

**HOUSING AUTHORITY OF THE  
TOWN OF PHILLIPSBURG  
Phillipsburg, New Jersey**

**FINANCIAL STATEMENTS  
For the Years Ended June 30, 2018 and 2017**

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
Management's Discussion & Analysis	1-5
Independent Auditor's Report	6-7
 <u>FINANCIAL STATEMENTS</u>	
Comparative Statement of Net Position	8
Comparative Statement of Revenues, Expenses, and Changes in Net Position	9
Comparative Statement of Cash Flows	10
 Notes to Financial Statements	 11-23
 <u>SUPPLEMENTAL INFORMATION</u>	
Schedule of Expenditures of Federal Awards	24
Statement & Certification of Completed CFP Grants	25
Financial Data Schedule	26-30
Schedule of Proportionate Share of the Net Pension Liability of the Public Employees Retirement System (PERS)	31
Schedule of Authority Contribution to the Public Employees Retirement System (PERS)	32
Schedule of Changes in the Housing Authority's Total OPEB Liability and Related Ratios	33
 <u>OTHER REPORTS AND COMMENTS</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards	34-35
 Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	 36-37
 Status of Prior Audit Findings	 38
 Schedule of Findings and Questioned Costs	 39-40

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Housing Authority of the Town of Phillipsburg**  
**June 30, 2018**

As Management of 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, 2018. 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 assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$18,849,342 (net position) as opposed to \$20,167,495 for the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$4,553,883.

3 – As of the close of the current fiscal year, the Authority reported ending Restricted Net Position of \$932,044.

4 – The Authority's cash and cash equivalent balance, including tenant security deposits at June 30, 2018 was \$13,244,352 representing an increase of \$943,693 from the prior fiscal year.

5 – The Authority had Total Operating Revenues of \$5,396,416 and Total Operating Expenses of \$5,776,914 (including depreciation of \$863,219) for the year ended June 30, 2018.

6 – The Authority's capital outlays for the fiscal year were \$1,007,616 all of which was funded thorough the Authority's Capital Fund Program

7 – The Authority's Expenditures of Federal Awards amounted to \$3,392,250 for the fiscal year.

**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 the this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

**2 – General Purpose 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 Comparative Statements of Net Position, Comparative Statements of Revenues, Expenses, and Changes in Net Position, and comparative Statements of Cash Flows.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

### **2 – General Purpose Financial Statements - Continued**

The Comparative Statements of Net Position presents information on all the Authority's assets and liabilities, 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 Comparative Statements 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 (e.g.; depreciation and earned but unused vacation leave).

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 8 through 10.

### **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 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Schedule of Expenditures of Federal Awards can be found on page 24 of this report.

## **C – The Authority as a Whole**

The Authority's Net Position decreased by a net amount of \$1,318,153 primarily due to the adoption of GASB 75. The adoption caused the authority to make a one time change to equity of \$2,014,979. 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 of \$5,396,416 were sufficient to cover operating expenses of \$4,913,695, excluding depreciation of \$863,219 during the fiscal year.

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services. The Authority has restricted net position which represents a reserve for replacements being funded through the capital fund program.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

### **D – Budgetary Highlights**

For the year ended June 30, 2018, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

### **E – Capital Assets and Debt Administration**

As of June 30, 2018, the Authority's investment in capital assets for its Proprietary Fund was \$13,363,415 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$1,007,616 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Program. These activities are funded by grants from HUD.

Additional information on the Authority's capital assets can be found in Note 3 to the Financial Statements which is included in this Report.

#### **2 – Long Term Debt**

The Authority does not have any long-term debt at this time.

### **F – Significant Changes From Fiscal Year June 30, 2018 to June 30, 2017**

Cash increased by \$943,693 for the year ended June 30, 2018. Total revenues of \$5,396,416 exceeded expenses of \$5,776,914 (including depreciation of \$863,219) for the year ended June 30, 2018.

Non-Current Liabilities other increased by \$722,307. The pension liability decreased by \$950,681 and the Postemployment Benefits Other than Pensions liability increased by \$1,661,340 as a result of an adjustment for GASB 68 Accounting and Reporting for Pensions in accordance with the NJ State report. Also, the long term portion of accrued compensated absences increased by \$11,538.

Tenant Rental Revenues decreased by \$78,747. For the year ended June 30, 2018 the unit months leased was 6,825 as opposed to 6,860 in 2017. The average rent per unit is approximately \$380 for the year ended June 30, 2018 as opposed to \$365 in 2017.

Maintenance expenses went up by approximately \$230,000. This is due to maintenance labor increasing by \$135,142, an increase in employee benefits of \$34,361 and an increase in contracts costs of \$53,866.

Capital Grants increased by \$827,637. Capital Fund grants will vary from year to year depending on the timing of the housing authority's expenditures, related draw downs and the projects undertaken during the fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

**G – 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, 2019.

1 – The state of the economy, particularly the economic recession and current world affairs.

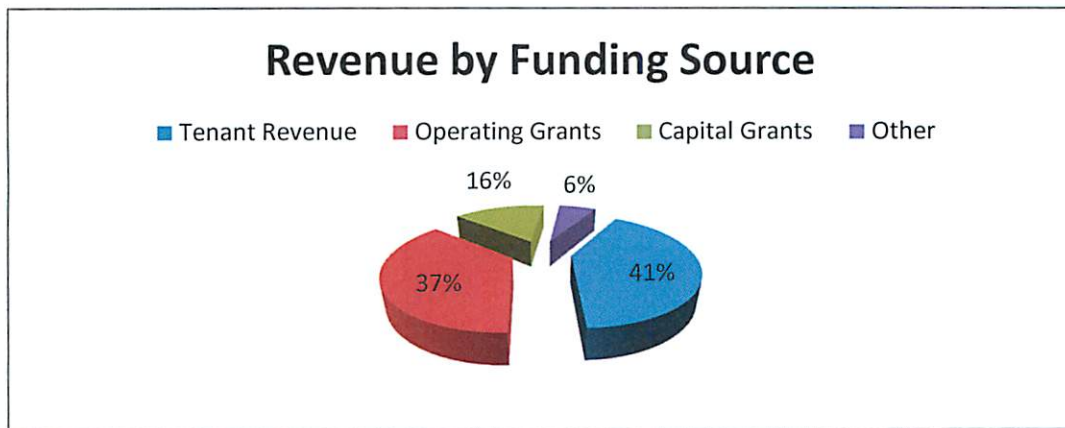
2 – The use of the Authority's Unrestricted Net Position to fund any shortfalls rising from a possible economic downturn and reduced subsidies and grants. The Authority's Unrestricted Net Position appears sufficient to cover any shortfall.

**H – Contacting the Authority's Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the Town of Phillipsburg, 530 Heckman Street, Phillipsburg, NJ 08865 or call (908) 859-0122.

**MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED**

	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
Cash	\$ 13,244,352	\$ 12,300,659	\$ 943,693
Current Assets	220,830	200,941	19,889
Capital Assets	13,363,415	13,219,018	144,397
Deferred Outflow of Resources	<u>1,192,546</u>	<u>1,826,040</u>	<u>(633,494)</u>
Total Assets	<u>28,021,143</u>	<u>27,546,658</u>	<u>474,485</u>
Current Liabilities	486,669	528,582	(41,913)
Noncurrent Liabilities	<u>7,291,041</u>	<u>6,568,734</u>	<u>722,307</u>
Total Liabilities	<u>7,777,710</u>	<u>7,097,316</u>	<u>680,394</u>
Deferred Inflows of Resources	<u>1,394,091</u>	<u>281,847</u>	<u>1,112,244</u>
Net Assets in Capital Assets	13,363,415	13,219,018	144,397
Restricted	932,044	926,552	5,492
Unrestricted	<u>4,553,883</u>	<u>6,021,925</u>	<u>(1,468,042)</u>
Total Liabilities and Net Position	<u>\$ 28,021,143</u>	<u>\$ 27,546,658</u>	<u>\$ (1,318,153)</u>



The following table summarizes the changes in Operating Income between fiscal years 2018 and 2017 for the Authority as a whole:

	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
Tenant Rental Revenue	\$ 2,667,978	\$ 2,746,725	\$ (78,747)
HUD Operating Grants	2,384,634	2,460,113	(75,479)
Other Revenue	<u>343,804</u>	<u>309,537</u>	<u>34,267</u>
Total Operating Revenue	5,396,416	5,516,375	(119,959)
<b>Operating Expenses:</b>			
Administrative	1,425,586	1,495,144	(69,558)
Tenant Services	34,850	88,284	(53,434)
Utilities	1,199,250	1,202,800	(3,550)
Maintenance	1,730,506	1,500,880	229,626
General Expenses	523,503	505,804	17,699
Depreciation	<u>863,219</u>	<u>863,219</u>	<u>-</u>
Total Operating Expenses	5,776,914	5,656,131	120,783
Operating Revenue	(380,498)	(139,756)	(240,742)
Interest Income	69,708	52,770	16,938
Capital Grants	<u>1,007,616</u>	<u>179,979</u>	<u>827,637</u>
Net Income/(Loss)	<u>\$ 696,826</u>	<u>\$ 92,993</u>	<u>\$ 603,833</u>



**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT**

**2035 HAMBURG TURNPIKE, UNIT H**

**WAYNE, NEW JERSEY 07470**

**TELEPHONE: (973) 831-6969**

**FAX: (973) 831-6972**

**E-MAIL: POLCARICO@OPTONLINE.NET**

Board of Commissioners  
Housing Authority of the Town of Phillipsburg  
Phillipsburg, New Jersey

**Report on the Financial Statements**

We have audited the accompanying Statements of Net Position of the Housing Authority of the Town of Phillipsburg, herein referred to as the Authority, as of June 30, 2018 and 2017 and the related Statements of Revenue, Expenses and Changes in Net Position and Cash Flows for the year then and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Phillipsburg, as of June 30, 2018 and 2017, and the changes in net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

During the fiscal year, the Authority adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additional information can be found in Note 2 to these financial statements. Our opinion is not modified with respect to the matter of emphasis.



## INDEPENDENT AUDITOR'S REPORT

(Continued)

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Schedules of Proportionate Share of Net Pension Liability and Authority Contributions to PERS on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the Town of Phillipsburg. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The Statement and Certification of Completed Modernization Grants is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedule, schedule of expenditures of federal awards for the years ended June 30, 2018 and 2017 are the responsibility of management and were derived from and directly relate 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the 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 March 22, 2019 on our consideration of the Housing Authority of the Town of Phillipsburg'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.

  
POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
March 22, 2019

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
Phillipsburg, New Jersey  
COMPARATIVE STATEMENT OF NET POSITION  
At June 30, 2018 and 2017

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 12,247,778	\$ 11,309,575
Cash - Restricted	932,044	926,552
Cash - Tenant Security Deposits	64,530	64,532
Accounts Receivable - Tenants (Net of Allowance of \$59,725 & \$13,973)	73,023	61,102
Accounts Receivable- HUD	30,319	17,425
Prepaid Expenses	117,488	122,414
Total Current Assets	13,465,182	12,501,600
<u>FIXED ASSETS</u>		
Land	1,594,339	1,594,339
Buildings	20,578,190	20,578,190
Furniture, Equipment and Machinery - Dwelling	1,400,834	1,400,834
Furniture, Equipment and Machinery - Administration	822,392	822,392
Leasehold Improvements	1,320,759	1,320,759
Construction in Process	1,682,808	675,192
Total Fixed Assets	27,399,322	26,391,706
Less: Accumulated Depreciation	(14,035,907)	(13,172,688)
Net Fixed Assets	13,363,415	13,219,018
Deferred Outflow of Resources	1,192,546	1,826,040
Total Assets and Deferred Outflow of Resources	\$ 28,021,143	\$ 27,546,658
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 47,234	\$ 53,127
Wages & Payroll taxes Payable	70,717	63,443
Due to Tenants:		
Security Deposits	64,173	64,532
Accrued Liabilities:		
Compensated Absences	29,774	28,493
Payment in Lieu of Taxes	135,346	154,393
Other	106,044	111,702
Deferred Revenues:		
Tenant Prepaid Rents	33,381	52,892
Total Current Liabilities	486,669	528,582
<u>LONG TERM LIABILITIES</u>		
Compensated Absences	267,970	256,432
OPEB Liability & Pension	7,023,071	6,312,302
Total Long Term Liabilities	7,291,041	6,568,734
Total Liabilities	7,777,710	7,097,316
Deferred Inflows of Resources	1,394,091	281,847
<u>NET POSITION</u>		
Net Investment in Capital Assets	13,363,415	13,219,018
Restricted	932,044	926,552
Unrestricted	4,553,883	6,021,925
Total Net Position	\$ 18,849,342	\$ 20,167,495

See Notes to Financial Statements

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
Phillipsburg, New Jersey  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>REVENUES</u>		
Dwelling Rentals	\$ 2,667,978	\$ 2,746,725
HUD Operating Grants	2,384,634	2,460,113
Other Income	<u>343,804</u>	<u>309,537</u>
Total Revenues	<u>5,396,416</u>	<u>5,516,375</u>
<u>EXPENSES</u>		
Administration	1,425,586	1,495,144
Tenant Services	34,850	88,284
Utilities	1,199,250	1,202,800
Ordinary Maintenance & Operations	1,730,506	1,500,880
General Expense	523,503	505,804
Depreciation Expense	<u>863,219</u>	<u>863,219</u>
Total Operating Expenses	<u>5,776,914</u>	<u>5,656,131</u>
Operating Income/(Loss)	(380,498)	(139,756)
Non Operating Revenues/(Expenses):		
Interest Income	<u>69,708</u>	<u>52,770</u>
Net Operating Income/(Loss) Before Contributions and Transfers	(310,790)	(86,986)
Capital Grants	<u>1,007,616</u>	<u>179,979</u>
Net Income	696,826	92,993
Beginning Net Position	<u>20,167,495</u>	<u>20,074,502</u>
Prior Period Adjustments	<u>(2,014,979)</u>	<u>-</u>
Ending Net Position	<u>\$ 18,849,342</u>	<u>\$ 20,167,495</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
Phillipsburg, New Jersey  
COMPARATIVE STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Income	\$ 2,636,546	\$ 2,752,920
From Government Agencies for Operating Grants	2,371,740	2,442,993
From Other Operating Revenues	343,804	309,537
Cash Paid		
To Employees for Operations	(1,357,045)	(1,349,416)
To Suppliers for Operations	(3,120,701)	(3,037,499)
Net Cash Provided/ (Used) by Operating Activities	874,344	1,118,535
<u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	1,007,616	179,979
Construction in Process	(1,007,616)	(179,979)
Net Cash Provided/ (Used) by Capital & Related Financing Activities	-	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash Received (Paid for Security Deposits)	(359)	(1,892)
Investment Income	69,708	52,770
Net Cash Provided/ (Used) by Investing Activities	69,349	50,878
Net Increase (Decrease) in Cash & Cash Equivalents	943,693	1,169,413
Cash & Equivalents at Beginning of Period	12,300,659	11,131,246
Cash & Equivalents at End of Period	\$ 13,244,352	\$ 12,300,659
 <u>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) IN OPERATIONS</u>		
Operating Income/(Loss)	\$ (380,498)	\$ (139,756)
Adjustments to reconcile Operating Income/(Loss) to net Cash Provided/(Used) in Operating Activities:		
Depreciation	863,219	863,219
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants	(11,921)	1,735
Accounts Receivable - HUD	(12,894)	(17,120)
Prepaid Expenses	4,926	(792)
Deferred Outflow of Resources	633,494	(1,141,424)
Increase/(Decrease) in Liabilities		
Accounts Payable	(5,893)	31,403
Accrued Wages & Payroll Taxes Payable	7,274	14,903
Accrued Liabilities - Other	(5,658)	27,316
PILOT Payable	(19,047)	(10,368)
OPEB Liability	(1,304,210)	1,623,986
Compensated Absences	12,819	2,962
Deferred Inflow of Resources	1,112,244	(141,989)
Deferred Revenues	(19,511)	4,460
Net Cash Provided/ (Used) to Operating Activities	\$ 874,344	\$ 1,118,535

See Notes to Financial Statements

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies:**

**A. Organization** – The Housing Authority of the Town of Phillipsburg (The Authority) is a governmental, public corporation created under the laws of the state of New Jersey to provide housing for qualified individuals in accordance with rules and regulations prescribed by the United States Department of Housing and Urban Development. The Authority is governed by a board of Commissioners which is essentially autonomous but is responsible to the N.J. 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 is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the Town of Phillipsburg. Operating and modernization subsidies are provided to the Authority by the federal government.

**B. Activities** – The combined financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any Governmental "reporting entity" since its board members, while they are appointed primarily by the mayor, have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.

**C. Significant Accounting Policies**

**a. Basis of Accounting** – The accrual basis of accounting is used for measuring financial position and operating results of Proprietary Fund Types. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Proprietary Fund revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Thus, for example, proprietary funds recognized revenue in the period in which a service is provided, regardless of how long after the end of the period the revenue is expected to be collected.

Using the accrual basis of accounting is consistent with the proprietary fund focus on measuring all the costs of providing goods or services for the period and matching those costs with the revenues earned during the period by providing the goods or services.

**b. Report Presentation** – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority also implemented GASB Statement No. 61 "Financial Reporting of Deferred Outflows of Resources, deferred Inflows of Resources and Net Position." This Statement requires the classification of net assets into three components - Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. These classifications are defined as follows:

**Net Investment in Capital Assets** – This component consists of land, construction in progress and depreciable assets, net of accumulated depreciation and net of the related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of Invested in Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018  
(Continued)

**NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies (Continued):**

Restricted Net Position – This component includes net assets subject to restrictions placed on net asset use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by the law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net assets that do not meet the definition of Restricted Net Position or Invested in Net Investment in Capital Assets.

The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 and 61 have no significant effect on the basic financial statements, except for the classification of net assets in accordance with Statement No. 61.

Significant Accounting Policies are as follows:

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash, certificates of deposit, and other investments with original maturities of less than three months from the date of purchase.

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

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

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

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

5 – The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

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

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

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

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower of cost or market.

10 - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

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

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018  
(Continued)

**Significant Accounting Policies - Continued**

12 – The Authority does not have any infrastructure assets for its Proprietary Fund.

13 – Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which the transactions are executed.

**c. Accounting for Impairment or Disposal of Long Lived Assets**

The Authority reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. As of June 30, 2018 and 2017, the Authority had not recognized any impairment loss.

**d. New Accounting Pronouncements**

During the current fiscal year, the Authority was required to adopt GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which requires employers to recognize and measure their proportionate share of the total net OPEB liability and total OPEB expenses. GASB 75 replaces the requirements of Statement No. 45. Additional information regarding the adoption of GASB 75 can be found in Note 13 to these financial statements

**NOTE 2 – Cash and Cash Equivalents**

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Depository Protection Act of the State of New Jersey, which requires the institution to purchase securities as collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority’s name. Additionally, the Authority maintains depository agreements with its financial institutions in accordance with HUD’s policy.

HUD’s Financial Management Handbook (Number 7475.1) authorizes public housing authorities to invest in US obligations, US agencies, money market funds limited to US obligations, certificates of deposit, savings accounts, and repurchase agreements fully collateralized by US obligations (with certain restrictions).

Cash and Cash Equivalents of \$13,244,352 at June 30, 2018 and \$12,300,659 at June 30, 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Checking Accounts; Interest Bearing	\$ 12,247,228	\$ 11,309,025
Restricted Cash	932,044	926,552
Tenant Security Deposits	64,530	64,532
Petty Cash	550	550
	<u>\$ 13,244,352</u>	<u>\$ 12,300,659</u>

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018  
(Continued)

**NOTE 2 – Cash and Cash Equivalents - Continued**

The carrying amount of the Authority's cash and cash equivalents on deposit as of June 30, 2018 was \$13,244,352 and the bank balances were \$13,308,978. Of the bank balances, \$500,000 was covered by FDIC insurance and \$12,808,978 was covered by a collateral pool maintained by the banks as required by New Jersey statutes. Cash equivalents, except petty cash are held in the Authority's name. The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above, \$12,808,978 of the authority's deposits exceeded FDIC insurance and were covered under New Jersey's Governmental Unit Deposit Protection Act (GUDPA) which collateralizes securities held by the pledging institutions trust department but are not in the Authority's name. In addition to the collateral pool, the Authority's cash and investments are collateralized directly by Team Capital for funds held in excess of the FDIC requirements

**NOTE 3 - Fixed Assets**

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost less accumulated depreciation. The following is a summary of the changes in fixed assets for the year ended June 30, 2018 and 2017.

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Other</u>	<u>June 30, 2018</u>
Land	\$ 1,594,339	\$ -	\$ -	\$ -	\$ 1,594,339
Buildings & Improvements	20,578,190	-	-	-	20,578,190
Furniture & Equipment - Dwelling	1,400,834	-	-	-	1,400,834
Furniture & Equipment - Admin	822,392	-	-	-	822,392
Leashold Improvements	1,320,759	-	-	-	1,320,759
Construction in Progress	675,192	1,007,616	-	-	1,682,808
<b>Total Fixed Assets</b>	<u>26,391,706</u>	<u>1,007,616</u>	<u>-</u>	<u>-</u>	<u>27,399,322</u>
Accumulated Depreciation	<u>(13,172,688)</u>	<u>(863,219)</u>	<u>-</u>	<u>-</u>	<u>(14,035,907)</u>
<b>Net Fixed Assets</b>	<u>\$ 13,219,018</u>	<u>\$ 144,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,363,415</u>
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Other</u>	<u>June 30, 2017</u>
Land	\$ 1,594,339	\$ -	\$ -	\$ -	\$ 1,594,339
Buildings & Improvements	19,452,887	-	-	1,125,303	20,578,190
Furniture & Equipment - Dwelling	1,239,574	-	-	161,260	1,400,834
Furniture & Equipment - Admin	643,444	-	-	178,948	822,392
Leashold Improvements	1,320,759	-	-	-	1,320,759
Construction in Progress	1,960,724	179,979	-	(1,465,511)	675,192
<b>Total Fixed Assets</b>	<u>26,211,727</u>	<u>179,979</u>	<u>-</u>	<u>-</u>	<u>26,391,706</u>
Accumulated Depreciation	<u>(12,309,469)</u>	<u>(863,219)</u>	<u>-</u>	<u>-</u>	<u>(13,172,688)</u>
<b>Net Fixed Assets</b>	<u>\$ 13,902,258</u>	<u>\$ (683,240)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,219,018</u>

The Authority recorded depreciation expense for the fiscal years ended June 30, 2018 and 2017 in the amount of \$863,219 and \$863,218 respectively.



HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018  
(Continued)

**NOTE 3 - Fixed Assets (Continued)**

Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

	<u>Years</u>
Buildings	40
Components	20
Site Improvements	15
Furniture	5
Equipment	5
Vehicles	5
Computers	3

**NOTE 4 – Payment in Lieu of Taxes (PILOT)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Town of Phillipsburg. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended June 30, 2018 and June 30, 2017, Accrued PILOT Payable was \$135,346 and \$154,393 respectively.

**NOTE 5– Accrued Compensated Absences**

Accrued compensated absences of \$297,744 at June 30, 2018 and \$284,925 at June 30, 2017 represents amounts to which employees are entitled to, 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. Employees may be compensated for sick leave at retirement in accordance with New Jersey Administrative Code Title 4A, Personnel Chapter 1-End. The current portion was \$29,774 at June 30, 2018 and \$28,493 at June 30, 2017.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018  
(Continued)

**NOTE 6 – Pension Plan**

**General Information about the Pension Plan**

Plan Description. The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at [www.state.nj.us/terasury/pensions/annrpts.shtml](http://www.state.nj.us/terasury/pensions/annrpts.shtml).

Benefits Provided - 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:

Tier 1 – Members who were enrolled by July 1, 2007.

Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.

Tier 3 – Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.

Tier 4 – Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.

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

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

*Contributions* - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by state of New Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. The employee rate was increased from 6.5% to 7.0% of base salary effective July 1, 2012 plus an additional 1% phased in over 7 years beginning in fiscal year 2013. The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The actuarially determined contribution includes funding for cost of living adjustments and a noncontributory death benefit. The employer contribution rate was 6.92% - 7.06% and 6.78% - 6.92% in fiscal years 2016 and 2015, respectively. Chapter 9, 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 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018  
(Continued)

**NOTE 6 – Pension Plan (Continued)**

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

At June 30, 2018 and June 30, 2017, the Authority reported \$3,898,683 and \$5,635,847, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2017 and June 30, 2016 were .0167480% and 0.01903%, respectively.

For the year ended June 30, 2018, the Authority recognized pension expense of \$150,621. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018 Deferred Outflows of Resources	2018 Deferred Inflows of Resources	2017 Deferred Outflows of Resources	2017 Deferred Inflows of Resources
Changes of assumptions	\$ 785,450	\$ 782,571	\$1,167,446	\$ -
Differences between expected and actual experience	91,801	-	104,810	-
Net differences between projected and actual earnings on plan investments	26,547	-	214,900	-
Changes in proportion	132,550	611,520	169,679	281,946
Subtotal	<u>\$ 1,036,348</u>	<u>\$ 1,394,091</u>	<u>\$1,656,835</u>	<u>\$ 281,946</u>
Authority's contributions subsequent to the measurement date	156,198	-	169,205	-
Total	<u>\$ 1,192,546</u>	<u>\$ 1,394,091</u>	<u>\$1,826,040</u>	<u>\$ 281,946</u>

\$156,198 reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date and \$1,394,091 reported as deferred inflows related to the housing authority's change in proportion will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 1,055,437
2019	1,592,680
2020	965,083
2021	(1,283,563)
2022	(935,546)
Total	<u>\$ 1,394,092</u>

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018  
 (Continued)

**NOTE 6 – Pension Plan (Continued)**

*Actuarial Assumptions* - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial evaluation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial evaluation as of July 1, 2017. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

Salary increases	
through 2026	1.65%-4.15%
	based on age
Thereafter	2.65% - 5.15%
	based on age
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2013 based on projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer after consultation with the Director of 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 included in the PERS's target allocation as of June 30, 2017 are summarized in the following table:

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018  
(Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate;

	At 1% decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
2017	\$ 4,836,561	\$ 3,898,667	\$ 3,117,285
2016	\$ 5,016,440	\$ 4,036,150	\$ 3,214,281

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018  
(Continued)

**NOTE 7 – Risk Management**

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the year ended June 30, 2018, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

**NOTE 8 – Construction Commitments**

At June 30, 2018 and June 30, 2017, the Authority's outstanding construction commitments pertaining to its capital fund were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

**NOTE 9 – Economic Dependency**

For the year ended June 30, 2018 and June 30, 2017, a substantial portion of the Authority's revenues were received from the U.S. Dept. of Housing & Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

**NOTE 10 - Restricted Net Position**

At June 30, 2018, the Authority had \$932,044 classified as restricted net position. This amount consists of funds received under the Authority's Capital Fund Program. These funds were drawn down under the reserve for replacement line item and must be used for capital improvements to the Authority's public housing units.

**NOTE 11 – Board Designated Funds**

The Authority's Board has designated \$336,021 in Unrestricted Net Position to be used to fund the future costs of retiree health insurance.

**Note 12 – Other Revenue**

During the fiscal year ended June 30, 2014, the Authority entered into two 15 year contracts with both Sprint Spectrum L.P and New Cingular Wireless PCS, LLC for rooftop rental space for the purpose of installing two cellular towers on the roof of Heckman House. Both contracts include two automatic five year renewals. Additionally, in August of 1999 the Authority entered into a five year contract with four additional terms of five years with sprint Spectrum L.P. for rooftop rental space at Andover House. Total revenues derived from all contracts during the fiscal year approximated \$196,457.

Additional other income consists of maintenance charges to tenants and revenues from coin operated laundry facilities.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 13 – Other Post Employee Retirement Benefits (OPEB)**

**PLAN DESCRIPTION**

The Authority administers a single-employer defined benefit postemployment health care benefit plan. Coverage under the plan is available to employee spouses and benefits may continue to surviving spouses.

**BENEFITS PROVIDED**

Vested employees are eligible for postemployment medical care benefits, including prescription drug benefits, as part of the plan. Benefits are insured through the state of New Jersey State health Benefits Program. Retirees make no contributions. The housing authority eliminated retiree benefits for all current and future retirees retiring after 2013.

**EMPLOYEES COVERED UNDER THE PLAN**

At July 1, 2017, the census date in the most recent plan valuation report, the following employees were covered under the plan:

Inactive Employees or Beneficiaries Receiving Benefits	6
Active employees	<u>0</u>
Total Employees included in Plan	<u>6</u>

**PLAN ASSETS**

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

**TOTAL OPEB LIABILITY**

The Authority's total other postemployment benefit ("OPEB") liability of \$3,124,389 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2018 actuarial evaluation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.70%
Healthcare Cost Trend Rates	8.0% beginning in 2019, decreasing 0.5% per year until an ultimate trend rate of 5.0% for 2025 and later years
Retiree's Share of Benefit-Related Cost	Retirees make no contributions for benefit costs.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018  
(Continued)

**NOTE 13 – Other Post Employee Retirement Benefits (OPEB) ( Continued)**

The discount rate is based on the prescribed discount interest rate methodology under GASB 74/75 based on average of three 20-year indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of March 28, 2018.

Mortality rates are based on the RP 2014 Combined Healthy Table for both pre & post retirement; projected with mortality improvements using Projection Scale AA for 2.5 years, plus 7 years generational improvement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

Changes in the Total OPEB Liability are as follows:

<b>Balance at 6/30/2017</b>	<b>\$ 2,691,433</b>
Changes for the Year	
Service Cost	-
Interest	96,738
Changes in Benefit Terms	-
Changes in Expected to Actual Experience	-
Changes in Assumptions or Other Inputs	490,024
Benefit Payments	<u>(153,806)</u>
Net Changes	<u>432,956</u>
<b>Balance at 6/30/19</b>	<b><u>\$ 3,124,389</u></b>

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the Authority as of June 30, 2018, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.7%) or 1 percentage point higher (4.7%) than the current discount rate:

	1% Decrease <u>2.70%</u>	Discount Rate <u>3.70%</u>	1% Increase <u>4.70%</u>
Total OPEB Liability	\$ 3,537,458	\$ 3,124,389	\$ 2,789,220



**NOTE 13 – Postemployment Benefits Other than Pensions (OPEB) (Continued)**

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the Authority as of June 30, 2018, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (8.0% decreasing to 4.0%) or 1 percentage point higher (10.0% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% Decrease (9.0% decreasing to 6.0%)
Total OPEB Liability	\$ 2,765,481	\$ 3,124,389	\$ 3,586,571

**OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$432,956. At June 30, 2018, the Authority did not report deferred outflows of resources or deferred inflows of resources related to OPEB.

**NOTE 14 - Subsequent Events**

Events that occur after the balance sheet 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 balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through March 22, 2019, the date on which the financial statements were available to be issued and concluded that one subsequent event has occurred that would require recognition in the disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
Phillipsburg, New Jersey

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2018

	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Operating Subsidy (CFDA#14.850)	\$ -	\$ 1,964,172	\$ 1,964,172	\$ -
Resident Opportunity and Supportive Services (CFDA#14.870)		47,750	47,750	
<u>CAPITAL FUND CLUSTER</u>				
Capital Fund Program (CFDA#14.872)	-	1,380,328	1,380,328	-
Total Capital Fund Cluster	-	1,380,328	1,380,328	-
 TOTAL FEDERAL FINANCIAL ASSISTANCE	 \$ -	 \$ 3,392,250	 \$ 3,392,250	 \$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
2. There were no subrecipient activities during the audit period.
3. The Authority has elected not to use the 10% de minimis cost rate.
4. The Authority received no non-cash assistance.
5. The Authority did not have any HUD issued mortgages or loans.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
Phillipsburg, New Jersey  
STATEMENT AND CERTIFICATION OF COMPLETED CAPITAL FUND PROGRAM GRANTS  
For the Year Ended June 30, 2018

	<u>NJ39P024501-13</u>	<u>NJ39P024501-14</u>	<u>Total</u>
Funds Approved	\$ 955,705	\$ 1,073,895	\$ 2,029,600
Funds Expended	<u>955,705</u>	<u>1,073,895</u>	<u>2,029,600</u>
Excess/(Deficiency) Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
			-
Funds Advanced	\$ 955,705	\$ 1,073,895	\$ 2,029,600
Funds Expended	<u>955,705</u>	<u>1,073,895</u>	<u>2,029,600</u>
Excess/(Deficiency) of Advances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS

1. The distribution of cost by project and account classification accompanying the Financial Status Reports and Actual Modernization Cost Certificate submitted to HUD for approval were in agreement with the Authority's records.

2. All modernization costs have been paid and all related liabilities have been discharged through payment.

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ  
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2018

111	Cash - Unrestricted	\$11,872,385	\$575,383	\$12,247,778	\$12,247,778				
112	Cash - Restricted - Modernization and Development								
113	Cash - Other Restricted	\$932,044		\$932,044	\$932,044				
114	Cash - Tenant Security Deposits	\$64,530		\$64,530	\$64,530				
115	Cash - Restricted for Payment of Current Liabilities	\$12,668,969	\$575,383	\$13,244,352	\$13,244,352				
100	Total Cash	\$12,668,969	\$575,383	\$13,244,352	\$13,244,352				
121	Accounts Receivable - PHA Projects								
122	Accounts Receivable - HUD Other Projects	\$1,319		\$1,319	\$1,319				
124	Accounts Receivable - Other Government		\$29,000	\$29,000	\$29,000				
125	Accounts Receivable - Miscellaneous								
128	Accounts Receivable - Tenants	\$132,748		\$132,748	\$132,748				
128.1	Allowance for Doubtful Accounts - Tenants	-\$59,725		-\$59,725	-\$59,725				
128.2	Allowance for Doubtful Accounts - Other	\$0		\$0	\$0				
127	Notes, Loans, & Mortgages Receivable - Current								
128	Fraud Recovery								
128.1	Allowance for Doubtful Accounts - Fraud								
129	Accrued Interest Receivable								
120	Total Receivables, Net of Allowances for Doubtful Accounts	\$74,342	\$29,000	\$103,342	\$103,342				
131	Investments - Unrestricted								
132	Investments - Restricted								
135	Investments - Restricted for Payment of Current Liability								
142	Prepaid Expenses and Other Assets	\$103,012	\$14,476	\$117,488	\$117,488				
143	Inventories								
143.1	Allowance for Obsolete Inventories								
144	Inter Program Due From								
145	Assets Held for Sale								
150	Total Current Assets	\$12,846,323	\$918,859	\$13,465,182	\$13,465,182				
181	Land	\$1,594,339		\$1,594,339	\$1,594,339				
182	Buildings	\$20,578,180		\$20,578,180	\$20,578,180				
183	Furniture, Equipment & Machinery - Dwellings	\$1,400,834		\$1,400,834	\$1,400,834				
184	Furniture, Equipment & Machinery - Administration	\$783,550		\$783,550	\$783,550				
185	Leasehold Improvements	\$1,320,759		\$1,320,759	\$1,320,759				
186	Accumulated Depreciation	-\$13,999,833	-\$38,074	-\$14,035,907	-\$14,035,907				
187	Construction in Progress	\$1,682,808		\$1,682,808	\$1,682,808				
188	Infrastructure								
180	Total Capital Assets, Net of Accumulated Depreciation	\$13,360,847	\$2,788	\$13,363,415	\$13,363,415				
171	Notes, Loans and Mortgages Receivable - Non-Current								
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173	Grants Receivable - Non Current								
174	Other Assets								
176	Investments in Joint Ventures								
180	Total Non-Current Assets	\$13,360,847	\$2,788	\$13,363,415	\$13,363,415				
200	Deferred Outflow of Resources	\$917,435	\$275,111	\$1,192,546	\$1,192,546				
280	Total Assets and Deferred Outflow of Resources	\$27,124,405	\$896,738	\$28,021,143	\$28,021,143				
311	Bank Overdraft								
312	Accounts Payable <= 90 Days	\$38,310	\$8,824	\$47,234	\$47,234				
313	Accounts Payable > 90 Days Past Due								
321	Accrued Wages/Payroll Taxes Payable	\$56,350	\$14,387	\$70,737	\$70,737				
322	Accrued Compensated Absences - Current Portion	\$18,653	\$13,121	\$29,774	\$29,774				
324	Accrued Contingency Liability								
325	Accrued Interest Payable								
331	Accounts Payable - HUD PHA Programs								
332	Account Payable - PHA Projects								
333	Accounts Payable - Other Government	\$135,348		\$135,348	\$135,348				
341	Tenant Security Deposits	\$64,173		\$64,173	\$64,173				
Project Total		\$11,872,385	\$575,383	\$12,247,778	\$12,247,778				
14,870 Resident Opportunity and Supportive Services									
COCC									
Subtotal									
ELIM									
Total									

Phillipsburg Housing Authority (NJ024)  
PHILLIPSBURG, NJ  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
342 Unearned Revenue	\$33,381			\$33,381		\$33,381
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$108,044			\$108,044		\$108,044
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$450,257	\$0	\$38,412	\$488,669		\$488,669
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current	\$149,883		\$118,087	\$267,970		\$267,970
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$5,487,109		\$1,555,962	\$7,023,071		\$7,023,071
350 Total Non-Current Liabilities	\$5,616,992	\$0	\$1,674,049	\$7,291,041		\$7,291,041
300 Total Liabilities	\$8,067,249	\$0	\$1,710,461	\$7,777,710		\$7,777,710
400 Deferred Inflow of Resources	\$989,563		\$424,528	\$1,394,091		\$1,394,091
508.4 Net Investment in Capital Assets	\$13,360,647		\$2,768	\$13,363,415		\$13,363,415
511.4 Restricted Net Position	\$932,044			\$932,044		\$932,044
512.4 Unrestricted Net Position	\$5,794,902	\$0	-\$1,241,019	\$4,553,883		\$4,553,883
513 Total Equity - Net Assets / Position	\$20,087,593	\$0	-\$1,238,251	\$18,849,342		\$18,849,342
900 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$27,124,405	\$0	\$896,738	\$28,021,143		\$28,021,143

Phillipsburg Housing Authority (NJ024)  
PHILLIPSBURG, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	14,870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,588,888			\$2,588,888		\$2,588,888
70400 Tenant Revenue - Other	\$79,110			\$79,110		\$79,110
70500 Total Tenant Revenue	\$2,667,978	\$0	\$0	\$2,667,978	\$0	\$2,667,978
70600 HUD PHA Operating Grants	\$2,338,884	\$47,750		\$2,384,634		\$2,384,634
70610 Capital Grants	\$1,007,616			\$1,007,616		\$1,007,616
70710 Management Fee			\$671,683	\$671,683	-\$642,683	\$29,000
70720 Asset Management Fee			\$69,360	\$69,360	-\$69,360	\$0
70730 Book Keeping Fee			\$51,188	\$51,188	-\$51,188	\$0
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue			\$792,231	\$792,231	-\$763,231	\$29,000
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$61,086		\$3,130	\$64,216		\$64,216
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue	\$314,804			\$314,804		\$314,804
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted	\$5,492			\$5,492		\$5,492
70000 Total Revenue	\$8,393,880	\$47,750	\$795,361	\$7,236,971	-\$763,231	\$6,473,740
91100 Administrative Salaries	\$341,195		\$295,457	\$636,652		\$636,652
91200 Auditing Fees	\$5,000		\$2,500	\$7,500		\$7,500
91300 Management Fee	\$629,783	\$12,900		\$642,683	-\$642,683	\$0
91310 Book-keeping Fee	\$51,188			\$51,188	-\$51,188	\$0
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$279,200		\$197,708	\$476,908		\$476,908
91600 Office Expenses	\$57,402		\$128,843	\$186,245		\$186,245
91700 Legal Expense	\$76,558		\$25,312	\$101,870		\$101,870
91800 Travel	\$5,799		\$10,612	\$16,411		\$16,411
91810 Allocated Overhead						
91900 Other						
91000 Total Operating - Administrative	\$1,448,125	\$12,900	\$660,432	\$2,119,457	-\$693,671	\$1,425,586
92000 Asset Management Fee	\$69,360			\$69,360	-\$69,360	\$0
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other		\$34,850		\$34,850		\$34,850
92500 Total Tenant Services	\$0	\$34,850	\$0	\$34,850	\$0	\$34,850
93100 Water	\$266,248			\$266,248		\$266,248
93200 Electricity	\$472,766			\$472,766		\$472,766
93300 Gas	\$308,596			\$308,596		\$308,596
93400 Fuel						
93500 Labor						
93600 Sewer	\$151,640			\$151,640		\$151,640
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$1,199,250	\$0	\$0	\$1,199,250	\$0	\$1,199,250
94100 Ordinary Maintenance and Operations - Labor	\$683,627			\$683,627		\$683,627
94200 Ordinary Maintenance and Operations - Materials and Other	\$93,685			\$93,685		\$93,685
94300 Ordinary Maintenance and Operations Contracts	\$244,528		\$19,146	\$263,674		\$263,674
94500 Employee Benefit Contributions - Ordinary Maintenance	\$709,520			\$709,520		\$709,520
94000 Total Maintenance	\$1,711,380	\$0	\$19,146	\$1,730,506	\$0	\$1,730,506
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						

Phillipsburg Housing Authority (NJ024)  
**PHILLIPSBURG, NJ**  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	14,870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$105,172			\$105,172		\$105,172
96120 Liability Insurance	\$52,586			\$52,586		\$52,586
96130 Workmen's Compensation	\$52,587		\$29,560	\$82,147		\$82,147
96140 All Other Insurance						
96100 Total Insurance Premiums	\$210,345	\$0	\$29,560	\$239,905	\$0	\$239,905
96200 Other General Expenses	\$387			\$387		\$387
96210 Compensated Absences	\$5,932		\$6,501	\$12,433		\$12,433
96300 Payments in Lieu of Taxes	\$135,346			\$135,346		\$135,346
96400 Bad debt - Tenant Rents	\$135,432			\$135,432		\$135,432
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$277,097	\$0	\$6,501	\$283,598	\$0	\$283,598
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$4,913,537	\$47,750	\$715,639	\$5,676,926	-\$763,231	\$4,913,695
97000 Excess of Operating Revenue over Operating Expenses	\$1,480,323	\$0	\$78,722	\$1,560,045	\$0	\$1,560,045
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments						
97350 HAP Portability-In						
97400 Depreciation Expense	\$861,836		\$1,383	\$863,219		\$863,219
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$5,775,373	\$47,750	\$717,022	\$6,540,145	-\$763,231	\$5,776,914
10010 Operating Transfer In	\$200,000			\$200,000		\$200,000
10020 Operating transfer Out	-\$200,000			-\$200,000		-\$200,000
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$618,487	\$0	\$78,339	\$696,826	\$0	\$696,826
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$21,028,230	\$0	-\$858,735	\$20,167,495	\$0	\$20,167,495
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,557,124		-\$457,855	-\$2,014,979	\$0	-\$2,014,979
11050 Changes in Compensated Absence Balance						
11080 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity						
11180 Housing Assistance Payments Equity						
11190 Unit Months Available	6938	0		6938	0	6938
11210 Number of Unit Months Leased	6825	0	0	6825	0	6825
11270 Excess Cash	\$10,965,942			\$10,965,942		\$10,965,942
11610 Land Purchases	\$0		\$0	\$0		\$0
11620 Building Purchases	\$1,007,768		\$0	\$1,007,768		\$1,007,768
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0	\$0		\$0
11660 Infrastructure Purchases	\$0		\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0		\$0



Housing Authority of the Town of Phillipsburg  
 Schedule of Proportionate Share of the Net Pension Liability  
 of the Public Employees Retirement System (PERS)  
 For the Year Ended June 30, 2018

	<u>2017</u>		<u>2016</u>
Housing Authority's Proportion of the Net Pension Liability	0.01675%		0.01903%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 3,898,683	\$	5,635,847
Housing Authority's Covered Employee Payroll	\$ 1,300,279	\$	1,264,936
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	299.83%		445.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.55%		67.05%

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

Housing Authority of the Town of Phillipsburg  
Schedule of Authority Contributions to the  
Public Employees Retirement System (PERS)  
For the Year Ended June 30, 2018

	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 156,198	\$ 169,205
Contribution in Relation to the Contractually Required Contribution	\$ (156,198)	\$ (169,205)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 1,300,279	\$ 1,264,936
Contribution as a Percentage of Covered Employee Payroll	12.01%	13.38%

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

**Housing Authority of the Town of Phillipsburg**  
**Schedule of Changes in the Housing Authority's**  
**Total OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2018**

<u>Total OPEB Liability</u>	<u>June 30, 2018</u>
Service Cost	\$ -
Interest	96,738
Changes of Benefits Items	-
Difference Between Expected and Actual Experience	
Changes of Assumptions or Other Inputs	490,024
Benefit Payments	<u>\$ (153,806)</u>
Net Changes in Total OPEB Liability	432,956
 Total OPEB Liability - Beginning	 <u>2,691,433</u>
Total OPEB Liability - Ending	<u><u>\$ 3,124,389</u></u>
 Covered - Employee Payroll	 1,300,279
Total OPEB Liability as a Percentage of Covered-Employee Payroll	240.29%

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



CERTIFIED PUBLIC ACCOUNTANTS

2035 HAMBURG TURNPIKE, UNIT H  
WAYNE, NEW JERSEY 07470  
TELEPHONE: (973) 831-6969  
FAX: (973) 831-6972  
E-MAIL: POLCARICO@OPTONLINE.NET

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

Board of Commissioners  
Housing Authority of the Town of Phillipsburg  
Phillipsburg, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Housing Authority of the Town of Phillipsburg (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 22, 2019.

**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 opinions 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

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

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-01.

**Authority's Response to Findings**

Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.



POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
March 22, 2019



CERTIFIED PUBLIC ACCOUNTANTS

2035 HAMBURG TURNPIKE, UNIT H  
WAYNE, NEW JERSEY 07470  
TELEPHONE: (973) 831-6969  
FAX: (973) 831-6972

E-MAIL: POLCARICO@OPTONLINE.NET

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

Board of Commissioners  
Housing Authority of the Town of Phillipsburg  
Phillipsburg, New Jersey

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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). 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, 2018.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the

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

accompanying schedule of findings and questioned costs as items 2018-1. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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, 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-1, which we consider to be material weaknesses.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

  
POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
March 22, 2019

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
Phillipsburg, New Jersey

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2018

**STATUS OF PRIOR AUDIT FINDINGS**

Finding 2017-1 Reported that the Housing Authority did not comply with the requirements of 2 CFR Part 905.308 related to its capital fund program. Specifically, the housing authority failed to monitor a contractors' payment of prevailing wages rates. The condition has not been corrected and the finding is repeated in current findings. See Finding 2018-1

**Finding 2017-1:** We selected six capital fund construction files and three did not adhere to the compliance requirements related to procurement.

*Capital Fund Program (CFDA # 14.872)*

**Cause:** The Authority failed to comply with the capital fund procurement and contract administration requirements. The procedure in place did not provide for the Qualified Purchasing Agent to have a final review of the procurement process.

**Condition:** The Authority did not follow the compliance requirements of 2 CFR Part 905.308 Subpart F. The Authority did not receive contractor certified payrolls as required to insure all contracted employees are paid prevailing wages. Additionally one request for proposal for paving services did not specify project details resulting in non-comparable proposals with varying levels of labor and materials.

**Effect of Condition:** The effect of not complying with the capital fund procurement requirements may lead to executing construction contracts not in accordance with the CFP rules and regulations.

**Compliance Requirement:** Procurement

**Type of Deficiency:** Material Weakness

**Questioned Costs** -\$0-

**Status:** Open



HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
Phillipsburg, New Jersey

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2018

**Financial Statements**

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Significant Deficiency(es) Identified? \_\_\_\_\_ yes      X   no

Significant Deficiency(s) identified that are considered to be material weakness(es)? \_\_\_\_\_ yes      X   none reported

Noncompliance Material to Financial Statements Noted? \_\_\_\_\_ yes      X   no

**Federal Awards**

Internal Control over Major Programs:

Significant Deficiency(es) Identified? \_\_\_\_\_ yes      X   no

Significant Deficiency(s) identified that are considered to be material weakness(es)?   X   yes    \_\_\_\_\_ none reported

Type of audit report issued on compliance for major programs:

Modified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)   X   yes    \_\_\_\_\_ no

Identification of Major Programs

CFDA

Number	Name of Federal Program or Cluster
14.850	Low Rent Public Housing
14.872	Public Housing Capital Fund Program

Dollar Threshold used to distinguish between type A and type B Programs

\$750,000

Auditee qualified as low-risk? \_\_\_\_\_ yes      X   no

**SECTION 2 FINICIAL STATEMENT FINDINGS**

None.

**SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**  
2018-1

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
Phillipsburg, New Jersey

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2018

**Finding 2018-1:** We selected ten capital fund construction files and four did not adhere to the compliance requirements related to procurement.

*Capital Fund Program (CFDA # 14.872)*

**Cause:** The Authority failed to comply with the capital fund procurement and contract administration requirements. The procedure in place did not provide for the Qualified Purchasing Agent to have a final review of the procurement process.

**Condition:** The Authority did not follow the compliance requirements of 2 CFR Part 905.308 Subpart F. The Authority did not receive contractor certified payrolls as required to insure all contracted employees are paid prevailing wages. Additionally one request for proposal for paving services did not specify project details resulting in non-comparable proposals with varying levels of labor and materials.

**Effect of Condition:** The effect of not complying with the capital fund procurement requirements may lead to executing construction contracts not in accordance with the CFP rules and regulations.

**Compliance Requirement:** Procurement

**Type of Deficiency:** Material Weakness

**Questioned Costs -**\$0-

**Recommendation:** We recommend the Authority modifies its procurement Policy to include a review of certified payroll on all CFP construction projects. We also recommend CFP construction contract training for Authority employees.

**Response:** The Authority's QPA has implemented procedures to curtail future deficiencies in contract award and administration. Additionally, designated staff will monitor payroll records.

PHILLIPSBURG HOUSING AUTHORITY  
Corrective Action Plan  
June 30, 2018

The Phillipsburg Housing Authority respectfully submits the following corrective action plan for the year ending June 30, 2018.

Polcari & Company, CPA's of 2035 Hamburg Turnpike, Unit H, Wayne, NJ 07470 performed the audit of the financial statements of the Phillipsburg Housing Authority for the year ended June 30, 2018.

Authority Contact: Paul Rummerfield, Executive Director

The Authority will immediately begin to implement the procedures outlined in the following corrective action plan so internal control mechanisms are in place by June 30, 2019.

The findings from the audit are discussed below.

**Finding 2018-1 – Internal Control Over Major Programs for the Capital Fund Program (CFDA # 14.872)**

Internal Control Over Major Programs

Type of Control Finding – Material Weakness

Compliance Requirement: Procurement

**Observation:**

The Authority failed to comply with the capital fund procurement and contract administration requirements. The procedure in place did not provide for the Qualified Purchasing Agent to have a final review of the procurement process.

**Reply**

The Authority's QPA will initiate procedures to monitor procurement in advance to the award of contracts. Additionally, designated staff will monitor payroll records.