

HOUSING AUTHORITY OF THE  
BOROUGH OF BELMAR  
Belmar, New Jersey

FINANCIAL STATEMENTS  
For the Years Ended  
September 30, 2017 and 2016

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Housing Authority of the Borough of Belmar  
Management Discussion and Analysis  
September 30, 2017

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 September 30, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**A - Financial Highlights**

1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$723,772 (net position) as opposed to \$722,956 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 \$214,859.

3 – The Authority's cash and cash equivalents balance (including tenant security deposits) at September 30, 2017 was \$160,445 representing an increase of \$22,212 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$335,677 and Total Operating Expenses of \$359,073 (including depreciation expense of \$50,811) for the year ended September 30, 2017.

**B – Using the Annual Report**

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America 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 The Comparative Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.

The Comparative Statements of Net Position present 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 present 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.

Housing Authority of the Borough of Belmar  
Management Discussion and Analysis  
September 30, 2017

**B – Using the Annual Report (Continued)**

**3 – Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found in this report after the financial statements.

**C – The Authority as a Whole**

The Authority's Net Position increased \$816 during the current fiscal year as detailed below. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives HUD subsidies each month based on a pre-approved amount. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were sufficient to cover all expenses, excluding depreciation during the fiscal year.

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.

**D – Budgetary Highlights**

For the year ended September 30, 2017, 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**

**Capital Assets**

As of September 30, 2017 the Authority's investments in capital assets for its Proprietary Fund was \$593,152 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress. \$11,485 of capital assets were purchased during the current fiscal year from Capital Grants. Additional information on the Authority's capital assets can be found in Note 3 to the Financial Statements which is included in this report.

**Long Term Debt**

During the fiscal year ended September 30, 2004, the Authority participated in a Capital Fund Leveraging Pool, through which the New Jersey Housing and Mortgage Finance Agency issued bonds and the funds were distributed to participating housing authorities. In December 2004, the Authority received \$194,514 to be used for capital improvements to its buildings. The outstanding debt is paid from a portion of the Authority's current capital fund grants. Further details can be found in the Notes to the financial statements. At September 30, 2017 the outstanding balance on this obligation totaled \$85,000; \$10,000 of which is included in current liabilities.

Housing Authority of the Borough of Belmar  
Management Discussion and Analysis  
September 30, 2017

**F – Summary of significant changes from September 30, 2016 to September 30, 2017**

Cash and cash equivalents increased \$22,212. Cash provided by operating activities was \$17,450, cash provided by capital and financing activities was \$0, and cash provided by investing activities was \$3,762.

Accounts receivable due from HUD decreased \$17,912 to \$48,659. This balance represents public housing operating subsidy that was earned before but not received until after September 30, 2017.

Net capital assets decreased \$39,325. The Authority purchased \$11,485 of fixed assets and incurred \$50,811 of depreciation expense during the current fiscal year.

Deferred outflows of resources decreased \$28,371, net pension liability decreased \$29,015, and deferred inflows of resources decreased \$16,577 due to the most recent Public Employees' Retirement System of New Jersey actuarial valuation report.

Total liabilities decreased by \$46,124 primarily because the net pension liability decreased by \$29,015.

Total operating revenues decreased \$34,140, or 9.2%, to \$335,677. Rental income decreased \$18,423 as tenant re-certifications resulted in lower rents charged during the current fiscal year. The number of unit months leased decreased by only 3 when compared to the prior fiscal year. HUD operating grants decreased \$17,070 and other revenue increased \$1,353.

Total operating expenses decreased \$22,524, or 5.9%, to \$359,073. The primary reason for this decrease is maintenance expenses decreased \$26,359 during the current fiscal year. The Authority incurred larger than normal boiler repair expenses in the prior fiscal year.

Capital grant revenue decreased \$17,317 as the Authority required less capital fund money for improvements throughout the Authority during the current fiscal year.

**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 September 30, 2018.

- 1 – The state of economy, including its impact on tenant income.
- 2 – Continued anticipated increases in health care insurance and other employee benefit costs.
- 3 – The need for Congress to fund the war on terrorism and other military efforts, and the impact of these activities on federal funding availability for HUD subsidies and grants.
- 4 – 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 potential shortfall.

Housing Authority of the Borough of Belmar  
Management Discussion and Analysis  
September 30, 2017

**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 Borough of Belmar, 710 8<sup>th</sup> Avenue, Belmar, New Jersey 07719, or call (732) 681-1795.

Housing Authority of the Borough of Belmar  
Management Discussion and Analysis  
September 30, 2017

Composition of Net Position is as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>Sep 30, 2017</u>	<u>Sep 30, 2016</u>		
Cash and Other Current Assets	\$ 451,427	\$ 445,616	\$ 5,811	1.3%
Capital Assets - Net	593,152	632,477	(39,325)	-6.2%
Deferred Outflows of Resources	74,760	103,131	(28,371)	-27.5%
Total Assets and Deferred Outflow of Resources	1,119,339	1,181,224	(61,885)	-5.2%
Less: Total Liabilities	258,375	304,499	(46,124)	-15.1%
Deferred Inflows of Resources	137,192	153,769	(16,577)	-10.8%
Net Position	<u>\$ 723,772</u>	<u>\$ 722,956</u>	<u>816</u>	<u>0.1%</u>
Net Investment in Capital Assets	508,152	537,477	(29,325)	-5.5%
Restricted Net Position	761	753	8	1.1%
Unrestricted Net Position	214,859	184,726	30,133	16.3%
Total Net Position	<u>\$ 723,772</u>	<u>\$ 722,956</u>	<u>\$ 816</u>	<u>0.1%</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>Sep 30, 2017</u>	<u>Sep 30, 2016</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 225,155	\$ 243,578	\$ (18,423)	-7.6%
HUD Subsidies	105,917	122,987	(17,070)	-13.9%
Other	4,605	3,252	1,353	41.6%
Total Operating Revenues	<u>335,677</u>	<u>369,817</u>	<u>(34,140)</u>	<u>-9.2%</u>
<u>Expenses</u>				
Total Operating Expenses	308,262	331,804	(23,542)	-7.1%
Depreciation and Amortization Expense	50,811	49,793	1,018	2.0%
Total Operating Expenses	<u>359,073</u>	<u>381,597</u>	<u>(22,524)</u>	<u>-5.9%</u>
Excess/(Deficiency) of Operating Revenues Over Expenses	(23,396)	(11,780)	(11,616)	98.6%
<u>Non-Operating Income/(Expenses)</u>				
Interest on Investments	<u>2,727</u>	<u>2,054</u>	<u>673</u>	<u>32.8%</u>
Excess of Revenues over Expenses Before Capital Grant Received	(20,669)	(9,726)	(10,943)	112.5%
HUD Capital Grants	<u>21,485</u>	<u>38,802</u>	<u>(17,317)</u>	<u>-44.6%</u>
Excess/(Deficiency) of Revenues Over Expenses	816	29,076	(28,260)	-97.2%
Net Position - Beginning Balance	<u>722,956</u>	<u>693,880</u>	<u>29,076</u>	<u>4.2%</u>
Net Position - Ending Balance	<u>\$ 723,772</u>	<u>\$ 722,956</u>	<u>\$ 816</u>	<u>0.1%</u>



**CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the Borough of Belmar  
Belmar, New Jersey

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of the Borough of Belmar, which comprise the Comparative Statements of Net Position as of September 30, 2017 and 2016 and the related Comparative Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the years ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 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 Borough of Belmar, as of September 30, 2017 and 2016, and the results of its operations, and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.



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 Supplemental Schedules pertaining to the Public Employees Retirement System presented on pages 29-30 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 Borough of Belmar. The Financial Data Schedule, the schedule of expenditures of federal awards and the Statement and Certification of Completed Modernization Grants are presented for purposes of additional analysis as required by U. S. Department of Housing and Urban Development and are not a required part of the basic financial statements.

The financial data schedule, the schedule of expenditures of federal awards and the Statement and Certification of Completed Modernization Grants 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 June 18, 2018 on our consideration of the Housing Authority of the Borough of Belmar'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*

POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
June 18, 2018

**POLCARI & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
Belmar, New Jersey  
COMPARATIVE STATEMENTS OF NET POSITION  
At September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 133,846	\$ 115,901
Cash - Restricted	761	753
Cash - Tenant Security Deposit	25,838	22,579
Investments	224,946	222,722
Accounts Receivable - Tenants (Net of Allowance)	1,020	3,520
Accounts Receivable - HUD	48,659	66,571
Prepaid Expenses	16,357	13,570
Total Current Assets	451,427	445,616
<u>CAPITAL ASSETS</u>		
Land	70,125	70,125
Buildings	2,669,586	2,649,231
Furniture, Equipment and Machinery - Admin	23,044	23,043
Leasehold Improvements	101,120	101,120
Construction in Progress	19,932	28,802
Capital Assets at Cost	2,883,807	2,872,321
Less: Accumulated Depreciation	(2,290,655)	(2,239,844)
Net Capital Assets	593,152	632,477
Total Assets	1,044,579	1,078,093
Deferred Outflows of Resources	74,760	103,131
Total Assets and Deferred Outflows of Resources	\$ 1,119,339	\$ 1,181,224
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 4,000	\$ 9,149
Others	2,700	2,623
Tenant Security Deposits	25,838	22,579
Accrued Interest Payable	1,631	1,813
Payment in Lieu of Taxes	14,076	15,134
Deferred Revenue - Tenant Prepaid Rents	2,716	3,325
Other Current Liabilities	11,876	15,323
Current Portion Long Term Debt	10,000	10,000
Total Current Liabilities	72,837	79,946
<u>LONG TERM LIABILITIES</u>		
Long Term Debt	75,000	85,000
Net Pension Liability	110,538	139,553
Total Long Term Liabilities	185,538	224,553
Total Liabilities	258,375	304,499
Deferred Inflows of Resources	137,192	153,769
Total Liabilities and Deferred Inflows of Resources	395,567	458,268
<u>NET POSITION</u>		
Net Investment in Capital Assets	508,152	537,477
Restricted Net Position	761	753
Unrestricted Net Position	214,859	184,726
Total Net Position	\$ 723,772	\$ 722,956

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
Belmar, New Jersey  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUES</u>		
Dwelling Rentals	\$ 225,155	\$ 243,578
HUD Operating Grants	105,917	122,987
Other	<u>4,605</u>	<u>3,252</u>
Total Operating Revenues	<u>335,677</u>	<u>369,817</u>
<u>OPERATING EXPENSES</u>		
Administration	86,101	76,675
Tenant Services	704	628
Utilities	86,609	92,242
Ordinary Maintenance & Operations	94,339	120,698
General Expense	36,449	37,064
Interest on Notes Payable	4,060	4,497
Depreciation and Amortization Expense	<u>50,811</u>	<u>49,793</u>
Total Operating Expenses	<u>359,073</u>	<u>381,597</u>
EXCESS OF OPERATING REVENUE OVER EXPENSES	(23,396)	(11,780)
Non Operating Revenues/(Expenses):		
Interest Income - Unrestricted	<u>2,727</u>	<u>2,054</u>
Income/(Loss) Before Contributions and Transfers	(20,669)	(9,726)
Capital Grants	<u>21,485</u>	<u>38,802</u>
CHANGE IN NET POSITION	816	29,076
Beginning Net Position	<u>722,956</u>	<u>693,880</u>
Ending Net Position	<u>\$ 723,772</u>	<u>\$ 722,956</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
Belmar, New Jersey  
COMPARATIVE STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FORM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Income	\$ 227,046	\$ 241,407
From Government Agencies for Operating Grants	123,829	87,948
For Other Operating Revenues	4,605	5,870
Cash Paid:		
To Employees for Operations	(84,096)	(84,096)
To Suppliers for Operations	<u>(253,934)</u>	<u>(271,463)</u>
Net Cash Provided/(Used) by Operating Activities	<u>17,450</u>	<u>(20,334)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	21,485	38,802
Repayment of Long Term Debt	(10,000)	(10,000)
Acquisition of Property & Equipment	<u>(11,485)</u>	<u>(28,802)</u>
Net Cash Provided/(Used) by Financing Activities	<u>-</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment Income	2,727	2,054
Decrease/(Increase) in Investments	(2,224)	(1,550)
Receipt of Tenant Security Deposits	<u>3,259</u>	<u>3,274</u>
Net Cash Provided/(Used) by Investing Activities	<u>3,762</u>	<u>3,778</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	21,212	(16,556)
Cash and Equivalents at Beginning of Period	<u>139,233</u>	<u>155,789</u>
Cash and Equivalents at End of Period	<u>\$ 160,445</u>	<u>\$ 139,233</u>
<u>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED)</u>		
<u>IN OPERATIONS</u>		
Operating Income/(Loss)	\$ (23,396)	\$ (11,780)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	50,811	49,793
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants	2,500	(2,888)
Accounts Receivable - Other	-	2,618
Accounts Receivable HUD	17,912	(35,039)
Prepaid Expenses	(2,787)	(132)
Deferred Outflow of Resources	28,371	9,812
Increase/(Decrease) in Liabilities		
Accounts Payable	(5,150)	(13,733)
Accrued Wages & Related Taxes	77	273
Accrued Interest Payable	(182)	(182)
PILOT Payable	(1,058)	507
Deferred Revenues	(609)	717
Other Current Liabilities	(3,447)	1,313
Deferred Inflow of Resources	(16,577)	58,345
Pension Liability	<u>(29,015)</u>	<u>(79,958)</u>
Net Cash Provided by Operating Activities	<u>\$ 17,450</u>	<u>\$ (20,334)</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017

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

**A. Organization** – The Housing Authority of the Borough of Belmar (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 New Jersey Department of Community Affairs. An Executive Director is appointed by the Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the Borough of Belmar. 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 recognize 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 adopted the provisions of Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures", which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that includes a statement of net position, a statement of activities and a statement of cash flows. It requires the classification of net position into three components – Invested in Capital Assets, Net of Related Debt; Restricted Net Position and Unrestricted Net Position. These classifications are defined as follows:

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017

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

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 Capital Assets, Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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 have no significant effect on the basic financial statements, except for the classification of net position in accordance with Statement No. 34.

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 method.

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 costs of accumulated unpaid compensated absences, including fringe benefits, are 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.

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017

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

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

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.

14 – Long-lived assets to be held and used are tested for recoverability whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of September 30, 2017 and 2016, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering SFAS 144.

15 - The Authority implemented GASB Statement No. 65. Under GASB 65, debt issuance costs are expensed in the period incurred. This represents a significant change from the previous practice which was to record these costs as assets and amortize them over the life of the related debt.

c. **Budgetary Policy Control** – The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Authority's Board of Commissioners. Once adopted, the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

d. **New Accounting Pronouncements** – The Authority was required to adopt GASB Statement 68, *Accounting and Financial Reporting for Pensions* which requires employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. Additional information regarding the adoption of GASB 68 can be found in Note 11 to these financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017

**NOTE 2 – Cash and Cash Equivalents**

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Deposit Protection Act of the state of New Jersey, which requires the institutions to pool collateral for all of governmental deposits and have the collateral held by an approved custodian in the institution's name.

Cash and Cash Equivalents of \$160,445 at September 30, 2017 and \$139,223 at September 30, 2016, consisted of the following:

	<u>Sep. 30, 2017</u>	<u>Sep. 30, 2016</u>
Checking Accounts	\$ 133,796	\$ 115,852
Security Deposits	25,838	22,579
CFP Leveraging Trust Accounts	761	752
Petty Cash	50	50
Total Cash and Equivalents	<u>\$ 160,445</u>	<u>\$ 139,233</u>

The carrying amount of the Authority's cash and cash equivalents on deposit at financial institutions as of September 30, 2017 was \$160,445 and the bank balances were \$162,588. Of the bank balances, all \$162,588 was covered by FDIC insurance.

**NOTE 3 – Capital Assets**

Capital 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 capital assets for the years ended September 30, 2017 and 2016.

	<u>Sep. 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Sep. 30, 2017</u>
Land	\$ 70,125	\$ -	\$ -	\$ -	\$ 70,125
Buildings	2,649,231	-	-	20,355	2,669,586
Furniture and Equipment	23,043	-	-	-	23,043
Leasehold Improvements	101,120	-	-	-	101,120
Construction in Progress	28,802	11,485	-	(20,355)	19,932
Total Capital Assets	<u>2,872,321</u>	<u>11,485</u>	<u>-</u>	<u>-</u>	<u>2,883,806</u>
Accumulated Depreciation	<u>(2,239,844)</u>	<u>(50,811)</u>	<u>-</u>	<u>-</u>	<u>(2,290,655)</u>
Net Capital Assets	<u>\$ 632,477</u>	<u>\$ (39,326)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,151</u>

	<u>Sep. 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Sep. 30, 2016</u>
Land	\$ 70,125	\$ -	\$ -	\$ -	\$ 70,125
Buildings	2,601,617	-	-	47,614	2,649,231
Furniture and Equipment	23,043	-	-	-	23,043
Leasehold Improvements	101,120	-	-	-	101,120
Construction in Progress	47,614	28,802	-	(47,614)	28,802
Total Capital Assets	<u>2,843,519</u>	<u>28,802</u>	<u>-</u>	<u>-</u>	<u>2,872,321</u>
Accumulated Depreciation	<u>(2,190,051)</u>	<u>(49,793)</u>	<u>-</u>	<u>-</u>	<u>(2,239,844)</u>
Net Capital Assets	<u>\$ 653,468</u>	<u>\$ (20,991)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,477</u>

Expenditures are capitalized when they meet the Capitalization Policy requirements. Under that policy assets purchased or constructed at a cost not to exceed \$1,000 are expensed when incurred.



HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017

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

Depreciation of Capital 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	20
Furniture	5
Equipment	5
Vehicles	5
Computers	3

**NOTE 4 – Investments**

The Authority's investments include a certificate of deposit with a maturity of one year from the date of purchase that is stated at fair value in the Statement of Net Position, with all gains and losses included in the Statement of Activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest income is recorded on the accrual basis. Realized gains or losses on the sale of investments are calculated using the specific-identification method. Unrealized gains and losses represent the change in fair value of the individual investments for the year, or since the date of acquisition, if acquired during the year. The Authority's investment balances at September 30, 2017 and 2016 were \$224,946 and \$222,722, respectively.

**NOTE 5 – 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 Borough of Belmar. 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 September 30, 2017 and September 30, 2016, PILOT expense of \$14,076 and \$15,134, respectively, was accrued.

**NOTE 6 – Accrued Compensated Absences**

Accrued compensated absences represents amounts to which employees are entitled to be paid for accumulated leave earned in accordance with the authority's Personnel Policy. The housing authority policy states that employees may carry forward unused vacation to the next succeeding year only, while sick leave may be accumulated not to exceed 120 days. Employees may be compensated for unused vacation leave at the time of separation but may not be compensated for accrued sick leave at retirement or termination. There is no accrual for unused vacation leave at September 30, 2017 or 2016 because there are no eligible employees per the of Authority's Personnel Policy.

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2017

**NOTE 7 – Long Term Debt**

During the fiscal year ended September 30, 2006, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A. The Authority's share of the funds from the bond issue pool amounted to \$200,000. The net funds received from the leveraging pool are restricted and must be spent in accordance with the Authority's Capital Fund Budget within four years. At September 30, 2017 and 2016, \$761 and \$753, respectively, of restricted cash related to these borrowings was held by the Authority, and is included in restricted cash and restricted net assets in the Comparative Statements of Net Position.

Repayment of the funds leveraged shall be budgeted from Capital Fund Allocations received by the Authority from the Department of Housing and Urban Development.

The following is a schedule of required principal payments for the next five years and thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	10,000	3,805	13,805
2019	10,000	3,367	13,367
2020	10,000	2,929	12,929
2021	10,000	2,468	12,468
2022	10,000	1,998	11,998
2023-2025	<u>35,000</u>	<u>3,290</u>	<u>38,290</u>
	<u>\$ 85,000</u>	<u>\$ 17,857</u>	<u>\$ 102,857</u>

**NOTE 8 – Risk Management**

The Authority is exposed to various risks of loss related to torts, theft, damage to assets, errors and omissions, and natural disasters for which the Authority carries commercial insurance. During the years ended September 30, 2017 and September 30, 2016 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. The Authority conducts an annual 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 9 – Construction Commitments**

At September 30, 2017 and September 30, 2016 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 10 – Economic Dependency**

For the year ended September 30, 2017 and September 30, 2016 a substantial portion of the Authority's revenues were received from the U.S. Dept. 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.

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017

**NOTE 11 – Pension**

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 the following website: [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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 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. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. 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 State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2017

**NOTE 11 – Pension (Continued)**

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.

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

At the June 30, 2017 and June 30, 2016 measurement dates, the Authority reported \$110,538 and \$139,353, 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 0.000475% and 0.000471%, respectively.

The components of the Authority's net pension liability as of June 30, 2017 and 2016, the most recent evaluation dates, are as follows:

	<u>2017</u>	<u>2016</u>
Total Pension Liability	\$ 212,983	\$ 233,121
Plan Fiduciary Net Position	<u>102,444</u>	<u>93,567</u>
Net Pension Liability	<u>\$ 110,538</u>	<u>\$ 139,553</u>

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

Actuarial Assumptions - The total pension liability as of June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

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

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projections scale. Disability

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017

**NOTE 11 – Pension (Continued)**

retirement rates used to value disabled retirees were based on the RP-2000 Disables Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.00%	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 Estate	2.50%	11.83%
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 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 as the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make future projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017

**NOTE 11 – Pension (Continued)**

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the collective net pension liability of the Authority as of June 30, 2017 and June 30, 2016, respectively, 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% <u>Decrease</u>	At June 30 Discount Rate	At 1% <u>Increase</u>
2017	\$ 137,130	\$ 110,538	\$ 88,384
2016	\$ 171,006	\$ 139,553	\$ 113,586

At June 30, 2017 and 2016, the Authority reported deferred outflows inflows of resources related to pensions from the following sources:

	2017 Deferred Outflows of Resources	2017 Deferred Inflows of Resources	2016 Deferred Outflows of Resources	2016 Deferred Inflows of Resources
Changes of assumptions	\$ 22,270	\$ 22,188	\$ 28,908	\$ -
Differences between expected and actual experience	2,603	-	2,595	-
Net differences between projected and actual earnings on plan investments	753	-	5,321	-
Changes in proportion	49,134	115,004	66,307	153,769
Authority's contributions subsequent to the measurement date	-	-	-	-
<b>TOTAL</b>	<u>\$ 74,760</u>	<u>\$ 137,192</u>	<u>\$ 103,131</u>	<u>\$ 153,769</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) relate to pensions will be recognized in pension expense as shown in the below chart. The amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 for the years 2017, 2016, 2015 and 2014, respectively.

Year ended June 30:	
2017	\$ 56,599
2018	85,410
2019	51,754
2020	(68,833)
2021	(50,170)
<b>Total</b>	<u>\$ 74,760</u>

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017

**NOTE 12 – Prior Period Adjustments**

There was no prior period adjustment recorded during the fiscal year ending September 30, 2017 or 2016.

**NOTE 13– 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 June 18, 2018 the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
 Belmar, New Jersey  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended September 30, 2017

	Beginning Balance	Revenue Recognized	Expenditures	Ending Balance
<u>LOW INCOME HOUSING PROGRAM</u>				
Operating Subsidy (CFDA # 14.850)	\$ -	\$ 101,438	\$ 101,438	\$ -
Capital Fund Program (CFDA # 14.872)	\$ -	25,964	25,964	\$ -
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>	<b>\$ -</b>	<b>\$ 127,402</b>	<b>\$ 127,402</b>	<b>\$ -</b>

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.



Belmar Housing Authority (NJ057)  
BELMAR, NJ

**Entity Wide Balance Sheet Summary**

Submission Type:	Audited/Non Single Audit	Fiscal Year End:	09/30/2017	
		Project Total	Subtotal	Total
111	Cash - Unrestricted	\$133,846	\$133,846	\$133,846
112	Cash - Restricted - Modernization and Development			
113	Cash - Other Restricted	\$761	\$761	\$761
114	Cash - Tenant Security Deposits	\$25,838	\$25,838	\$25,838
115	Cash - Restricted for Payment of Current Liabilities			
100	Total Cash	\$160,445	\$160,445	\$160,445
121	Accounts Receivable - PHA Projects			
122	Accounts Receivable - HUD Other Projects	\$48,659	\$48,659	\$48,659
124	Accounts Receivable - Other Government			
125	Accounts Receivable - Miscellaneous			
126	Accounts Receivable - Tenants	\$1,133	\$1,133	\$1,133
126.1	Allowance for Doubtful Accounts - Tenants	-\$113	-\$113	-\$113
126.2	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	\$49,679	\$49,679	\$49,679
131	Investments - Unrestricted	\$224,946	\$224,946	\$224,946
132	Investments - Restricted			
135	Investments - Restricted for Payment of Current Liability			
142	Prepaid Expenses and Other Assets	\$16,357	\$16,357	\$16,357
143	Inventories			
143.1	Allowance for Obsolete Inventories			
144	Inter Program Due From			
145	Assets Held for Sale			
150	Total Current Assets	\$451,427	\$451,427	\$451,427
161	Land	\$70,125	\$70,125	\$70,125
162	Buildings	\$2,669,586	\$2,669,586	\$2,669,586
163	Furniture, Equipment & Machinery - Dwellings			
164	Furniture, Equipment & Machinery - Administration	\$23,044	\$23,044	\$23,044
165	Leasehold Improvements	\$101,120	\$101,120	\$101,120
166	Accumulated Depreciation	-\$2,290,655	-\$2,290,655	-\$2,290,655
167	Construction in Progress	\$19,932	\$19,932	\$19,932
168	Infrastructure			
160	Total Capital Assets, Net of Accumulated Depreciation	\$593,152	\$593,152	\$593,152
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	\$593,152	\$593,152	\$593,152

Belmar Housing Authority (NJ057)

BELMAR, NJ

Entity Wide Balance Sheet Summary

Submission Type:	Audited/Non Single Audit	Fiscal Year End:	09/30/2017	
		Project Total	Subtotal	Total
200	Deferred Outflow of Resources	\$74,760	\$74,760	\$74,760
290	Total Assets and Deferred Outflow of Resources	\$1,119,339	\$1,119,339	\$1,119,339
311	Bank Overdraft			
312	Accounts Payable <= 90 Days	\$4,000	\$4,000	\$4,000
313	Accounts Payable >90 Days Past Due			
321	Accrued Wage/Payroll Taxes Payable	\$2,700	\$2,700	\$2,700
322	Accrued Compensated Absences - Current Portion			
324	Accrued Contingency Liability			
325	Accrued Interest Payable	\$1,631	\$1,631	\$1,631
331	Accounts Payable - HUD PHA Programs			
332	Account Payable - PHA Projects			
333	Accounts Payable - Other Government	\$14,076	\$14,076	\$14,076
341	Tenant Security Deposits	\$25,838	\$25,838	\$25,838
342	Unearned Revenue	\$2,716	\$2,716	\$2,716
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$10,000	\$10,000	\$10,000
344	Current Portion of Long-term Debt - Operating Borrowings			
345	Other Current Liabilities			
346	Accrued Liabilities - Other	\$11,876	\$11,876	\$11,876
347	Inter Program - Due To			
348	Loan Liability - Current			
310	Total Current Liabilities	\$72,837	\$72,837	\$72,837
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$75,000	\$75,000	\$75,000
352	Long-term Debt, Net of Current - Operating Borrowings			
353	Non-current Liabilities - Other			
354	Accrued Compensated Absences - Non Current			
355	Loan Liability - Non Current			
356	FASB 5 Liabilities			
357	Accrued Pension and OPEB Liabilities	\$110,538	\$110,538	\$110,538
350	Total Non-Current Liabilities	\$185,538	\$185,538	\$185,538
300	Total Liabilities	\$258,375	\$258,375	\$258,375
400	Deferred Inflow of Resources	\$137,192	\$137,192	\$137,192
508.4	Net Investment in Capital Assets	\$508,152	\$508,152	\$508,152
511.4	Restricted Net Position	\$761	\$761	\$761
512.4	Unrestricted Net Position	\$214,859	\$214,859	\$214,859
513	Total Equity - Net Assets / Position	\$723,772	\$723,772	\$723,772
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,119,339	\$1,119,339	\$1,119,339

Belmar Housing Authority (NJ057)  
BELMAR, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Non Single Audit      Fiscal Year End: 09/30/2017

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$225,155	\$225,155	\$225,155
70400 Tenant Revenue - Other	\$2,210	\$2,210	\$2,210
70500 Total Tenant Revenue	\$227,365	\$227,365	\$227,365
70600 HUD PHA Operating Grants	\$105,917	\$105,917	\$105,917
70610 Capital Grants	\$21,485	\$21,485	\$21,485
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$2,722	\$2,722	\$2,722
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	\$2,395	\$2,395	\$2,395
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted	\$5	\$5	\$5
70000 Total Revenue	\$359,889	\$359,889	\$359,889
91100 Administrative Salaries	\$49,793	\$49,793	\$49,793
91200 Auditing Fees	\$7,200	\$7,200	\$7,200
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$5,804	\$5,804	\$5,804
91600 Office Expenses	\$7,784	\$7,784	\$7,784
91700 Legal Expense	\$4,088	\$4,088	\$4,088
91800 Travel	\$37	\$37	\$37
91810 Allocated Overhead			
91900 Other	\$11,395	\$11,395	\$11,395
91000 Total Operating - Administrative	\$86,101	\$86,101	\$86,101
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$704	\$704	\$704
92500 Total Tenant Services	\$704	\$704	\$704
93100 Water	\$20,862	\$20,862	\$20,862
93200 Electricity	\$37,112	\$37,112	\$37,112
93300 Gas	\$28,635	\$28,635	\$28,635

Belmar Housing Authority (NJ057)  
BELMAR, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type:	Audited/Non Single Audit	Fiscal Year End:	09/30/2017	
		Project Total	Subtotal	Total
93400	Fuel			
93500	Labor			
93600	Sewer			
93700	Employee Benefit Contributions - Utilities			
93800	Other Utilities Expense			
93000	Total Utilities	\$86,609	\$86,609	\$86,609
94100	Ordinary Maintenance and Operations - Labor	\$35,369	\$35,369	\$35,369
94200	Ordinary Maintenance and Operations - Materials and Other	\$8,887	\$8,887	\$8,887
94300	Ordinary Maintenance and Operations Contracts	\$38,467	\$38,467	\$38,467
94500	Employee Benefit Contributions - Ordinary Maintenance	\$11,616	\$11,616	\$11,616
94000	Total Maintenance	\$94,339	\$94,339	\$94,339
95100	Protective Services - Labor			
95200	Protective Services - Other Contract Costs			
95300	Protective Services - Other			
95500	Employee Benefit Contributions - Protective Services			
95000	Total Protective Services	\$0	\$0	\$0
96110	Property Insurance	\$11,600	\$11,600	\$11,600
96120	Liability Insurance	\$5,418	\$5,418	\$5,418
96130	Workmen's Compensation	\$5,355	\$5,355	\$5,355
96140	All Other Insurance			
96100	Total insurance Premiums	\$22,373	\$22,373	\$22,373
96200	Other General Expenses			
96210	Compensated Absences			
96300	Payments in Lieu of Taxes	\$14,076	\$14,076	\$14,076
96400	Bad debt - Tenant Rents			
96500	Bad debt - Mortgages			
96600	Bad debt - Other			
96800	Severance Expense			
96000	Total Other General Expenses	\$14,076	\$14,076	\$14,076
96710	Interest of Mortgage (or Bonds) Payable	\$4,060	\$4,060	\$4,060
96720	Interest on Notes Payable (Short and Long Term)			
96730	Amortization of Bond Issue Costs			
96700	Total Interest Expense and Amortization Cost	\$4,060	\$4,060	\$4,060
96900	Total Operating Expenses	\$308,262	\$308,262	\$308,262
97000	Excess of Operating Revenue over Operating Expenses	\$51,627	\$51,627	\$51,627
97100	Extraordinary Maintenance			
97200	Casualty Losses - Non-capitalized			
97300	Housing Assistance Payments			
97350	HAP Portability-In			

Belmar Housing Authority (NJ057)  
BELMAR, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type:	Audited/Non Single Audit	Fiscal Year End:	09/30/2017	
		Project Total	Subtotal	Total
97400	Depreciation Expense	\$50,811	\$50,811	\$50,811
97500	Fraud Losses			
97600	Capital Outlays - Governmental Funds			
97700	Debt Principal Payment - Governmental Funds			
97800	Dwelling Units Rent Expense			
90000	Total Expenses	\$359,073	\$359,073	\$359,073
10010	Operating Transfer In			
10020	Operating transfer Out			
10030	Operating Transfers from/to Primary Government			
10040	Operating Transfers from/to Component Unit			
10050	Proceeds from Notes, Loans and Bonds			
10060	Proceeds from Property Sales			
10070	Extraordinary Items, Net Gain/Loss			
10080	Special Items (Net Gain/Loss)			
10091	Inter Project Excess Cash Transfer In			
10092	Inter Project Excess Cash Transfer Out			
10093	Transfers between Program and Project - In			
10094	Transfers between Project and Program - Out			
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$816	\$816	\$816
11020	Required Annual Debt Principal Payments	\$10,000	\$10,000	\$10,000
11030	Beginning Equity	\$722,956	\$722,956	\$722,956
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0
11050	Changes in Compensated Absence Balance			
11060	Changes in Contingent Liability Balance			
11070	Changes in Unrecognized Pension Transition Liability			
11080	Changes in Special Term/Severance Benefits Liability			
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents			
11100	Changes in Allowance for Doubtful Accounts - Other			
11170	Administrative Fee Equity			
11180	Housing Assistance Payments Equity			
11190	Unit Months Available	588	588	588
11210	Number of Unit Months Leased	582	582	582
11270	Excess Cash	\$336,158	\$336,158	\$336,158
11610	Land Purchases	\$0	\$0	\$0
11620	Building Purchases	\$11,485	\$11,485	\$11,485
11630	Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640	Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650	Leasehold Improvements Purchases	\$0	\$0	\$0
11660	Infrastructure Purchases	\$0	\$0	\$0
13510	CFFP Debt Service Payments	\$14,479	\$14,479	\$14,479
13901	Replacement Housing Factor Funds	\$0	\$0	\$0

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
 Belmar, New Jersey  
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS  
 As of September 30, 2017

	CFP 2014 NJ39P057501-14	Total
Funds Approved	\$ 39,400	\$ 39,400
Funds Expended	39,400	39,400
Excess/(Deficiency) Approved	\$ -	\$ -
Funds Advanced	\$ 39,400	\$ 39,400
Funds Expended	39,400	39,400
Excess/(Deficiency) of Advances	\$ -	\$ -

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.
3. The actual modernization cost certificates submitted to HUD are in agreement with the Authority's records.

Housing Authority of the Borough of Belmar  
 Schedule of Proportionate Share of the Net Pension Liability  
 of the Public Employees Retirement System (PERS)  
 For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>
Housing Authority's Proportion of the Net Pension Liability	0.000474%	0.000471%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 110,538	\$ 139,553
Housing Authority's Covered Employee Payroll	\$ 83,162	\$ 84,096
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	132.92%	165.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%

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

Housing Authority of the Borough of Belmar  
 Schedule of Authority Contributions to the  
 Public Employees Retirement System (PERS)  
 For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 4,399	\$ 4,186
Contribution in Relation to the Contractually Required Contribution	\$ (4,399)	\$ (4,186)
Contribution Deficiency/(Excess)	\$ -	\$ -
Authority's Covered Payroll	\$ 83,162	\$ 84,096
Contribution as a Percentage of Covered Employee Payroll	5.29%	4.98%

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





**CERTIFIED PUBLIC ACCOUNTANTS**

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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 Borough of Belmar  
Belmar, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States, the financial statements of the Housing Authority of the Borough of Belmar as of and for the year ended September 30, 2017 and have issued our report thereon dated June 18, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the Borough of Belmar's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weakness may exist that have not been identified.

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

(Continued)

**Compliance**

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

**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*

POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
June 18, 2018

**POLCARI & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

HOUSING AUTHORITY OF THE BOROUGH OF BELMAR  
Belmar, New Jersey  
September 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PRIOR AUDIT FINDINGS

The prior audit contained no findings.

CURRENT AUDIT FINDINGS

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Housing Authority of the Borough of Belmar.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Housing Authority of the Borough of Belmar's financial statements for the year ended September 30, 2017.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the Borough of Belmar were disclosed during the audit.
4. The Housing Authority of the Borough of Belmar was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.