	340,459
Capital Grants	<u>49,690</u>
Change in Net Position	390,149
Total Net Position, Beginning of Year	<u>5,338,672</u>
Total Net Position, End of Year	<u>\$ 5,728,821</u>

The above synopsis was prepared from the audit report of the Housing Authority of the Township of Brick as of and for the year ended June 30, 2017 as submitted by Novogradac & Company, LLP, Certified Public Accountants. It is on file at the Authority's office at 165 Chambers Bridge Road, Brick, NJ 08723 and is available for review by the public during regular office hours.

Jacob Naszimento
Executive Director