HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2019

WITH REPORT OF INDEPENDENT AUDITORS

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of
Housing Authority of the Borough of Keansburg:

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Borough of Keansburg (the "Authority") as of and for the year ended September 30, 2019, and the related notes to the financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of September 30, 2019, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

July 22, 2020
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the Housing Authority of the Borough of Keansburg (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, 2019. 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 and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $353,281 (net position) as opposed to $65,609 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 $228,478, an increase of $1,063,653 from the prior fiscal year.

3. The Authority's cash and cash equivalents (including restricted cash) at September 30, 2019 totaled $475,153 representing a decrease of $24,557 from the prior fiscal year.

4. The Authority had total operating revenues of $5,058,507 and total operating expenses of $4,805,199 (including depreciation of $59,261) for the year ended September 30, 2019.

5. The Authority's expenditures of federal awards amounted to $4,614,218 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 basic financial statements. The Authority's basic 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. 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.

B. Using the Annual Report (continued)

2. Financial Statements (continued)

They consist of Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

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

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

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

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 11 through 15.

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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 36 of this report.

C. The Authority as a Whole

The Authority's net position decreased during the fiscal year as detailed on page 7. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on an amount pre-approved by HUD. Grants are drawn down based on need against a pre-authorized funding level.

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.

Significant Changes from September 30th, 2018 to September 30th, 2019

Cash and other current assets decreased $66,425 as the Authority's unrestricted cash and cash equivalents decreased $48,072.

Restricted cash increased $48,072 as the Authority had more reserves in the Section 8 Housing Choice Vouchers program during FY19 than in the prior fiscal year.

Capital assets, net decreased $973,887, as the assets were sold as part of the Authority's conversion to RAD.

Total liabilities and deferred inflows of resources decreased $268,957, deferred outflows of resources increased $38,625, the Authority's net pension liability decreased $49,108, and the Authority's net OPEB liability increased $600. The changes are the result of the Authority recording the results of the State of New Jersey's actuarial valuation of the State of New Jersey Public Employees Retirement System and OPEB Plan.

HUD operating grants increased from $3,372,067 in 2018 to $3,772,266 in 2019 or $400,199. Specifically, Public and Indian Housing Program grant revenues increased $112,138 and; the portion of the Authority's capital fund that it uses for operations increased $202,701.

Other revenues increased $196,248 from 2018 to 2019 primarily due to the Authority being reimbursed for costs associated with the RAD conversion, and servicing more portable tenants in the Section 8 Housing Choice Vouchers program.

C. The Authority as a Whole (continued)

Significant Changes from September 30th, 2018 to September 30th, 2019 (continued)

Total operating expenses (excluding depreciation and housing assistance payments) decreased from $829,297 in 2018 to $688,313 in 2019 or $140,984. This decrease was primarily due to decreases in administrative salaries ($41,682), ordinary maintenance and operating materials ($9,350), utilities ($81,395) and ordinary maintenance and operating contracts ($73,869), which were offset by an increase in employee benefits in the amount $70,296.

Computation of Net Position is as follows:

C. The Authority as a Whole (continued)

Computations of the Changes in Net position is as follows:

	September 30, 2019	September 30, 2018	Variance	% Change
Cash and Other Current Assets	$ 435,098	$ 501,523	$ (66,425)	-13.24%
Restricted Cash	63,113	15,207	47,906	315.03%
Capital Assets, Net	61,690	1,035,577	(973,887)	-94.04%
Other non-current assets	972,496		972,496	100.00%
Deferred Outflows of Resources	531,178	492,553	38,625	7.84%
Total Assets and Deferred Outflows	2,063,575	2,044,860	18,715	0.92%
Less: Total Liabilities and Deferred Inflows of Resources	1,710,294	1,979,251	(268,957)	-13.59%
Net Position	$ 353,281	$ 65,609	$ 287,672	438.46%
Net Investment in Capital Assets	$ 61,690	$ 885,577	$ (823,887)	-93.03%
Restricted Net Position	63,113	15,207	47,906	315.03%
Unrestricted Net Position	228,478	(835,175)	1,063,653	-127.36%
Total Net Position	$ 353,281	$ 65,609	$ 287,672	438.46%

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

	September 30,			%
	2019	2018	Variance	Change
Operating revenues:				
Tenant Revenues	$ 176,206	$ 311,341	$ (135,135)	-43.40%
HUD Operating Grants	3,772,266	3,372,067	400,199	11.87%
Other Revenues	1,110,035	913,787	196,248	21.48%
Total Revenues	5,058,507	4,597,195	461,312	10.03%
Operating Expenses:				
Other Operating Expenses	688,313	829,297	(140,984)	-17.00%
Housing Assistance Payments	4,022,226	3,734,859	287,367	7.69%
Depreciation	59,261	98,438	(39,177)	-39.80%
Total Operating Expenses	4,769,800	4,662,594	107,206	2.30%
Operating Income/(Loss)	288,707	(65,399)	354,106	-541.45%
Other Revenues (Expense):				
Interest expense	(7,055)	(7,609)	554	-7.28%
Interest income	36,419	1,044	35,375	3388.41%
Bad debts - mortgage interest	(35,399)	-	(35,399)	100.00%
Gain on sale of capital assets	5,000		5,000	100.00%
Capital Grants	-	20,000	(20,000)	-100.00%
Net Other Revenue (Expense)	(1,035)	13,435	(14,470)	-107.70%
Change in Net Position	287,672	(51,964)	339,636	-653.60%
Net Position, Beginning of Year	65,609	117,573	(51,964)	-44.20%
Net Position, End of Year	$ 353,281	$ 65,609	$ 287,672	438.46%

D. Budgetary Highlights

For the year ended September 30, 2019, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. Also, the Authority adopted a comprehensive annual budget for the entity as a whole. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the negative change in net position the Authority's net position decreased during the fiscal year.

E. Capital Assets and Debt Administration

1. Capital Assets

As of September 30, 2019, the Authority's capital assets for its Proprietary Fund totaled $61,690, representing a decrease of $973,887, due to the sale of all buildings and equipment during the Authority's conversion to RAD.

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

F. Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2020.

1. The need for Congress to fund the war on terrorism, the Federal budget deficit and the possible cut-back on HUD subsidies and grants.
2. The availability of program reserves to fund any shortfalls rising from a possible economic turndown and reduced subsidies and grants. The Authority's liquidity in the HCV program and the LRPH program appears sufficient to cover any shortfall.

G. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Douglas Dzema, Executive Director, Housing Authority of the Borough of Keansburg, 1 Church St., Keansburg, NJ 07734.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2019

ASSETS		
Current assets:		
Cash and cash equivalents	$	412,040
Accounts receivable, net		6,498
Prepaid expenses		16,560
Total current assets		435,098
Non-current assets:		
Restricted cash		63,113
Notes receivable		972,496
Capital assets, net		61,690
Total non-current assets		1,097,299
Total assets		1,532,397
DEFERRED OUTFLOWS OF RESOURCES		
State of New Jersey P.E.R.S.		59,349
State of New Jersey S.H.B.P.		471,829
Total deferred outflows of resources		531,178
Total assets and deferred outflows of resources	$	2,063,575

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
STATEMENT OF NET POSITION (continued)
AS OF SEPTEMBER 30, 2019

LIABILITIES	
Current liabilities:	
Accounts payable	$ 26,991
Accrued compensated absences, current portion	1,279
Total current liabilities	28,270
Non-current liabilities:	
Net OPEB liability	605,645
Net pension liability	278,695
Total non-current liabilities	884,340
Total liabilities	912,610
DEFERRED INFLOWS OF RESOURCES	
State of New Jersey P.E.R.S.	235,225
State of New Jersey S.H.B.P.	562,459
Total deferred inflows of resources	797,684
NET POSITION	
Net position:	
Net investment in capital assets	61,690
Restricted	63,113
Unrestricted	228,478
Total net position	$ 353,281

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Operating revenues:		
Tenant revenue	$	176,206
HUD operating grants		3,772,266
Other revenues		1,110,035
Total operating revenue		5,058,507
Operating expenses:		
Administrative		322,549
Tenant services		1,262
Utilities		142,863
Ordinary repairs and maintenance		144,624
Insurance and other general		71,865
Extraordinary maintenance		5,150
Housing assistance payments		4,022,226
Depreciation		59,261
Total operating expenses		4,769,800
Operating income		288,707
Non-operating revenues (expenses):		
Interest expense		(7,055)
Interest income		36,419
Bad debts - mortgage interest		(35,399)
Gain on sale of capital assets		5,000
Net non-operating expenses		(1,035)
Change in net position		287,672
Total net position, beginning of year		65,609
Total net position, end of year	$	353,281

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Cash Flows from Operating Activities:		
Cash received from tenants	$	1,246,916
Cash received from grantors		3,766,668
Cash paid to employees		(123,310)
Cash paid to vendors		(4,741,325)
Net cash provided by operating activities		148,949
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets		(77,207)
Interest paid on capital debt		(7,055)
Principal payments on long term debt		(150,000)
Gain on sale of capital assets		24,337
Net cash used in capital and related financing activities		(209,925)
Cash Flows from Investing Activities:		
Interest received		36,419
Net cash provided by investing activities		36,419
Net decrease in cash and cash equivalents		(24,557)
Cash and cash equivalents, beginning of year		499,710
Cash and cash equivalents, end of year	$	475,153

Reconciliation of cash and cash equivalents to the Statement of Net Position is as follows:

Cash and cash equivalents	$	412,040
Restricted cash		63,113
	$	475,153

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	288,707
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		59,261
Bad debt expense		2,611
Changes in assets and liabilities:		
Accounts receivable - other government		(5,598)
Accounts receivable - tenants		(216)
Accounts receivable - miscellaneous		(36,299)
Prepaid expenses		(1,935)
Accounts payable		(13,577)
Accrued wages and payroll taxes		(34,083)
Accrued compensated absences		(5,636)
Tenant security deposits		(24,391)
Prepaid tenant rent		(16,429)
Deferred inflows of resources		23,667
Deferred outflows of resources		(38,625)
Net pension liability		(49,108)
Net OPEB liability		600
Net cash provided by operating activities	$	148,949

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

B. Basis of Accounting / Financial Statement Presentation

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting / Financial Statement Presentation (continued)

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

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

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

In accordance with 2 CFR 200.305(b)(9), any investment income earned up to $500 on these funds may be retained by the Authority. Amounts in excess of $500 must be remitted annually to the Department of Health and Human Services, Payment Management System.

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs

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

Public and Indian Housing Program
The Public and Indian Housing program is designed to provide low-cost housing within the Borough of Keansburg. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program. On April 16, 2019, The Authority converted its public housing units to section 8 project based vouchers through HUD's Rental Assistance Demonstration ("RAD") program and as such the Authority no longers operates this program.

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

Public Housing Capital Fund Program
The purpose of the Public Housing Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD. On April 16, 2019, The Authority converted its public housing units to section 8 project based vouchers through HUD's RAD program and as such the Authority no longers operates this program.

Business Activities Fund
The Business Activities Fund is utilized as part of the RAD program. RAD was created in order to give public housing authorities ("PHA") a powerful tool to preserve and improve public housing properties. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards rent. The Business Activities Fund holds the mortgage notes from the sale of the Authority's public housing units.

E. Use of Management Estimates

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents

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

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

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

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

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

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

G. Accounts Receivable, Net

The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed for protable tenants participating in the Housing Choice Vouchers program.

An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason.

H. Allowance for Doubtful Accounts

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Notes Receivable

The Authority has utilized funds in accordance with HUD guidelines to assist in the construction and redevelopment of an affordable housing development through the issuance of mortgage notes. When preparing financial statements in accordance with GAAP, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property, the property's ability to generate positive cash flow, and current economic trends and conditions.

J. Prepaid Expenses

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

K. Capital Assets

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

♦	Furniture, Fixtures and Equipment	3 - 10 Years
♦	Site Improvements	15 Years
♦	New Buildings	40 Years

The Authority has established a capitalization threshold of $1,000.

L. Impairment of Long Lived Assets

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

M. Accrued Compensated Absences

Accrued compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at their current salary. Accumulated sick leave will be paid up to 50% of an employee's accumulated sick days up to $7,500.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Inter-Program Receivables and Payables

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

O. Operating Revenues and Expenses

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

P. Taxes

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

Q. Deferred Outflows / Inflows of Resources

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

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

R. Pensions

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

S. Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its programs receiving federal expenditure awards. The Authority also adopts an annual entity wide budget which is filed with the State of New Jersey Department of Community Affairs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Equity Classifications

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

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

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

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

NOTE 2. CASH DEPOSITS

As of September 30, 2019, the carrying amount of the Authority's cash deposits was $475,153, and the bank balances approximated $515,987.

Of the bank balances, $258,659 was covered by federal depository insurance and the remaining $257,328 was collateralized with the pledging financial institution as of September 30, 2019.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2019, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following at September 30, 2019:

Description	Amount
Accounts receivable - miscellaneous	$ 900
Accounts receivable - other government	5,598
	$ 6,498

A. Accounts receivable - miscellaneous

Accounts receivable - miscellaneous consist of reimbursements due from HCV program participants.

B. Accounts receivable - other government

Accounts receivable - other government consist of amounts due from other housing authorities for portable tenants in the Section 8 Housing Choice Vouchers program.

Management estimates that all accounts receivable are collectable, and as such has made no allowance for doubtful accounts.

NOTE 4. RESTRICTED DEPOSITS

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

NOTE 5. PAYMENTS IN LIEU OF TAXES

Under Federal, State and Local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes ("PILOT") in accordance with the provisions of its Cooperation Agreement with the Borough of Keansburg. Under the Cooperation Agreement, the Authority must pay the Borough of Keansburg the lesser of 10% of its net shelter rent or the approximate full real property taxes. For the year ended September 30, 2019, the Authority incurred PILOT expense in the amount of $3,334, which is included in accounts payable in the Statement of Net Position.

NOTE 6. CAPITAL ASSETS, NET

A summary of the changes in capital assets for the year ended September 30, 2019 is as follows:

Description	September 30, 2018	Additions	Disposals	Transfers	September 30, 2019
Non-depreciable capital assets:					
Land	$ 61,690	$ -	$ -	$ -	$ 61,690
Construction in Progress	19,337	-	-	(19,337)	-
Total	81,027	-	-	(19,337)	61,690
Depreciable capital assets:					
Buildings and Improvements	3,356,748	77,207	(3,453,292)	19,337	-
Furniture and Equipment	269,067	-	(269,067)	-	-
Total	3,625,815	77,207	(3,722,359)	19,337	-
Less: accumulated depreciation	(2,671,265)	(59,261)	2,730,526	-	-
Net capital assets	$ 1,035,577	$ 17,946	$ (991,833)	$ -	$ 61,690

Depreciation expense for the year ended September 30, 2019 amounted to $59,261.

On April 18, 2019, the Authority sold all assets other than land to Granville Towers Urban Renewal Associates, LP as part of the Authority's conversion of its public housing units to project based vouchers through HUD's RAD program.

NOTE 7. NOTES RECEIVABLE

At September 30, 2019, notes receivable consisted of the following:

Description	Amount
The Authority entered into a loan with Granville Towers Urban Renewal Associates, LP on April 18, 2019 in the original amount of $2,697,047, and bears interest at a rate of 3.15%. Granville Towers Urban Renewal Associates, LP also received a subordinate permanent financing commitment from the Authority in the amount of $1,402,953. The total loan amount was equal to $4,100,000. The loan is shown on the statement of net position net of the deferred gain on the sale of fixed assets in the amount of $3,127,504. The loan matures in April, 2049, and is secured by real property. Accrued interest as of September 30, 2019 totaled $35,399. The Authority does not anticipate collecting this amount and has established an allowance for doubtful accounts for the entire amount of accrued interest.	$ 972,496

NOTE 8. PENSION PLAN

A. Plan Description

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

B. Benefits

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

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

Service retirement benefits of $1/55^{th}$ of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{th}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

Early retirement benefits are available to tiers one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age at which a member can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

NOTE 8. PENSION PLAN (continued)

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by all active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

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

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

At September 30, 2019, the Authority reported a liability of $278,695, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, and rolled forward to June 30, 2019.

For the year ended September 30, 2019, the Authority recognized pension expense of $15,045. At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 27,829	$ 96,734
Changes in Proportion	26,518	132,861
Differences between expected and actual experience	5,002	1,231
Net differences between actual and projected earnings on pension plan investments	-	4,399
Total	$ 59,349	$ 235,225

Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

NOTE 8. PENSION PLAN (continued)

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

Year ending December 31:	Amount
2020	$ (20,355)
2021	(66,031)
2022	(58,962)
2023	(27,686)
2024	(2,842)
	$ (175,876)

E. Actuarial Assumptions

The collective total pension liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary increases: Through 2026	2.00 - 6.00% based on years of service
Thereafter	3.00 - 7.00% based on years of service
Investment rate of return	7.00%

Pre-mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial adjustments used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

F. Long-Term Expected Rate of Return

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class, including the PERS's target asset allocation as of June 30, 2019, are summarized in the following table:

NOTE 8. PENSION PLAN (continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

G. Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.28 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.28 percent) or 1 percentage point higher (7.28 percent) than the current rate.

	1% Decrease (5.28%)	Discount Rate (6.28%)	1% Increase (7.28%)
Authority's proportionate share of the net pension liability	$ 354,486	$ 278,695	$ 218,403

NOTE 9. OTHER POST-RETIREMENT BENEFITS PLAN

A. Plan Description

The State Health Benefit Local Government Retired Employees Plan ("SHBP") is a cost-sharing multiple-employer defined benefit OPEB plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). It covers employees of local government employers that have adopted a resolution to participate in the SHBP. For additional information about SHBP, please refer to the Division's Comprehensive Annual Financial Report, which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

B. Benefits

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

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

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2019, the Authority reported a liability of $605,645, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and rolled forward to June 30, 2019.

NOTE 9. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

For the year ended September 30, 2019, the Authority recognized OPEB expense of $32,236. At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ 214,627
Changes in Proportion	456,271	170,718
Differences between expected and actual experience	-	177,114
Net differences between projected and actual investment earnings on OPEB plan investments	499	-
Contributions paid subsequent to the measurement date	15,059	-
Total	$ 471,829	$ 562,459

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31:	Amount
2020	$ (14,761)
2021	(14,761)
2022	(14,770)
2023	(14,784)
2024	(14,798)
Thereafter	(16,756)
	$ (90,630)

D. Actuarial Assumptions

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions:

Inflation Rate	2.50%
Salary increases:	
Through 2026	2.00 to 6.00% based on years of service
Thereafter	3.00 to 7.00% based on years of service

Mortality rates were based on the Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using the MP-2019 scale.

NOTE 9. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

D. Actuarial Assumptions (continued)

Certain actuarial assumptions used in the July 1, 2018 valuation were based on the results of the pension plans' experience studies prepared for July 1, 2014 to June 30, 2018. 100% of active members are considered to participate in the Plan upon retirement.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2019. This represents the municipal bond return rate chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Authority's proportionate share of the net OPEB liability	$ 700,280	$ 605,645	$ 528,742

G. Healthcare Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% trend rate after eight years.

H. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the healthcare trend rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Authority's proportionate share of the net OPEB liability	$ 511,090	$ 605,645	$ 726,266

NOTE 10. NON-CURRENT LIABILITIES

Non-current liabilities activity for the year ended September 30, 2019 consisted of the following:

Description	September 30, 2018	Additions	Reductions	September 30, 2019	Amounts due within one year
Capital fund revenue bonds	$ 150,000	$ -	$(150,000)	$ -	$ -
Net pension liability	327,803	-	(49,108)	278,695	-
Net OPEB liability	605,045	600	-	605,645	-
Accrued compensated absences	6,915	-	(5,636)	1,279	1,279
Total	$ 1,089,763	$ 600	$(204,744)	$ 885,619	$ 1,279

NOTE 11. RESTRICTED NET POSITION

At September 30, 2019, restricted net position consisted of housing assistance payment reserves which are restricted for rent payments to landlords as part of the Section 8 Housing Choice Vouchers program.

NOTE 12. GROUND LEASE AGREEMENT

On April 18, 2019, the Authority entered into a 99 year ground lease with Granville Towers Urban Renewal Associates, LP as part of the Authority's conversion of its public housing units to project based vouchers under HUD's RAD program. The leased premises contains the building and all improvements associated with an eighty unit apartment complex. Annual base rental is $1 per annum.

NOTE 13. RISK MANAGEMENT

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

NOTE 14. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of September 30, 2019, the Authority estimates that no material liabilities will result from such audits.

NOTE 15. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through July 22, 2020 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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

To the Board of Commissioners of
Housing Authority of the Borough of Keansburg:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Borough of Keansburg (the "Authority"), which comprise the statement of financial position as of September 30, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2020.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Novogradac & Company LLP

July 22, 2020
Toms River, New Jersey

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

To the Board of Commissioners of
Housing Authority of the Borough of Keansburg:

Report on Compliance for the Major Federal Program

We have audited the Housing Authority of the Borough of Keansburg's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of New Jersey OMB Circular 15-08 that could have a direct and material effect on the Authority's major federal programs for the year ended September 30, 2019. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of New Jersey OMB Circular 15-08. 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 the 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 September 30, 2019.

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Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2019-001. Our opinion on the major federal programs is not modified with respect to this matter.

The Authority's response to the noncompliance finding 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance finding 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Novogradac & Company LLP

July 22, 2020
Toms River, New Jersey

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period From	Grant Period To	Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
U.S. Department of Housing and Urban Development							
Public and Indian Housing Program	14.850	N/A	1/1/18	12/31/19	$ 592,489	$ 357,646	$ 506,985
Section 8 Housing Choice Vouchers Program	14.871	N/A	10/1/18	09/30/19	4,026,072	4,026,072	4,026,072
Public Housing Capital Fund Program	14.872	N/A	4/13/15	4/15/23	333,373	230,500	306,533
Total U.S. Department of Housing and Urban Development					4,951,934	4,614,218	4,839,590
Total expenditures of federal awards					$ 4,951,934	$ 4,614,218	$ 4,839,590

See accompanying notes to the Schedule of Expenditures of Federal Awards

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended September 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

The total amounts of Capital Fund Program Costs and Advances incurred and earned by the Authority as of and for the year ended September 30, 2019 are provided herein.

	501-15	501-17	501-18	501-19	Totals
Budget	$ 61,469	$ 65,168	$ 100,955	$ 105,781	$ 333,373
Advances:					
Cumulative through 9/30/18	$ 59,469	$ 15,564	$ -	$ -	$ 75,033
Current Year	2,000	48,604	100,955	78,941	230,500
Cumulative through 9/30/19	61,469	64,168	100,955	78,941	305,533
Costs:					
Cumulative through 9/30/18	59,469	15,564	-	-	75,033
Current Year	2,000	48,604	100,955	78,941	230,500
Cumulative through 9/30/19	61,469	64,168	100,955	78,941	305,533
Excess / (Deficiency)	$ -	$ -	$ -	$ -	$ -

HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

1.	Internal control over compliance:		
	a.	Material weakness(es) identified?	No
	b.	Significant deficiency(ies) identified?	Yes
2.	Type of auditors' report on compliance for major programs:		Unmodified
3.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes
4.	Identification of major programs:		

CFDA Number	Name of Federal Program
14.871	Section 8 Housing Choice Vouchers

5.	Dollar threshold used to distinguish between Type A and Type B Programs:	$750,000
6.	Auditee qualified as low-risk Auditee?	No