

HOUSING AUTHORITY OF THE
CITY OF HACKENSACK
Hackensack, New Jersey

FINANCIAL STATEMENTS
For the Years Ended
September 30, 2018 and 2017

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
FINANCIAL STATEMENTS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

At September 30, 2018

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A- Financial Highlights

1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$18,022,482 (net position) as opposed to \$19,984,746 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 \$(3,730.814) as opposed to \$(467,020) in the prior fiscal year.

3 – The Authority's unrestricted cash and cash equivalent at September 30, 2018 was \$3,375,127 representing a decrease of \$526,021 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$6,366,032, and Total Operating Expenses of \$5,452,729 for the year ended September 30, 2018.

5 – The Authority's capital outlays for the fiscal year were \$1,169,730 of which \$676,467 was funded by the Capital Fund Program.

6 – The Authority's Expenditures of Federal Awards amounted to \$998,182 for the current fiscal year.

B – Using the Annual Report

1 – Management's Discussion and Analysis

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

2 – General Purpose Financial Statements

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

The Statement of Net Position presents information on all the Authority's assets and 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 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 8 through 10.

3 – Notes To Financial Statements

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

4 – Supplemental Information

The Schedule of Expenditures of Federal Awards, Schedule of Proportionate Share of Pension Liability of Public Employees Retirement System and Schedule of Authority Contribution to the Public Employees Retirement System are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule of Expenditures of Federal Awards can be found on page 27 of this report. The Schedule of Proportionate Share of Pension Liability of Public Employees Retirement System and Schedule of Authority Contribution to the Public Employees Retirement System can be found on pages 33 and 34, respectively.

C – The Authority as a Whole

The Authority's Total Net Position decreased by \$1,962,264. The decrease was primarily caused by the adoption of GASB 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions Under GASB 75 the Authority was required to adjust its beginning equity by \$2,909,425 to properly reflect the entire liability to the Pension System.

The Authority's Net Position increased by \$947,161 during the fiscal year as detailed below. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues exceed expenses by \$913,303, excluding depreciation for the fiscal year September 30, 2018. However Net Position decreased due to the recording of depreciation which affects only the Net Investment in Capital Assets component of Equity.

By far, the largest portion of the Authority's net position reflects Net 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, 2018, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the excess of revenues over expenses, when adjusted by depreciation expense, the Authority's Net Position increased during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

E – Capital Assets and Debt Administration

As of September 30, 2018, the Authority's investment in capital assets for its Proprietary Fund was \$22,282,043 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Additional information on the Authority's capital assets can be found in Note 4 to the Financial Statements which is included in this Report.

2 – Long Term Debt

During the fiscal year ended September 30, 2005, the Authority entered into a Capital Fund Leveraging Pool. The New Jersey Housing and Mortgage Finance Agency issued bonds and the funds were distributed to the Housing Authority. In December 2004, the Authority received \$4,217,333 to be used for capital improvements to its buildings. Further details can be found in the Note 7 to the financial statements. On July 14, 2017 the Housing Authority converted all of its housing units to HUD's Rental Assistance Demonstration Program (RAD). At the same time it entered into a \$3,150,000 term loan note. The proceeds of the note were used to repay the NJ HMFA Revenue Bonds. The remaining proceeds of the note will be used to make capital improvements to the Authority's housing units.

F – Significant Changes from FYE September 30, 2017 to September 30, 2018

Restricted Cash increased due to the conversion to RAD. The proceeds will be used to fund capital improvements to the housing units and fund the replacement reserve fund.

Accounts Receivable Other increased due to a balance receivable of \$310,000 from the Edgewater Housing Authority for HAP payments.

The Authority's rental revenue increased by \$1,785,637 during the current fiscal year while HUD grants decreased by \$1,021,659. The Authority transitioned to RAD during fiscal year which will eliminate both operating and capital fund subsidy received from HUD. Instead, they will receive a HAP payment and related administrative fee. Tenant rents increased due to approximately 35 tenants changing from flat rents to 30% of income. Additionally, the HAP received is also being charged to tenants rent. HAP payments received under the RAD program were \$1,657,586.

Accounts Payable decreased due to accounting fees and costs related to the RAD conversion in the prior year.

Accrued Pension and OPEB liabilities increased by a net \$2,719,017, due to the annual expenses associated with the GASB 68 pension and adoption of GASB 75 for OPEB liabilities.

Other Revenue increased due to a management fee from the Edgewater Housing Authority for recertifying the tenants of the RAD program.

Protective Services costs decreased due to a negotiation of contract.

Other General Expenses decreased by \$283,506. During 2017, the Authority converted to RAD and included related costs in this account. The Authority did not incur related costs in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

H – 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, 2019:

1 – The state of the economy, particularly in light of current world affairs.

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

I – Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances. 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 City of Hackensack, 65 First Street, Hackensack, NJ or call (201) 342-4280.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Computation of Net Position are as Follows:

	Year End <u>9/30/2017</u>	Year End <u>9/30/2017</u>	<u>Variance</u>
Cash and Other Current Assets	\$ 6,788,232	\$ 6,105,867	\$ 682,365
Capital Assets - Net	22,282,043	21,930,467	351,576
Deferred Outflow of Resources	<u>556,963</u>	<u>710,709</u>	<u>(153,746)</u>
Total Assets	29,627,238	28,747,043	1,033,941
Less: Liabilities	9,915,193	8,166,034	1,749,159
Less: Deferred Inflow of Resources	<u>806,266</u>	<u>596,263</u>	<u>210,003</u>
Net Position	<u>18,905,779</u>	<u>19,984,746</u>	<u>(715,218)</u>
Net Investment in Capital Assets	19,188,937	18,784,550	404,387
Restricted Net Position	2,564,359	1,667,216	897,143
Unrestricted Net Position	<u>(3,730,814)</u>	<u>(467,020)</u>	<u>(3,263,794)</u>
Total Net Position	<u>\$ 18,022,482</u>	<u>\$ 19,984,746</u>	<u>\$ (1,962,264)</u>

Computation of Changes in Net Position are as Follows:

Revenues

Tenant Revenues	\$ 4,607,666	\$ 2,822,029	\$ 1,785,637
HUD Subsidies	998,182	2,019,841	(1,021,659)
Other Revenues	<u>760,184</u>	<u>498,059</u>	<u>262,125</u>
Total Operating Revenues	<u>6,366,032</u>	<u>5,339,929</u>	<u>1,026,103</u>

Expenses

Total Operating Expenses	4,583,989	4,997,642	(413,653)
Extraordinary Maintenance	50,586	37,146	13,440
Depreciation Expense	<u>818,154</u>	<u>980,550</u>	<u>(162,396)</u>
Total Operating Expenses	<u>5,452,729</u>	<u>6,015,338</u>	<u>(562,609)</u>

Excess (Deficiency) of Operating Revenues over Expenses	913,303	(675,409)	1,588,712
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Non-Operating Income

Interest on Investments	<u>33,858</u>	<u>30,523</u>	<u>3,335</u>
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Excess of Revenues over Expenses Before Capital Grants Received	947,161	(644,886)	1,592,047
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Capital Grants

HUD Capital Grants	<u>-</u>	<u>237,907</u>	<u>(237,907)</u>
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Current Year Excess/(Deficiency)	947,161	(406,979)	1,354,140
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Net Position - Prior	19,984,746	20,391,725	(406,979)
Prior Period Adjustment	<u>(2,909,425)</u>	<u>-</u>	<u>(2,909,425)</u>
Total Net Position	<u>\$ 18,022,482</u>	<u>\$ 19,984,746</u>	<u>\$ (1,962,264)</u>



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Hackensack
Hackensack, New Jersey

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Hackensack ("the Authority") which are comprised of the Statement of Net Position as of September 30, 2018 and 2017 and the related Statement of Revenues, Expenses and Changes in Net Position and Cash Flows and Notes to the financial statements for the for the year ended.

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 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 City of Hackensack, as of September 30, 2018 and 2017, 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.

Emphasis of Matter

The Authority adopted Governmental Accounting Standards Board Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Pensions – an Amendment of GASB Statement No. 45. Our opinion is not modified with respect to this matter.

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Hackensack. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Additionally, the Statement and Certification of Completed Capital Fund Program Grants is supplemental information and is presented for the purpose of additional analysis and is not a required part of these financial statements.

The financial data schedule, the schedule of expenditures of federal awards, and the Schedule of Proportionate Share of the Net pension Liability of the Public Employees System 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 21, 2018 on our consideration of the Housing Authority of the City of Hackensack's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
June 27, 2019

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
 Hackensack, New Jersey
COMPARATIVE STATEMENT OF NET POSITION
 At September 30, 2018 and 2017

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 3,375,127	\$ 3,901,148
Cash - Restricted	2,564,359	1,667,216
Cash - Tenant Security Deposits	200,149	197,326
Accounts Receivable - Tenants (Net of Allowance of \$7,929 and \$8,126 respectively)	14,751	6,949
Investments	231,812	230,075
Accounts Receivable - Other	351,731	56,731
Accrued Interest Receivable	134	144
Prepaid Expenses	50,169	46,278
Total Current Assets	<u>6,788,232</u>	<u>6,105,867</u>
<u>FIXED ASSETS</u>		
Land	2,202,669	2,202,669
Buildings	27,774,017	27,774,017
Dwelling Equipment	774,723	706,406
Furniture & Fixtures	968,195	842,305
Leasehold Improvements	4,950,729	4,950,729
Construction in Process	1,475,589	500,066
Total Fixed Assets	38,145,922	36,976,192
Less: Accumulated Depreciation	<u>(15,863,879)</u>	<u>(15,045,725)</u>
Net Fixed Assets	<u>22,282,043</u>	<u>21,930,467</u>
Deferred Outflow of Resources	556,963	710,709
Total Assets	<u>\$ 29,627,238</u>	<u>\$ 28,747,043</u>

LIABILITIES, NET POSITION AND DEFERRED INFLOW OF RESOURCES

CURRENT LIABILITIES

Accounts Payable:		
Vendors and Contractors	\$ 97,014	\$ 146,816
Wages	29,133	22,496
Other	86,303	113,653
Due to Tenants:		
Security Deposits	200,149	197,326
Accrued Liabilities:		
Compensated Absences	21,944	19,906
Payment in Lieu of Taxes	381,996	361,150
Current Portion Long Term Debt	55,135	53,550
Deferred Revenues:		
Tenant Prepaid Rents	11,623	18,907
Total Current Liabilities	<u>883,297</u>	<u>933,804</u>

LONG TERM LIABILITIES

Compensated Absences	197,493	179,151
Long Term Debt	3,037,971	3,092,367
Accrued Pension and OPEB Liability	6,679,729	3,960,712
Total Long Term Liabilities	<u>9,915,193</u>	<u>7,232,230</u>
Total Liabilities	<u>10,798,490</u>	<u>8,166,034</u>
Deferred Inflow of Resources	806,266	596,263

NET POSITION

Net Investment in Capital Assets	19,188,937	18,784,550
Restricted	2,564,359	1,667,216
Unrestricted	<u>(3,730,814)</u>	<u>(467,020)</u>
Total Net Position	<u>18,022,482</u>	<u>19,984,746</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
 Hackensack, New Jersey
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Dwelling Rentals	\$ 4,607,666	\$ 2,822,029
HUD Operating Grants	998,182	2,019,841
Other Income	<u>760,184</u>	<u>498,059</u>
Total Revenues	<u>6,366,032</u>	<u>5,339,929</u>
EXPENSES		
Administration	951,944	1,046,697
Tenant Services	288,587	366,682
Utilities	963,907	988,212
Ordinary Maintenance & Operations	1,406,295	1,287,818
Protective Services	100,000	175,000
General Expense	738,741	1,022,247
Nonroutine Maintenance	50,586	37,146
Depreciation Expense	818,154	980,550
Interest Expense	<u>134,515</u>	<u>110,986</u>
Total Operating Expenses	<u>5,452,729</u>	<u>6,015,338</u>
Operating Income/(Loss)	913,303	(675,409)
Non Operating Revenues/(Expenses):		
Interest Income Unrestricted	19,271	20,671
Interest Income Restricted	<u>14,587</u>	<u>9,852</u>
Net Operating Income/(Loss) Before Contributions and Transfers	947,161	(644,886)
Capital Grants	<u>-</u>	<u>237,907</u>
Net Income/(Loss)	947,161	(406,979)
Beginning Net Position	<u>19,984,746</u>	<u>20,391,725</u>
Prior Period Adjustment	<u>(2,909,425)</u>	<u>-</u>
Ending Net Position	<u>\$ 18,022,482</u>	<u>\$ 19,984,746</u>

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
 Hackensack, New Jersey
COMPARATIVE STATEMENT OF CASH FLOWS
 For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Income	\$ 4,592,580	\$ 2,820,633
From Government Agencies for Operating Grants	998,182	2,255,853
From Other Operating Revenues	465,184	490,418
Cash Paid		
To Employees for Operations	(898,917)	(827,443)
To Suppliers for Operations	<u>(3,595,497)</u>	<u>(3,665,715)</u>
Net Cash Provided by Operating Activities	<u>1,561,532</u>	<u>1,073,746</u>
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	-	237,907
Repayment of Long Term Debt	(52,811)	(2,519,083)
Proceeds from Borrowings	-	3,150,000
Acquisition of Property & Equipment	<u>(1,169,730)</u>	<u>(591,781)</u>
Net Cash Used by Capital & Related Financing Activities	<u>(1,222,541)</u>	<u>277,043</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash Received from Sale of Investments	(1,737)	1,521,524
Cash Received for Tenant Security Deposits	2,823	11,781
Investment Income	<u>33,868</u>	<u>31,217</u>
Net Cash Provided by Investing Activities	<u>34,954</u>	<u>1,564,522</u>
Net Increase (Decrease) in Cash & Cash Equivalents	373,945	2,915,311
Cash & Equivalents at Beginning of Period	<u>5,765,690</u>	<u>2,850,379</u>
Cash & Equivalents at End of Period	<u>\$ 6,139,635</u>	<u>\$ 5,765,690</u>
<u>RECONCILIATION OF OPERATING INCOME/(LOSS)</u> <u>TO NET CASH PROVIDED/(USED) IN OPERATIONS</u>		
Operating Income/(Loss)	\$ 913,303	\$ (675,409)
Adjustments to reconcile Operating Income/(Loss) to Net Cash Provided/(Used) in Operating Activities:		
Depreciation	818,154	980,550
Deferred Outflow of Resources	153,746	316,866
Deferred Inflow of Resources	210,003	508,716
RAD Costs Previously Capitalized, Expensed in Current Year	-	85,523
Decrease (Increase) in Assets		
Accounts Receivable - Tenants	(7,802)	(3,689)
Accounts Receivable - Other	(295,000)	(7,641)
Accounts Receivable HUD	-	236,012
Prepaid Expenses	(3,891)	(2,973)
Increase/(Decrease) in Liabilities		
Accounts Payable	(70,515)	31,609
PILOT Payable	20,846	39,948
Accrued Expenses	20,380	(30,679)
Accrued Pension and OPEB Liability	(190,408)	(407,380)
Deferred Revenues - Prepaid Rents	<u>(7,284)</u>	<u>2,293</u>
Net Cash Provided to Operating Activities	<u>\$ 1,561,532</u>	<u>\$ 1,073,746</u>

Cash paid for Interest was \$122,403

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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

A. Organization – The Housing Authority of the City of Hackensack (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 U.S. Department of Housing and Urban Development and 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 City of Hackensack. 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.

On July 14, 2017, the Authority converted all its public housing properties to HUD's Rental Assistance Demonstration Program (RAD). Under RAD the PHA will cease to receive operating and capital fund subsidies but rather will receive HAP Payments to subsidize tenants rent. Simultaneously, the Authority entered into a shared services agreement with the Edgewater Housing Authority to act as the contract administrator under each RAD PBV HAO contract between the Authority and Edgewater Housing Authority.

C. Significant Accounting Policies

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

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

b. Report Presentation – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority also 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 supplements Statement No. 34.

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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

Statement No. 34 established standards for all state and local governmental entities that include a statement of net assets, a statement of activities and a statement of cash flows. It requires the classification of net assets into three components – Invested in Capital Assets, Net of Related Debt; Restricted Net Assets and Unrestricted Net Assets. Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position" requires the re-naming of the Statement of Net Assets to the Statement of Net Position.

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position. These classifications are defined as follows:

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

Restricted Net Position – This component includes net position 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 position that does not meet the definition of Restricted Net Position or 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 assets 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 basis.

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

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

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

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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

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

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

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower 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 or 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 AU 360.

15. The Housing Authority has adopted GASB 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 of Commissioners 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. The Authority adopted 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 6 to these financial statements.

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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

e. **New Accounting Pronouncements** - During the current fiscal year, the Authority was required to adopt GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources and expense, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This standard replaces the requirements of GASB Statement No. 45. This standard was adopted and is effective as of July 1, 2017. The standard is applied retroactively, resulting in the restatement of other postemployment benefit liabilities and a prior period adjustment reducing unrestricted net position as of September 30, 2017 by \$2,909,425. Additional information regarding the adoption of GASB 75 can be found in Note 9 to these financial statements.

NOTE 2 – Cash and Cash Equivalents

The Authority maintains cash, cash equivalents and investments in local banks. The funds are covered by collateral agreements that require the institution to pool collateral for all governmental deposits. In addition, the collateral must be held by an approved custodian in the Authority's name. Cash and cash equivalents of \$6,139,635 and \$5,765,690 at September 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Checking Accounts	\$ 3,374,677	\$ 3,900,998
Restricted Cash	2,564,359	1,667,216
Security Deposits	200,149	197,326
Petty Cash	450	150
	<u>\$ 6,139,635</u>	<u>\$ 5,765,690</u>

The carrying amount of the Authority's cash and cash equivalents on deposit as of September 30, 2018 was \$6,139,635 and the bank balances were \$6,178,825. Of the bank balances, \$257,053 was covered by FDIC insurance and \$5,921,772 was covered by a third party collateral agreement.

The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above, \$5,921,772 of the Authority's deposits exceeded FDIC insurance and were collateral agreements required by the State of New Jersey.

NOTE 3 – Investments

The Authority's investments include two certificates of deposit with a maturity greater than one year from the date of purchase and are 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.

Investments consisted of the following at September 30, 2018 and 2017:

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 – Investments - Continued

	<u>2018</u>
Certificate of Deposits with a maturity date of six months from the date of acquisition	<u>\$ 231,812</u>

	<u>2017</u>
Certificate of Deposit with a maturity of one year from date of acquisition	<u>\$ 230,075</u>

Investments are measured at fair value. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are adjusted quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 inputs provide the most realizable measure of fair value as of the measurement date.

Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 inputs are significant unobservable inputs for the asset or liability. The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

All of the Authority's investments at September 30, 2018 and 2017 are included in Level 1 of the hierarchy.

NOTE 4 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, and improve the facilities of the Authority and are stated at cost, less accumulated depreciation. The following is a summary of the fixed asset changes for the fiscal years ended September 30, 2018 and 2017

	<u>Oct 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Other</u>	<u>Sep 30, 2018</u>
Land	\$ 2,202,669	\$ -	\$ -	\$ -	\$ 2,202,669
Buildings & Improvements	27,774,017	-	-	-	27,774,017
Furniture & Equipment- Dwelling	706,406	68,317	-	-	774,723
Furniture & Equipment - Admin	842,305	125,890	-	-	968,195
Leasehold Improvements	4,950,729	-	-	-	4,950,729
Construction in Progress	500,066	975,523	-	-	1,475,589
Total	<u>36,976,192</u>	<u>1,169,730</u>	<u>-</u>	<u>-</u>	<u>38,145,922</u>
Accumulated Depreciation	<u>(15,045,725)</u>	<u>(818,154)</u>	<u>-</u>	<u>-</u>	<u>(15,863,879)</u>
Net	<u>\$ 21,930,467</u>	<u>\$ 351,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,282,043</u>

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 4 - Fixed Assets - Continued

	<u>Oct 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Other</u>	<u>Sep 30, 2017</u>
Land	\$ 2,202,669	\$ -	\$ -	\$ -	\$ 2,202,669
Buildings & Improvements	27,465,514	112,040	-	196,463	27,774,017
Furniture & Equipment- Dwelling	685,936	20,470	-	-	706,406
Furniture & Equipment - Admin	817,403	24,902	-	-	842,305
Leasehold Improvements	4,950,729	-	-	-	4,950,729
Construction in Progress	347,683	434,370	(85,524)	(196,463)	500,066
Total	36,469,934	591,782	(85,524)	-	36,976,192
Accumulated Depreciation	(14,065,175)	(980,550)	-	-	(15,045,725)
Net	<u>\$ 22,404,759</u>	<u>\$ (388,768)</u>	<u>\$ (85,524)</u>	<u>\$ -</u>	<u>\$ 21,930,467</u>

Expenditures are capitalized when they meet the Authority's Capitalization Policy requirements. Under that policy, assets purchased or constructed at a cost not exceeding \$1,000 are expensed when incurred. Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

	<u>Years</u>
Buildings	40
Components	20
Site Improvements	15
Furniture	10
Equipment	5
Vehicles	5
Computers	3

Depreciation expense for the fiscal years ended September 30, 2018 and 2017 was \$818,154 and \$980,550 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 entered into a new agreement with the city and is now required to make a payment in lieu of taxes (PILOT) in accordance with the provisions of its Cooperation Agreement with the City of Hackensack. 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 year ended September 30, 2018 and 2017 PILOT expense of \$198,617 and \$177,771 was accrued respectively.

NOTE 5 – Accrued Compensated Absences

Accrued compensated absences of \$219,437 and \$199,057 at September 30, 2018 and 2017 respectively represents amounts to which employees are entitled to based on accumulated leave earned in accordance with the authority's Personnel Policy. Employees may be compensated for accumulated vacation leave up to one year in the event of retirement from service at the current salary. Employees may be compensated for sick leave at retirement or termination at 75-100% of the earned, accrued and unused sick leave at the current salary to a maximum of \$15,000. The current portion was \$21,944 and \$19,906 respectively at September 30, 2018 and 2017.

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 6 – Pension Plan

General Information about the Pension Plan

Plan Description - The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at the following website: www.state.nj.us/treasury/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 $1/55^{\text{th}}$ of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and 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. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount 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 the noncontributory group benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

The housing authority's 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

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 6 – Pension Plan - Continued

with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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

At the June 30, 2018 and June 30, 2017 measurement dates, the Authority reported \$2,256,516 and \$2,578,033, 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, 2018 and June 30, 2017 were 0.0001146051% and 0.0110747790%, respectively.

The components of the Authority's net pension liability as of June 30, 2018, the most recent evaluation date is as follows:

	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 4,862,875	\$ 4,967,301
Plan Fiduciary Net Position	<u>2,606,357</u>	<u>2,389,269</u>
Net Pension Liability	<u>\$ 2,256,517</u>	<u>\$ 2,578,032</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, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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%

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 6 – Pension Plan - Continued

Pre-retirement mortality rates were based on the RP-2000 Employee Mortality Table for male and female active participants. For Authority employees, mortality tables were set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements. In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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, 2018 are summarized in the following table:

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 6 – Pension Plan - Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S Equities	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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 6 – Pension Plan - 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, 2018 and June 30, 2017, 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 June 30	
	At 1%	Discount	At 1%
	<u>Decrease</u>	<u>Rate</u>	<u>Increase</u>
2018	\$ 2,837,311	\$ 2,256,517	\$ 1,769,269
2017	\$ 3,198,223	\$ 2,578,032	\$ 2,061,335

For the year ended September 30, 2018, the Authority recognized pension expense of \$113,995. At September 30, 2018 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018 Deferred Outflows of Resources	2018 Deferred Inflows of Resources	2017 Deferred Outflows of Resources	2017 Deferred Inflows of Resources
Changes of assumptions	\$ 371,837	\$ 721,514	\$ 519,385	\$ 517,480
Differences between expected and actual experience	43,032	11,635	60,704	-
Net differences between projected and actual earnings on plan investments	-	21,166	17,555	-
Changes in proportion	142,094	51,951	113,065	78,783
Authority's contributions subsequent to the measurement date	-	-	-	-
TOTAL	\$ 556,963	\$ 806,266	\$ 710,709	\$ 596,263

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 previous 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) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57, 5.72 and 6.44 for the years 2018, 2017, 2016, 2015 and 2014 respectively

Year ended June 30:

<u>Year</u>	<u>Amortization</u>
2019	\$ (25,697)
2020	35,578
2021	255,123
2022	221,145
2023	70,814
Total	\$ 556,963

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 7 – Long Term Debt

During the fiscal year ended September 30, 2005, 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 \$4,335,000. The related closing costs of \$117,667 are to be amortized over the 20 year life of the bonds. The net funds received from the leveraging pool were restricted and spent in accordance with the Authority's Capital Fund Budget within four years.

On July 14, 2017, the Authority converted all of its public housing units to HUD's Rental Assistance Demonstration Program or RAD. Simultaneously they entered into a \$3,150,000, 4.25% fixed interest note. The note is being amortized over 18 years and has a balloon payment of \$1,761,570 on the maturity date, August 1, 2035. Principal and interest payments are \$15,611 and began on September 1, 2017. The proceeds from the note were used to satisfy the outstanding tax exempt NJ HMFA bonds.

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>
2019	\$ 55,135	\$ 132,197	\$ 187,332
2020	57,195	130,138	187,333
2021	60,072	127,260	187,332
2022	62,712	124,620	187,332
2023	65,469	121,863	187,332
2024-2028	372,425	564,235	936,660
2029-2033	462,213	474,447	936,660
2034-2035	1,957,885	153,565	2,111,450
	<u>\$ 3,093,106</u>	<u>\$ 1,828,325</u>	<u>\$ 4,921,431</u>

NOTE 8 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, and natural disasters for which the Authority carries commercial insurance. During the years ended September 30, 2018 and 2017 the Authority's risk management program consisted of various insurance policies for fire, general liability, crime, auto and public officials' errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

NOTE 9 – Other Post Employee Retirement Benefits (OPEB)

PLAN DESCRIPTION

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

BENEFITS PROVIDED

Vested employees are eligible for postemployment medical care benefits, including prescription drug benefits, as part of the plan. Benefits are insured through the state of New Jersey State health Benefits Program. Retired employees paying Medicare Part B premiums are reimbursed by the Authority under the Plan. Contribution rates for retirees are based on the state of New Jersey's formula under Chapter 78.

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 9 – Other Post Employee Retirement Benefits (OPEB)

EMPLOYEES COVERED UNDER THE PLAN

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

Inactive Employees or Beneficiaries Receiving Benefits	9
Active employees	<u>15</u>
Total Employees included in Plan	<u>24</u>

PLAN ASSETS

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

TOTAL OPEB LIABILITY

The Authority's total other postemployment benefit ("OPEB") liability of \$4,423,213 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

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

Discount Rate	3.9%
Healthcare Cost Trend Rates	9.0% beginning in 2018, decreasing 05% per year until an ultimate trend rate of 5.0% for 2026 and later years
Retiree's Share of Benefit-Related Cost	Contribution rates for future retirees will be based on the state of New Jersey's new contribution formulas per implementation of Chapter 78. Contributions are calculated using a varying formula based on the retirees' base salary at retirement with a minimum of 1.5% of base salary. Contributions for current and future retirees with 20 or more years of service at June 28, 2011 are 0% (non-contributory).

The discount rate is based on the prescribed discount interest rate methodology under GASB 75 based on average of three 20-year indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of September 30, 2018.

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

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

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 9 – Other Post Employee Retirement Benefits (OPEB)

Changes in the Total OPEB Liability are as follows:

Balance at 9/30/2017	\$ 4,292,105
Changes for the Year	
Service Cost	62,529
Interest	165,502
Changes in Benefit Terms	-
Changes in Expected to Actual Experience	-
Changes in Assumptions or Other Inputs	-
Benefit Payments	(96,923)
Net Changes	131,108
Balance at 9/30/2018	<u>\$ 4,423,213</u>

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the Authority as of September 30, 2018, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.9%) or 1 percentage point higher (4.9%) than the current discount rate:

	<u>2.90%</u>		<u>3.90%</u>		<u>4.90%</u>
Total OPEB Liability	\$ 5,412,113	\$	4,423,213	\$	3,698,835

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the Authority as of September 30, 2019, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (8.0% decreasing to 4.0%) or 1 percentage point higher (10.0% decreasing to 6.0%) than the current healthcare cost trend rates:

1% Decrease (8.0% decreasing to 4.0%)	Trend Rates (9.0% decreasing to 5.0%)	1% Decrease (10.0% decreasing to 6.0%)
\$ 3,608,302	\$ 4,423,213	\$ 5,563,047

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

For the year ended September 30, 2018, the Authority recognized OPEB expense of \$131,109. At September 30, 2018, the Authority did not report deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE 10 – Construction Commitments

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

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 11 – Economic Dependency

For the year ended September 30, 2018 and 2017, 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.

Note 12 – 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 27, 2019, 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 CITY OF HACKENSACK
 Hackensack, New Jersey
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended September 30, 2018

	Beginning Balance	Revenue Recognized	Expenditures	Ending Balance
Operating Subsidy (CFDA # 14.850)	\$ -	\$ 321,715	\$ 321,715	\$ -
Capital Fund Program (CFDA # 14.872)	<u>-</u>	<u>676,467</u>	<u>676,467</u>	<u>-</u>
Total Federal Financial Assistance	<u>\$ -</u>	<u>\$ 998,182</u>	<u>\$ 998,182</u>	<u>\$ -</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Hackensack Housing Authority (NJ028)
HACKENSACK, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted		\$3,375,127	\$3,375,127	\$3,375,127
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$2,564,359	\$2,564,359	\$2,564,359
114 Cash - Tenant Security Deposits		\$200,149	\$200,149	\$200,149
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$0	\$6,139,635	\$6,139,635	\$6,139,635
121 Accounts Receivable - PHA Projects		\$299,951	\$299,951	\$299,951
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous		\$51,780	\$51,780	\$51,780
126 Accounts Receivable - Tenants		\$22,680	\$22,680	\$22,680
126.1 Allowance for Doubtful Accounts - Tenants		-\$7,929	-\$7,929	-\$7,929
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		\$134	\$134	\$134
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$366,616	\$366,616	\$366,616
131 Investments - Unrestricted		\$231,812	\$231,812	\$231,812
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets		\$50,169	\$50,169	\$50,169
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$0	\$6,788,232	\$6,788,232	\$6,788,232
161 Land		\$2,202,669	\$2,202,669	\$2,202,669
162 Buildings		\$27,774,017	\$27,774,017	\$27,774,017
163 Furniture, Equipment & Machinery - Dwellings		\$774,723	\$774,723	\$774,723
164 Furniture, Equipment & Machinery - Administration		\$968,195	\$968,195	\$968,195
165 Leasehold Improvements		\$4,950,729	\$4,950,729	\$4,950,729
166 Accumulated Depreciation		-\$15,863,879	-\$15,863,879	-\$15,863,879
167 Construction in Progress		\$1,475,589	\$1,475,589	\$1,475,589
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$22,282,043	\$22,282,043	\$22,282,043
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	\$0	\$22,282,043	\$22,282,043	\$22,282,043
200 Deferred Outflow of Resources		\$556,963	\$556,963	\$556,963

Hackensack Housing Authority (NJ028)
HACKENSACK, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	1 Business Activities	Subtotal	Total
290 Total Assets and Deferred Outflow of Resources	\$0	\$29,627,238	\$29,627,238	\$29,627,238
311 Bank Overdraft				
312 Accounts Payable <= 90 Days		\$97,014	\$97,014	\$97,014
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable		\$29,133	\$29,133	\$29,133
322 Accrued Compensated Absences - Current Portion		\$21,944	\$21,944	\$21,944
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government		\$381,996	\$381,996	\$381,996
341 Tenant Security Deposits		\$200,149	\$200,149	\$200,149
342 Unearned Revenue		\$11,623	\$11,623	\$11,623
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings		\$55,135	\$55,135	\$55,135
345 Other Current Liabilities				
346 Accrued Liabilities - Other		\$86,303	\$86,303	\$86,303
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$0	\$883,297	\$883,297	\$883,297
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings		\$3,037,971	\$3,037,971	\$3,037,971
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current		\$197,493	\$197,493	\$197,493
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities		\$6,679,729	\$6,679,729	\$6,679,729
350 Total Non-Current Liabilities	\$0	\$9,915,193	\$9,915,193	\$9,915,193
300 Total Liabilities	\$0	\$10,798,490	\$10,798,490	\$10,798,490
400 Deferred Inflow of Resources		\$806,266	\$806,266	\$806,266
508.4 Net Investment in Capital Assets		\$19,188,937	\$19,188,937	\$19,188,937
511.4 Restricted Net Position		\$2,564,359	\$2,564,359	\$2,564,359
512.4 Unrestricted Net Position	\$0	-\$3,730,814	-\$3,730,814	-\$3,730,814
513 Total Equity - Net Assets / Position	\$0	\$18,022,482	\$18,022,482	\$18,022,482
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$29,627,238	\$29,627,238	\$29,627,238

Hackensack Housing Authority (NJ028)
HACKENSACK, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue		\$4,607,666	\$4,607,666	\$4,607,666
70400 Tenant Revenue - Other				
70500 Total Tenant Revenue	\$0	\$4,607,666	\$4,607,666	\$4,607,666
70600 HUD PHA Operating Grants	\$998,182		\$998,182	\$998,182
70610 Capital Grants				
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		\$19,271	\$19,271	\$19,271
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		\$760,184	\$760,184	\$760,184
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted		\$14,587	\$14,587	\$14,587
70000 Total Revenue	\$998,182	\$5,401,708	\$6,399,890	\$6,399,890
91100 Administrative Salaries		\$374,317	\$374,317	\$374,317
91200 Auditing Fees		\$8,900	\$8,900	\$8,900
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative		\$342,540	\$342,540	\$342,540
91600 Office Expenses		\$188,201	\$188,201	\$188,201
91700 Legal Expense		\$36,964	\$36,964	\$36,964
91800 Travel		\$3,022	\$3,022	\$3,022
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$0	\$951,944	\$951,944	\$951,944
92000 Asset Management Fee				
92100 Tenant Services - Salaries		\$133,618	\$133,618	\$133,618
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services		\$90,549	\$90,549	\$90,549
92400 Tenant Services - Other		\$64,420	\$64,420	\$64,420
92500 Total Tenant Services	\$0	\$288,587	\$288,587	\$288,587
93100 Water		\$183,433	\$183,433	\$183,433
93200 Electricity		\$437,564	\$437,564	\$437,564
93300 Gas		\$229,037	\$229,037	\$229,037
93400 Fuel				
93500 Labor		\$36,490	\$36,490	\$36,490

Hackensack Housing Authority (NJ028)
HACKENSACK, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	1 Business Activities	Subtotal	Total
93600 Sewer		\$40,480	\$40,480	\$40,480
93700 Employee Benefit Contributions - Utilities		\$24,728	\$24,728	\$24,728
93800 Other Utilities Expense		\$12,175	\$12,175	\$12,175
93000 Total Utilities	\$0	\$963,907	\$963,907	\$963,907
94100 Ordinary Maintenance and Operations - Labor		\$354,492	\$354,492	\$354,492
94200 Ordinary Maintenance and Operations - Materials and Other		\$140,114	\$140,114	\$140,114
94300 Ordinary Maintenance and Operations Contracts		\$586,994	\$586,994	\$586,994
94500 Employee Benefit Contributions - Ordinary Maintenance		\$324,695	\$324,695	\$324,695
94000 Total Maintenance	\$0	\$1,406,295	\$1,406,295	\$1,406,295
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs		\$100,000	\$100,000	\$100,000
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$100,000	\$100,000	\$100,000
96110 Property Insurance		\$98,392	\$98,392	\$98,392
96120 Liability Insurance		\$49,196	\$49,196	\$49,196
96130 Workmen's Compensation		\$49,196	\$49,196	\$49,196
96140 All Other Insurance				
96100 Total Insurance Premiums	\$0	\$196,784	\$196,784	\$196,784
96200 Other General Expenses		\$315,451	\$315,451	\$315,451
96210 Compensated Absences		\$20,381	\$20,381	\$20,381
96300 Payments in Lieu of Taxes		\$198,617	\$198,617	\$198,617
96400 Bad debt - Tenant Rents		\$7,508	\$7,508	\$7,508
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$0	\$541,957	\$541,957	\$541,957
96710 Interest of Mortgage (or Bonds) Payable		\$134,515	\$134,515	\$134,515
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$134,515	\$134,515	\$134,515
96900 Total Operating Expenses	\$0	\$4,583,989	\$4,583,989	\$4,583,989
97000 Excess of Operating Revenue over Operating Expenses	\$998,182	\$817,719	\$1,815,901	\$1,815,901
97100 Extraordinary Maintenance		\$50,586	\$50,586	\$50,586
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense		\$818,154	\$818,154	\$818,154
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				

Hackensack Housing Authority (NJ028)
HACKENSACK, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	1 Business Activities	Subtotal	Total
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$0	\$5,452,729	\$5,452,729	\$5,452,729
10010 Operating Transfer In		\$998,182	\$998,182	\$998,182
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	-\$998,182		-\$998,182	-\$998,182
10100 Total Other financing Sources (Uses)	-\$998,182	\$998,182	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$947,161	\$947,161	\$947,161
11020 Required Annual Debt Principal Payments	\$0	\$52,812	\$52,812	\$52,812
11030 Beginning Equity	\$0	\$19,984,746	\$19,984,746	\$19,984,746
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-\$2,909,425	-\$2,909,425	-\$2,909,425
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	0	6048	6048	6048
11210 Number of Unit Months Leased	0	6021	6021	6021
11270 Excess Cash	\$0		\$0	\$0
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$0		\$0	\$0
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	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0

Housing Authority of the City of Hackensack
Schedule of Proportionate Share of the Net Pension Liability
of the Public Employees Retirement System (PERS)
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Housing Authority's Proportion of the Net Pension Liability	0.0114605%	0.0110748%	0.0111577%	0.0109262%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 2,256,516	\$ 2,578,032	\$ 3,304,577	\$ 2,452,713
Housing Authority's Covered Employee Payroll	898,917	648,688	849,012	785,173
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	251.03%	397.42%	389.23%	312.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	92.68%	67.05%	52.08%

Housing Authority of the City of Hackensack
Schedule of Authority Contributions to the
Public Employees Retirement System (PERS)
For the Year Ended September 30, 2018

	2018	2017	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 156,228	\$ 122,732	\$ 116,312	\$ 118,187
Contribution in Relation to the Contractually Required Contribution	<u>(156,228)</u>	<u>(122,732)</u>	<u>\$ (116,312)</u>	<u>\$ (118,187)</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	898,917	648,688	\$ 831,047	\$ 785,173
Contribution as a Percentage of Covered Employee Payroll	17.38%	18.92%	14.00%	15.05%

Housing Authority of the City of Hackensack
Schedule of Changes in the Housing Authority's
Total OPEB Liability and Related Ratios
For the Year Ended September 30, 2018

<u>Total OPEB Liability</u>	<u>September 30, 2018</u>
Service Cost	\$ 62,529
Interest	165,502
Changes of Benefits Items	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	-
Benefit Payments	<u>(96,923)</u>
Net Changes in Total OPEB Liability	131,108
Total OPEB Liability - Beginning	<u>4,292,105</u>
Total OPEB Liability - Ending	<u><u>\$ 4,423,213</u></u>
Covered - Employee Payroll	898,917
Total OPEB Liability as a Percentage of Covered-Employee Payroll	492.06%

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



CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board of Commissioners
Housing Authority of the City of Hackensack
Hackensack, 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 City of Hackensack as of and for the year ended September 30, 2018 and have issued our report thereon dated June 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Hackensack'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 City of Hackensack'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
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
June 27, 2019



CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board of Commissioners
Housing Authority of the City of Hackensack
Hackensack, New Jersey

Report on Compliance for Each Major Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Hackensack's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments and Non-Profit Organizations. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the housing authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Housing Authority of the City of Hackensack's compliance.

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

(Continued)

Opinion on Each Major Program

In our opinion, the Housing Authority of the City of Hackensack complied, in all material respects, with the 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, 2018.

Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Hackensack is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Hackensack's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 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 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 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, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

This 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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
June 27, 2019

HOUSING AUTHORITY OF THE CITY OF HACKENSACK
Hackensack, New Jersey
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2018

STATUS OF PRIOR AUDIT FINDINGS

The prior audit contained no findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Significant Deficiency(ies) identified

_____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)?

_____ yes X none reported

Noncompliance Material to Financial Statements Noted?

_____ yes X no

Federal Awards

Internal Control over Major Programs:

Significant Deficiency(ies) Identified?

_____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)?

_____ yes X none reported

Type of audit report issued on compliance for
major programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)
of the Uniform Guidance

_____ yes X no

Identification of Major Programs

CFDA # Name of Federal Program or Cluster

14.872 Capital Fund Program

Dollar Threshold used to distinguish a type A Program

\$750,000

Auditee qualified as low-risk?

X yes _____ no

SECTION 2 - FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.