

BOONTON HOUSING AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED SEPTEMBER 30, 2018

**WITH
REPORT OF INDEPENDENT AUDITORS**

**BOONTON HOUSING AUTHORITY
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YEAR ENDED SEPTEMBER 30, 2018**

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners
Boonton Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Boonton Housing Authority (the "Authority") as of and for the year ended September 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Basis for Qualified Opinion

We were unable to obtain sufficient audit evidence regarding the Authority's net Other Post Employment Benefit ("OPEB") liability, and the related deferred outflows of resources, deferred inflows of resources, and OPEB expense relating to the defined benefit OPEB plan of the Authority as of and for the year ended September 30, 2018 because the State of New Jersey has not issued their audited financial statements for the State Health Benefit Plan Local Government Retired Fund as of June 30, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of September 30, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change of Accounting Principle

As discussed in Note 14 to the financial statements, during the year ended September 30, 2018, the Authority adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Matters (continued)

Other Information (continued)

The schedule of expenditures of federal awards and the financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 generally accepted in the United States of America. In our opinion, except for the effects of not reporting the Authority's OPEB liability and the related deferred outflows of resources, deferred inflows of resources, and OPEB expense relating to the defined benefit OPEB plan of the Authority as of and for the year ended September 30, 2018, the schedule of expenditures of federal awards and the financial data schedule 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 July 15, 2019 on our consideration of the Boonton Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Boonton Housing Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

July 15, 2019
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

BOONTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 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 Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$332,757 (net position) as opposed to \$441,874 (restated) 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 (Deficit) of (\$1,386,706).
3. The Authority's cash and cash equivalents, restricted cash and investment balance including tenant security deposits at September 30, 2018 was \$872,358, representing an increase of \$136,855 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$2,710,396 and Total Operating Expenses of \$2,829,437 for the year ended September 30, 2018.
5. The Authority's capital outlays for the fiscal year were \$18,840, all of which was funded by Authority reserves.
6. The Authority's Expenditures of Federal Awards amounted to \$2,080,645.
7. The Authority adopted GASB 68 "*Accounting and Financial Reporting for Pensions*" during the year ended September 30, 2016. As of September 30, 2018, the Authority had incurred a net pension liability of \$832,275, \$181,048 in deferred outflows of resources and \$278,215 of deferred inflows of resources.
8. The Authority adopted GASB 75 "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*" during the year ended September 30, 2018. As a result of adopting GASB 75, the Authority recorded a beginning OPEB liability and a charge to unrestricted net position as of October 1, 2017 on the Authority's Statement of Net Position in the amount of \$914,957. As of September 30, 2018, the Authority had incurred a net OPEB liability of \$914,957, \$133 in deferred outflows of resources and \$162,467 of deferred inflows of resources.

BOONTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

B. Using the Annual Report

1. Management's Discussion and Analysis

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

2. 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, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

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

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

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

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 10 through 14.

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.

BOONTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

B. Using the Annual Report (continued)

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule of Expenditures of Federal Awards can be found on page 41 of this report. The Schedule of Required Pension Information is presented for additional analysis as required by Governmental Accounting Standards Board Statement No. 68.

C. The Authority as a Whole

The Authority's Net Position decreased during the fiscal year. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were insufficient to cover all expenses during the fiscal year.

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to tenants consequently; these assets are not available for future spending. The unrestricted and restricted net position of the Authority is available for future use to provide program services.

D. Budgetary Highlights

The Authority is required by New Jersey State law to adopt an annual, entity wide operating and capital budget and submit it to the State of New Jersey Department of Community Affairs at least ninety days prior to the start of its fiscal year.

As indicated by the excess of expenses over revenues, the Authority's Net Position decreased during the fiscal year.

E. Capital Assets and Debt Administration

As of September 30, 2018, the Authority's net investment in capital assets was \$1,673,290. This investment in capital assets includes land, buildings, equipment and construction in progress and is reduced by accumulated depreciation and debt related to capital asset acquisitions.

BOONTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

E. Capital Assets and Debt Administration (continued)

Major capital assets purchased of \$18,840, during the fiscal year primarily pertained to expenditures made utilizing the Authority's reserves. Additional information on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this Report.

During the fiscal year ended September 30, 2007 the Authority entered into a Capital Fund Leveraging Pool. The New Jersey Housing and Mortgage and Finance Agency issued bonds and the funds were distributed to the Authority. On July 24, 2007 the Authority received \$341,976 (\$355,000 bond, net of financing costs of \$13,024) to be used for capital improvements to its buildings. Further details can be found in Note 8 to the Financial Statements

F. Significant Changes From Prior Year

Capital assets, net decreased \$209,486 as depreciation expense of \$228,326 exceeded acquisitions of \$18,840 for the year ended September 30, 2018.

Restricted cash and restricted investments decreased from \$197,164 in 2017 to \$170,977 in 2018, or \$26,546. The decrease was primarily due to a decrease of Housing Assistance Payment reserves.

Long term debt decreased by \$15,000 as HUD drawdowns under the Capital Fund Leveraging Program were used to make required debt service payments.

Operating grants increased by \$65,981 as the Authority received more subsidy in the Capital Fund Program and Section 8 Housing Choice Vouchers Program in the amounts of \$17,531 and \$69,189, respectively, which was partially offset by a decrease in Public and Indian Housing grant income in the amount of \$20,739.

Utilities expense increased by \$14,974, primarily as a result of moderate increases in gas and water costs.

Ordinary maintenance and operations decreased from \$156,823 in 2017 to \$143,129 in 2018, or \$13,694, primarily due to a decreases in ordinary maintenance materials and contracts.

General expenses increased \$30,392 primarily due to increases in compensated absences expense.

Housing assistance payments expense decreased by \$37,074 as the Authority had a decrease of 96 unit months leased during 2018.

BOONTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2018:

1. The state of the economy, particularly in light of current world affairs.
2. The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.
3. The use of the Authority's program reserves to fund any shortfalls rising from a possible economic downturn and reduced subsidies and grants. The Authority's program reserves appear to be sufficient to cover any shortfall.

H. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the Town of Boonton, 125 Chestnut Street, Boonton, NJ 07005 or call (973) 335-0846.

I. Summarized Financial Data

Computation of Net Position are as follows:					
		As of			%
		9/30/2018	9/30/2017	Variance	Change
Cash and Other Assets	\$	922,226	\$ 790,575	\$131,651	16.65%
Capital Assets - Net		1,878,290	2,087,776	(\$209,486)	-10.03%
Deferred Outflows of Resources		181,181	257,406	(\$76,225)	-29.61%
Total Assets and Deferred Outflows		2,981,697	3,135,757	(\$154,060)	-4.91%
Less: Total Liabilities		2,208,258	2,498,899	-290,641	-11.63%
Less: Deferred Inflows of Resources		440,682	195,984	244,698	124.86%
Net Position		332,757	440,874	-108,117	-24.52%
Net Investment in Capital Assets		1,673,290	1,867,776	(\$194,486)	-10.41%
Restricted Net Position		46,173	33,829	\$12,344	36.49%
Unrestricted Net Position		(1,386,706)	(1,459,731)	\$73,025	-5.00%
Total Net Position	\$	332,757	\$ 441,874	(\$109,117)	-24.69%

BOONTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

I. Summarized Financial Data (continued)

Computations of Changes in Net Assets are as follows:					
	Year Ended				%
	9/30/2018	9/30/2017	Variance		Change
<u>Revenues</u>					
Tenant Revenues	\$ 493,463	\$ 461,801	\$ 31,662		6.86%
HUD Subsidies	2,109,400	2,043,419	65,981		3.23%
Other Revenues	107,533	16,954	90,579		534.26%
Total Operating Revenues	2,710,396	2,522,174	188,222		7.46%
<u>Expenses</u>					
Other Operating Expenses	1,001,560	965,493	36,067		3.74%
Housing Assistance Payments	1,599,551	1,636,598	-37,047		-2.26%
Depreciation Expense	228,326	242,078	-13,752		-5.68%
Total Operating Expenses	2,829,437	2,844,169	-14,732		-0.52%
Operating (Loss)	(119,041)	(321,995)	202,954		-63.03%
<u>Non-Operating Income/(Expenses)</u>					
Interest Expense	(10,538)	(11,288)	750		-6.64%
Interest on Investments	5,462	2,961	2,501		84.46%
Loss before capital grants	(124,117)	(330,322)	206,205		-62.43%
<u>Capital Grants</u>					
HUD Capital Grants	15,000	15,000	0		0.00%
Change in Net Position	(109,117)	(315,322)	206,205		-65.40%
Net Position – Beginning of Year (as restated)	441,874	757,196	-315,322		-41.64%
Net Position – End of Year	\$ 332,757	\$ 441,874	\$ (109,117)		-24.69%

FINANCIAL STATEMENTS

BOONTON HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018

ASSETS

Current assets:		
Cash and cash equivalents	\$	173,739
Investments		527,642
Accounts receivable, net		27,071
Other current assets		<u>22,797</u>
Total current assets		<u>751,249</u>
Non-current assets:		
Restricted cash		170,977
Capital assets, net		<u>1,878,290</u>
Total non-current assets		<u>2,049,267</u>
Total assets		<u>2,800,516</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.		181,048
State of New Jersey S.H.B.P.		<u>133</u>
Total deferred outflows of resources		<u>181,181</u>
Total assets and deferred outflows of resources	\$	<u><u>2,981,697</u></u>

See accompanying notes to financial statements.

BOONTON HOUSING AUTHORITY
STATEMENT OF NET POSITION (continued)
AS OF SEPTEMBER 30, 2018

LIABILITIES

Current liabilities:	
Accounts payable	\$ 88,698
Accrued expenses	43,304
Accrued compensated absences	13,396
Tenant security deposits	44,746
Prepaid tenant rents	1,843
Current portion of bonds payable	<u>20,000</u>
Total current liabilities	<u>211,987</u>
Non-current liabilities:	
Bonds payable, excluding current portion	185,000
Accrued compensated absences, net of current portion	120,562
Family Self Sufficiency Program escrows	79,980
Accrued pension liability	832,275
Accrued OPEB liability	<u>778,454</u>
Total non-current liabilities	<u>1,996,271</u>
Total liabilities	<u>2,208,258</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	278,215
State of New Jersey S.H.B.P.	<u>162,467</u>
Total deferred inflows of resources	<u>440,682</u>

NET POSITION

Net position:	
Net investment in capital assets	1,673,290
Restricted	46,173
Unrestricted (deficit)	<u>(1,386,706)</u>
Total net position	<u>\$ 332,757</u>

See accompanying notes to financial statements.

**BOONTON HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Operating revenues:	
Tenant revenue	\$ 493,463
HUD grants	2,109,400
Other revenues	<u>107,533</u>
Total operating revenues	<u>2,710,396</u>
Operating expenses:	
Administrative	557,982
Utilities	220,878
Ordinary maintenance and operations	143,129
Insurance	40,687
General	38,884
Housing assistance payments	1,599,551
Depreciation	<u>228,326</u>
Total operating expenses	<u>2,829,437</u>
Operating loss	<u>(119,041)</u>
Non-operating revenues (expenses):	
Investment income	5,462
Interest expense	<u>(10,538)</u>
Net non-operating revenues (expenses)	<u>(5,076)</u>
Loss before capital grants	(124,117)
Capital grants	<u>15,000</u>
Change in net position	(109,117)
Net position, beginning of year	<u>1,356,831</u>
Change in accounting principle - adoption of GASB 75	(914,957)
Net position, beginning of year (as restated)	<u>441,874</u>
Net position, end of year	<u><u>\$ 332,757</u></u>

See accompanying notes to financial statements.

BOONTON HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Cash Flows from Operating Activities:	
Cash received from grantors	\$ 2,116,139
Cash received from tenants	593,195
Cash paid to employees	(324,429)
Cash paid to suppliers	<u>(2,224,134)</u>
Net cash provided by operating activities	<u>160,771</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(18,840)
Interest paid on capital debt	(10,538)
Principal paid on capital debt	(15,000)
Capital grants	<u>15,000</u>
Net cash used in capital and related financing activities	<u>(29,378)</u>
Cash Flows from Investing Activities:	
Investment income	<u>21,815</u>
Net cash provided by investing activities	<u>21,815</u>
Net increase in cash and cash equivalents	153,208
Cash and cash equivalents, beginning of year	<u>191,508</u>
Cash and cash equivalents, end of year	<u><u>\$ 344,716</u></u>
A reconciliation of cash and cash equivalents to Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 173,739
Restricted cash	<u>170,977</u>
	<u><u>\$ 344,716</u></u>

See accompanying notes to financial statements.

BOONTON HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Operating loss	\$ (119,041)
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Adjustments to reconcile operating loss to net cash
provided by operating activities:

Depreciation	228,326
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Changes in assets, liabilities, deferred outflows and
deferred inflows of resources:

Accounts receivable - HUD	6,739
Accounts receivable - tenants	(637)
Other current assets	(898)
Accounts payable	22,920
Accrued expenses	13,934
Accrued compensated absences	9,765
Tenant security deposits	(4,972)
Prepaid tenant rents	(2,192)
Accrued Pension	(144,098)
Accrued OPEB	(136,503)
Deferred inflows of resources	244,698
Deferred outflows of resources	76,225
Other noncurrent liabilities	<u>(33,495)</u>

Net cash provided by operating activities	\$ <u>160,771</u>
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See accompanying notes to financial statements.

**BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Boonton Housing Authority (the "Authority") is a public body corporate and politic of the State of New Jersey (the "State") created by the Town of Boonton (the "Town") under Local Redevelopment and Housing Law (N.J.S.A. 40A:12A-1, et seq) of the State. The Authority is responsible for operating low-rent housing programs in the Town under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of seven members who serve five-year terms. The governing board is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's Board to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

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

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

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

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

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

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Authority adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"). GASB 75 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with post employment benefits other than pensions ("OPEB") of State and Local Governments. For defined benefit OPEB, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, GASB 75 details the recognition and disclosure requirements for employers with liabilities to a defined benefit OPEB plan and for employers whose employees are provided with defined contribution OPEB.

C. Reporting Entity

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

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

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

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs

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

Public and Indian Housing Program

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

Section 8 Housing Choice Vouchers

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

Public Housing Capital Fund Program

The capital fund program provides funds annually, via a formula, to public housing agencies for capital and management activities including modernization and development of public housing units.

E. Use of Management Estimates

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

F. Operating Revenues and Expenses

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

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents

New Jersey Authorities are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of securities that may be purchased by New Jersey Authorities.

The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. No governmental unit under GUDPA has ever lost protected deposits.

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

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

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

H. Investments

Investments are reported at fair value, which is determined by established market prices. Short-term investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at their estimated values.

I. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled, but earned as of year-end.

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Allowance for Doubtful Accounts

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

K. Prepaid Expenses

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

L. Capital Assets, Net

Development costs which are comprised of initial development costs, (acquisition costs, modernization costs, and the costs of urban renewal property), site preparation and property betterments, land, structures and equipment are recorded at historical cost. The costs of demolition expenses are capitalized as land improvements.

Depreciation is computed using the straight-line method based on the estimated useful lives of the following asset groups:

• Dwelling Equipment	3-7 Years
• Site Improvements	15 Years
• Buildings	40 Years

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

Maintenance and repairs expenditures are charged to operations when incurred. Expenditures determined to represent additions or betterments are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are removed from the books, and any gain or loss is included in operations.

M. Impairment of Long Lived Assets

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

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Compensated Absences

Accumulated unpaid leave time is accrued at the estimated amounts of future benefits attributable to services already rendered.

Employees may be compensated for accrued vacation leave in the event of retirement or termination of service. Employees may be compensated for sick leave at retirement at the rate of three days for every five days accumulated, payable at the salary rate earned at the time of separation. Employees may only accumulate and carry over to the following year the prior year's unused vacation. The Authority's sick leave policy allows employees to carry over unused sick leave without penalty.

O. Prepaid Tenant Rents

Prepaid tenant rents primarily consists of prepayment of rent by tenants applicable to future periods.

P. Taxes

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

Q. Equity Classifications

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

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

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

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

R. Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically and all inter-program balances net to zero.

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Inter-program Receivables and Payables (continued)

In accordance with GASB 34, interprogram receivables and payables are eliminated for financial statement purposes; however, they are reflected in the Authority's financial data schedule as required by HUD.

S. Economic Dependency

The Public and Indian Housing and Section 8 Housing Choice Vouchers programs of the Authority are economically dependent on operating grants and subsidies from HUD.

T. Deferred Outflows / Inflows of Resources

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

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

NOTE 2. CASH AND CASH EQUIVALENTS

As of September 30, 2018, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$344,716, and the bank balances approximated \$373,069.

Of the bank balances, \$273,343 was covered by federal depository insurance and the remaining \$99,726 was collateralized with the pledging financial institution as of September 30, 2018.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2018, the Authority's bank balances were not exposed to custodial credit risk.

All bank deposits as of the statement of net position date are covered by the Government Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 3. INVESTMENTS

Investments, stated at fair value in accordance with GASB 40, consisted of the following as of September 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of Deposit:		
Lakeland Bank	\$ 6,369	November 13, 2018
Lakeland Bank	97,346	November 30, 2018
Lakeland Bank	42,730	June 19, 2019
ConnectOne Bank	213,863	September 25, 2019
ConnectOne Bank	105,313	November 17, 2018
ConnectOne Bank	<u>62,021</u>	April 26, 2019
	<u>\$ 527,642</u>	

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - All investments are in financial instruments in accordance with HUD regulations. Treasury Bills and agency notes held by banks in the name of the Authority are fully guaranteed by the federal government. The Authority does not have an investment policy that would further limit investment choices and it places no limit on the amount that can be invested with one issuer.

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at September 30, 2018:

<u>Description</u>	<u>Amount</u>
Accounts receivable - tenants	\$ 768
Accounts receivable - fraud recovery	<u>26,303</u>
Total accounts receivable, net	<u>\$ 27,071</u>

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 4. ACCOUNTS RECEIVABLE, NET (continued)

Accounts receivable - tenants

Accounts receivable - tenants represents amounts due for tenant rents and is stated net of an allowance of \$4,652 as of September 30, 2018.

Accounts receivable - fraud recovery

Accounts receivable - fraud recovery represents amounts due for tenant fraud and is fully collectable as of September 30, 2018.

NOTE 5. CAPITAL ASSETS, NET

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2018:

Description	September 30, 2017	Additions	Disposals	Transfers	September 30, 2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 215,955	\$ -	\$ -	\$ -	\$ 215,955
Total	<u>215,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,955</u>
<u>Depreciable capital assets:</u>					
Buildings and Improvements	6,515,568	-	-	(173,851)	6,341,717
Furniture and Equipment	<u>344,719</u>	<u>18,840</u>	<u>-</u>	<u>173,851</u>	<u>537,410</u>
Total	<u>6,860,287</u>	<u>18,840</u>	<u>-</u>	<u>-</u>	<u>6,879,127</u>
Less: accumulated depreciation	<u>4,988,466</u>	<u>228,326</u>	<u>-</u>	<u>-</u>	<u>5,216,792</u>
Net capital assets	<u>\$ 2,087,776</u>	<u>\$(209,486)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,878,290</u>

Depreciation expense for the fiscal year ended September 30, 2018 amounted to \$228,326.

NOTE 6. RESTRICTED CASH

As of September 30, 2018, restricted cash consisted of the following:

<u>Description</u>	<u>Amount</u>
Housing Assistance Payment Reserves	\$ 46,173
Family Self Sufficiency Deposits	79,980
Tenant security deposits	44,746
Capital Fund Revenue Bond Proceeds	<u>78</u>
	<u>\$ 170,977</u>

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 6. RESTRICTED CASH (continued)

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

Family Self Sufficiency ("FSS") Program escrows are restricted for use in the Section 8 Housing Choice Vouchers and Public and Indian Housing Programs by FSS Program participants.

Tenant security deposits are held in trust and restricted for refund at the time the tenant vacates the apartment, provided the apartment's physical condition is satisfactory.

Capital Fund Program Revenue Bonds proceeds consist of unspent proceeds from the 2004 Series A Capital Fund Program Revenue Bonds and are restricted for certain capital improvements in accordance with the Authority's approved annual plan.

NOTE 7. COMPENSATED ABSENCES

Accrued compensated absences represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy.

Compensated absences activity for the year ended September 30, 2018 consisted of the following:

<u>Description</u>	<u>Amount</u>
Beginning compensated absences	\$ 124,193
Compensated absences earned	39,651
Compensated absences redeemed	<u>(29,886)</u>
Ending compensated absences	133,958
Less: current portion	<u>13,396</u>
Compensated absences, net of current portion	<u>\$ 120,562</u>

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 8. NON-CURRENT LIABILITIES

A summary of the Authority's outstanding bonds payable is as follows:

<u>Description</u>	<u>Amount</u>
During 2007, 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, 2007 Series A on July 24, 2007 and collateralized with the Authority's capital fund grant allocations. The Authority's share of the funds from the bond issue pool amounted to \$355,000. Interest accrues at 4.63% and is payable semi-annually with principal on May 1st and November 1st. Repayment of the funds shall be paid solely from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development.	\$ 205,000
Less: current portion	<u>20,000</u>
Bonds payable, excluding current portion	<u>\$ 185,000</u>

Annual debt service for principal and interest over the next five years and thereafter is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,000	\$ 10,122	\$ 30,122
2020	20,000	9,085	29,085
2021	20,000	8,046	28,046
2022	20,000	7,053	27,053
2023	20,000	5,962	25,962
2024-2027	<u>105,000</u>	<u>11,363</u>	<u>116,363</u>
	<u>\$ 205,000</u>	<u>\$ 51,631</u>	<u>\$ 256,631</u>

Long-term debt activity for the year ended September 30, 2018 consisted of the following:

<u>Description</u>	<u>September 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2018</u>	<u>Amounts due within one year</u>
FSS escrows	\$ 113,475	\$ -	\$ (33,495)	\$ 79,980	\$ -
Accrued compensated absences	124,193	39,651	(29,886)	133,958	13,396
Net pension liability	976,373	-	(144,098)	832,275	-
Net OPEB liability	778,454	-	-	778,454	-
Capital fund revenue bonds	<u>205,000</u>	<u>-</u>	<u>(20,000)</u>	<u>185,000</u>	<u>20,000</u>
	<u>\$ 2,197,495</u>	<u>\$ 39,651</u>	<u>\$ (227,479)</u>	<u>\$ 2,009,667</u>	<u>\$ 33,396</u>

Interest expense for the year ended September 30, 2018 totaled \$10,538.

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 9. PENSION PLAN

A. Plan Description

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

B. Benefits

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

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

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

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

C. Contributions

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

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 9. PENSION PLAN (continued)

C. Contributions (continued)

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

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

At September 30, 2018, the Authority reported a liability of \$832,275 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, and rolled forward to June 30, 2018.

For the year ended September 30, 2018 the Authority recognized pension expense of \$14,491. At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of Assumptions	\$ 137,145	\$ 266,117
Changes in Proportion	28,031	-
Differences between expected and actual experience	15,872	4,291
Net differences between actual and projected earnings on pension plan investments	<u>-</u>	<u>7,807</u>
Total	<u>\$ 181,048</u>	<u>\$ 278,215</u>

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 9. PENSION PLAN (continued)

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

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

Year ending September 30:	<u>Amount</u>
2019	\$ (73,563)
2020	(111,008)
2021	(67,266)
2022	89,463
2023	<u>65,207</u>
	<u>\$ (97,167)</u>

E. Changes in Proportion

The previous amounts due 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 are 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

F. Actuarial Assumptions

The collective total pension liability for the 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 assumptions:

Inflation Rate	2.25%
Salary increases:	
Through 2026	1.65 - 4.15%, based on age
Thereafter	2.65 - 5.15%, based on age
Investment rate of return	7.00%

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Postretirement 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 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.

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 9. PENSION PLAN (continued)

F. Actuarial Assumptions (continued)

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, 2017. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

G. Long-term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. 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. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 9. PENSION PLAN (continued)

H. Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

I. Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using a 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 (4.66 percent) or 1 percentage point higher (6.66 percent) than the current rate.

	1% Decrease (4.66%)	Discount Rate (5.66%)	1% Increase (6.66%)
Authority's proportionate share of the net pension liability	\$ <u>1,046,490</u>	\$ <u>832,275</u>	\$ <u>652,563</u>

NOTE 10. OPEB PLAN

A. Plan Description

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

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 10. OPEB PLAN (continued)

B. Benefits

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

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

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

GAAP requires that GASB 75 be implemented for State and Local governments that provide OPEB for fiscal years beginning after June 15, 2017. For cost sharing employers such as the Authority, in order to implement GASB 75, the Authority must rely on the audited financial statements of the State of New Jersey State Health Benefits Plan (the "Plan") prepared in accordance with GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*.

As of June 28 2019, the Plan has not issued their audited financial statements for the applicable period (the year ended June 30, 2018) and as such, the Authority cannot record the applicable transactions (assets, liabilities, deferred inflows of resources, deferred outflows of resources, revenues or expenses) associated with the Plan.

At September 30, 2018, the Authority reported a liability of \$778,454, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2016, and rolled forward to June 30, 2017.

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 10. OPEB PLAN (continued)

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

For the year ended September 30, 2018, the Authority recognized OPEB expense of \$25,831, which represents the annual payments made to the SHBP. As of September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources. These balances came from the audited financial statements of the State of New Jersey State Health Benefits Plan for the year ended June 30, 2017.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ -	\$ 86,402
Changes in Proportion	-	76,065
Differences between expected and actual experience	-	-
Net differences between projected and actual investment earnings on OPEB plan investments	<u>133</u>	<u>-</u>
Total	<u>\$ 133</u>	<u>\$ 162,467</u>

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

	<u>Amount</u>
Year ending June 30:	
2019	\$ (23,032)
2020	(23,032)
2021	(23,032)
2022	(23,032)
2023	(23,094)
Thereafter	<u>(47,112)</u>
	<u>\$ (162,334)</u>

D. Actuarial Assumptions

The total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions:

Inflation Rate	2.50%
Salary increases:	
Through 2026	1.65 - 8.98%, based on age
Thereafter	2.65 - 9.98%, based on age

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 10. OPEB PLAN (continued)

D. Actuarial Assumptions (continued)

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weights Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under PERS.

100% of active members are considered to participate in the Plan upon retirement.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.58% as of June 30, 2017. This represents the municipal bond return rate chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58%) or 1 percentage point higher (4.58%) than the current rate.

	1% Decrease (<u>2.58%</u>)	Discount Rate (<u>3.58%</u>)	1% Increase (<u>4.58%</u>)
Authority's proportionate share of the net OPEB liability	\$ <u>918,210</u>	\$ <u>778,454</u>	\$ <u>667,560</u>

G. Health Care Trend Assumptions

For pre-Medicare preferred provider organization ("PPO") and health maintenance organization ("HMO") medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 10. OPEB PLAN (continued)

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

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

	1% Decrease (3.50%)	Discount Rate (4.50%)	1% Increase (5.50%)
Authority's proportionate share of the net OPEB liability	\$ <u>646,918</u>	\$ <u>778,454</u>	\$ <u>949,729</u>

NOTE 11. RESTRICTED NET POSITION

Restricted net position consists of the following at September 30, 2018:

Housing assistance payment reserves \$ 46,173

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for tenant rents.

NOTE 12. ECONOMIC DEPENDENCY

The Section 8 Housing Choice Vouchers and the Public and Indian Housing programs are economically dependent on annual grants from HUD.

NOTE 13. RISK MANAGEMENT

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The Authority maintains commercial insurance coverage for property, liability and surety bonds. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the years ended September 30, 2018, 2017, and 2016.

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended September 30, 2018, the Authority adopted GASB 75. As a result of adopting GASB 75, the Authority recorded a beginning OPEB liability and a charge to unrestricted net position as of October 1, 2017 on the Authority's statement of net position in the amount of \$914,957.

BOONTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 15. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD.

The Authority received a compliance finding related to the administration of their Housing Choice Vouchers Program for the year ended September 30, 2018. Management anticipates that HUD will accept the Authority's corrective action plan and that a recapture of funds by HUD as a result of the findings is unlikely.

NOTE 16. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through July 15, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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

To the Board of Commissioners
Boonton Housing Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Boonton Housing Authority (the "Authority") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated July 15, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are reported as finding 2018-001 on the accompanying schedule of findings and questioned costs.

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

Purpose of this Report

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

Novogradac & Company LLP

July 15, 2019
Toms River, New Jersey



NOVOGRADAC
& COMPANY LLP®

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Boonton Housing Authority:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

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Basis for Qualified Opinion on Housing Choice Vouchers Program

As described in the accompanying schedule of findings and questioned costs in item 2018-001, the Authority did not comply with the eligibility and special tests and provisions compliance requirements of the Uniform Guidance regarding missing tenant file items, as required by the Section 8 Housing Choice Vouchers Program (CFDA #14.871). Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements of these programs.

Qualified Opinion on Housing Choice Vouchers Program

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 Housing Choice Vouchers Program.

Other Matters

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

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

BOONTON HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period		Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
			From	To			
<u>U.S. Department of Housing and Urban Development</u>							
Public and Indian Housing Program	14.850	N/A	1/1/17	12/31/18	\$ 334,295	\$ 177,541	\$ 304,873
Section 8 Housing Choice Vouchers Program:	14.871	N/A	10/1/17	09/30/18	1,795,230	1,795,230	1,795,230
Public Housing Capital Fund Program	14.872	N/A	4/13/15	8/15/21	<u>312,164</u>	<u>107,874</u>	<u>204,344</u>
Total expenditures of federal awards					\$ <u>2,441,689</u>	\$ <u>2,080,645</u>	\$ <u>2,304,447</u>

See accompanying notes to the schedule of expenditures of federal awards.

BOONTON HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Boonton Housing Authority under programs of the federal government for the year ended September 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Boonton Housing Authority, it is not intended to and does not present the net position, changes in net position or cash flows of the Boonton Housing Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

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

BOONTON HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 4. SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

	<u>501-14</u>	<u>501-15</u>	<u>501-16</u>	<u>501-17</u>	<u>Total</u>
Budget	\$ <u>70,629</u>	\$ <u>77,376</u>	\$ <u>80,572</u>	\$ <u>80,572</u>	\$ <u>309,149</u>
<u>Advances:</u>					
Cumulative through 09/30/2017	\$ 64,934	\$ 51,344	\$ 20,000	\$ 20,000	\$ 156,278
Current year	<u>5,695</u>	<u>20,729</u>	<u>30,450</u>	<u>51,000</u>	<u>107,874</u>
Cumulative through 09/30/2018	<u>70,629</u>	<u>72,073</u>	<u>50,450</u>	<u>71,000</u>	<u>264,152</u>
<u>Costs:</u>					
Cumulative through 09/30/2017	64,934	51,344	20,000	20,000	156,278
Current year	<u>5,695</u>	<u>20,729</u>	<u>30,450</u>	<u>51,000</u>	<u>107,874</u>
Cumulative through 09/30/2018	<u>70,629</u>	<u>72,073</u>	<u>50,450</u>	<u>71,000</u>	<u>264,152</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

- 1) The total amounts of Capital Fund Program Costs and Advances incurred and earned by the Boonton Housing Authority as of and for the year ended September 30, 2018 are provided herein.
- 2) Capital Fund Grant No. NJ39P05250114 with an approved funding of \$70,629 has been fully drawn down and expended as per Capital Fund Grant Regulations.

**BOONTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018**

I. Summary of Auditors' Results

Financial Statements

- | | | |
|----|--|-----------|
| 1. | Type of auditors' report issued: | Qualified |
| 2. | Internal control over financial reporting | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified not considered to be a material weakness? | No |
| 3. | Noncompliance material to the financial statements? | Yes |

Federal Awards

- | | | |
|----|--|-----------|
| 1. | Internal control over compliance: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Significant deficiency(ies) identified not considered to be a material weakness? | No |
| 2. | Type of auditors' report on compliance for major programs: | Qualified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

4. Identification of major programs:

CFDA Number

Name of Federal Program

14.871

Section 8 Housing Choice Vouchers

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

BOONTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2018

II. Financial Statement Findings

Finding 2018-001 listed below is also a financial statement finding.

III. Federal Award Findings and Questioned Costs

Finding 2018-001

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Titles: Section 8 Housing Choice Vouchers Program
Federal Catalog Numbers: 14.871
Material Noncompliance – E. Eligibility – Tenant Files
Non Compliance Material to the Financial Statements: Yes
Material Weakness in Internal Control over Compliance for Eligibility

Criteria: Tenant Files. The PHA must do the following: As a condition of admission or continued occupancy, require the tenant and other family member to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516).

Condition: Based upon inspection of the Authority's files and on discussion with management there were a significant number of documents that were unavailable for examination at the time of audit.

Context: Of a sample size of 11 tenant files, the following information was unavailable for examination at the time of audit:

- The original application was missing in 1 file
- Citizenship declaration forms were missing in 2 files
- Lead based paint forms were missing in 3 files
- Signed lease was missing in 3 files
- Rent reasonableness documentation was missing in 1 file
- Annual inspection report was missing in 1 file

Our sample size is statistically valid.

Known Questioned Costs: \$66,648

Likely Questioned Costs: \$810,884

Cause: There is a material weakness in internal controls over the compliance for the eligibility type of compliance related to the maintenance of tenant files. The Authority has not properly considered, designed, implemented, maintained and monitored a system of internal controls that reasonably assures the program is in compliance.

Effect: The Section 8 Housing Choice Vouchers Program is in material non-compliance with the eligibility type of compliance related to the maintenance of tenant files.

BOONTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2018

III. Federal Award Findings and Questioned Costs (continued)

Finding 2018-001 (continued)

Recommendation: We recommend the Authority design and implement internal control procedures that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

Views of responsible officials and planned corrective action: The Authority has recognized the deficiencies in the Section 8 department and has increased oversight from the executive director and fee accountant and the Authority has hired a contractor to review all tenant files on a semi-annual basis.

IV. Summary of Prior Audit Findings

Finding 2017-001

Observation: Of a sample size of 11 Section 8 Housing Choice Vouchers Program tenant files, the following information was unavailable for examination at the time of audit:

- The original application was missing in 3 files
- Citizenship declaration forms were missing in 2 files
- Lead based paint forms were missing in 2 files
- Rent reasonableness documentation was missing in 5 files

Status: The finding remains open. See Finding 2018-001.

**BOONTON HOUSING AUTHORITY
REQUIRED PENSION INFORMATION
SEPTEMBER 30, 2018**

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

	September 30, 2014	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018
Contractually required contribution	\$ 32,652	\$ 34,805	\$ 36,790	\$ 38,856	\$ 42,045
Contributions in relation to the contractually required contribution	32,652	34,805	36,790	38,856	42,045
(Over) / under funded	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 301,681	\$ 323,988	\$ 322,793	\$ 324,294	\$ 338,095
Contributions as a percentage of covered- employee payroll	10.82 %	10.74 %	11.40 %	11.98 %	12.44 %

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

	September 30, 2014	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018
Authority's proportion of the net pension liability	0.0040 %	0.0040 %	0.0041 %	0.0042 %	0.0042 %
Authority's proportionate share of the net pension liability	\$ 741,564	\$ 908,775	\$ 1,226,510	\$ 976,373	\$ 832,275
Authority's covered-employee payroll	\$ 301,681	\$ 323,988	\$ 322,793	\$ 324,294	\$ 338,095
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	245.81 %	280.50 %	379.97 %	301.08 %	246.17 %
Plan fiduciary net position as a percentage of the total pension liability	52.08 %	47.93 %	40.14 %	48.10 %	53.60 %

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

Boonton Housing Authority (NJ052)						
BOONTON, NJ						
Financial Data Schedule (FDS)						
September 30, 2018						
Line Item #		Account Description	PROJECTS	SECTION 8 HCV	CDBG	TOTAL
ASSETS:						
CURRENT ASSETS:						
		Cash:				
111		Cash - unrestricted	\$ 59,360	\$ 114,379	\$ -	\$ 173,739
112		Cash - restricted - modernization and development	-	-	-	-
113		Cash - other restricted	78	126,153	-	126,231
114		Cash - tenant security deposits	44,746	-	-	44,746
115		Cash - restricted for payment of current liabilities	-	-	-	-
100		Total cash	104,184	240,532	-	344,716
Accounts and notes receivables:						
121		Accounts receivable - PHA projects	-	-	-	-
122		Accounts receivable - HUD other projects	-	-	-	-
124		Accounts receivable - other government	-	-	-	-
125		Accounts receivable - miscellaneous	-	-	-	-
126		Accounts receivable- tenants	5,420	-	-	5,420
126.1		Allowance for doubtful accounts - tenants	(4,652)	-	-	(4,652)
126.2		Allowance for doubtful accounts - other	-	-	-	-
127		Notes and mortgages receivable- current	-	-	-	-
128		Fraud recovery	26,303	-	-	26,303
128.1		Allowance for doubtful accounts - fraud	-	-	-	-
129		Accrued interest receivable	251	1,010	-	1,261
120		Total receivables, net of allowances for doubtful accounts	27,322	1,010	-	28,332
131		Investments - unrestricted	465,621	62,021	-	527,642
132		Investments - restricted	-	-	-	-
135		Investments - restricted for payment of current liability	-	-	-	-
142		Prepaid expenses and other assets	21,536	-	-	21,536
143		Inventories	-	-	-	-
143.1		Allowance for obsolete inventories	-	-	-	-
144		Interprogram - due from	-	-	-	-
145		Assets held for sale	-	-	-	-
150		TOTAL CURRENT ASSETS	618,663	303,563	-	922,226
NONCURRENT ASSETS:						
Fixed assets:						
161		Land	215,955	-	-	215,955
162		Buildings	6,341,717	-	-	6,341,717
163		Furniture, equipment & machinery - dwellings	255,104	-	173,851	428,955
164		Furniture, equipment & machinery - administration	108,455	-	-	108,455
165		Leaschold improvements	-	-	-	-
166		Accumulated depreciation	(5,190,716)	-	(26,076)	(5,216,792)
167		Construction in Progress	-	-	-	-
168		Infrastructure	-	-	-	-
160		Total fixed assets, net of accumulated depreciation	1,730,515	-	147,775	1,878,290
Other non-current assets:						
171		Notes and mortgages receivable - non-current	-	-	-	-
172		Notes and mortgages receivable-non-current - past due	-	-	-	-
174		Other assets	-	-	-	-
175		Undistributed debits	-	-	-	-
176		Investment in joint ventures	-	-	-	-
180		TOTAL NONCURRENT ASSETS	1,730,515	-	147,775	1,878,290
200		Deferred Outflows of Resources	100,543	80,638	-	181,181
290		TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCE	\$ 2,449,721	\$ 384,201	\$ 147,775	\$ 2,981,697

Boonton Housing Authority (NJ052)								
BOONTON, NJ								
Financial Data Schedule (FDS)								
September 30, 2018								
Line Item #	Account Description	PROJECTS	SECTION 8 HCV	CDBG	TOTAL			
LIABILITIES AND EQUITY:								
Liabilities:								
Current Liabilities:								
311	Bank overdraft	\$ -	\$ -	\$ -	-			
312	Accounts payable ≤ 90 days	10,829	-	-	10,829			
313	Accounts payable > 90 days past due	-	-	-	-			
321	Accrued wage/payroll taxes payable	22,436	-	-	22,436			
322	Accrued compensated absences - current portion	8,066	5,330	-	13,396			
324	Accrued contingency liability	-	-	-	-			
325	Accrued interest payable	3,835	-	-	3,835			
331	Accounts payable - HUD PHA programs	-	1,811	-	1,811			
332	Accounts payable - PHA projects	-	-	-	-			
333	Accounts payable - other government	76,058	-	-	76,058			
341	Tenant security deposits	44,746	-	-	44,746			
342	Deferred revenue	1,843	-	-	1,843			
343	Current portion of L-T debt - capital projects	20,000	-	-	20,000			
344	Current portion of L-T debt - operating borrowings	-	-	-	-			
345	Other current liabilities	-	-	-	-			
346	Accrued liabilities - other	17,033	-	-	17,033			
347	Interprogram - due to	-	-	-	-			
310	TOTAL CURRENT LIABILITIES	204,846	7,141	-	211,987			
NONCURRENT LIABILITIES:								
351	Long-term debt, net of current - capital projects	185,000	-	-	185,000			
352	Long-term debt, net of current - operating borrowings	-	-	-	-			
353	Non-current liabilities- other	-	79,980	-	79,980			
354	Accrued compensated absences - noncurrent	72,597	47,965	-	120,562			
355	Loan Liability - Non Current	-	-	-	-			
356	FASB 5 Liabilities	-	-	-	-			
357	Accrued pension and OPEB liabilities	1,005,648	605,081	-	1,610,729			
350	TOTAL NONCURRENT LIABILITIES	1,263,245	733,026	-	1,996,271			
300	TOTAL LIABILITIES	1,468,091	740,167	-	2,208,258			
400	Deferred Inflows of Resources	266,533	174,149	-	440,682			
EQUITY:								
508.1	Invested in Capital Assets, Net of Related Debt	1,525,515	-	147,775	1,673,290			
511.1	Restricted Net Assets	-	46,173	-	46,173			
512.1	Unrestricted Net Assets	(810,418)	(576,288)	-	(1,386,706)			
513	TOTAL EQUITY	715,097	(530,115)	147,775	332,757			
600	TOTAL LIABILITIES AND EQUITY	\$ 2,449,721	\$ 384,201	\$ 147,775	\$ 2,981,697			
Proof of concept								

Boonton Housing Authority (NJ052)						
BOONTON, NJ						
Financial Data Schedule (FDS)						
September 30, 2018						
Line Item #	Account Description	OPERATING	CAPITAL	SECTION 8 HCV	CDBG	TOTAL
REVENUE:						
70300	Net tenant rental revenue	\$ 488,243	\$ -	\$ -	\$ -	\$ 488,243
70400	Tenant revenue - other	5,220	-	-	-	5,220
70500	Total tenant revenue	493,463	-	-	-	493,463
70600	HUD PHA grants	177,541	92,874	1,838,985	-	2,109,400
70610	Capital grants	-	15,000	-	-	15,000
70710	Management fee	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-
70730	Book keeping fee	-	-	-	-	-
70750	Other fees	-	-	-	-	-
70800	Other government grants	-	-	-	-	-
71100	Investment income - unrestricted	4,885	-	577	-	5,462
71200	Mortgage interest income	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-
71500	Other revenue	20,750	-	86,783	-	107,533
71600	Gain or loss on sale of fixed assets	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-
70000	TOTAL REVENUE	696,639	107,874	1,926,345	-	2,730,858
EXPENSES:						
Administrative						
91100	Administrative salaries	152,276	-	124,617	-	276,893
91200	Auditing fees	6,808	-	3,500	-	10,308
91300	Outside management fees	-	-	-	-	-
91310	Book-keeping fee	-	-	-	-	-
91400	Advertising and marketing	-	-	-	-	-
91500	Employee benefit contributions- administrative	92,156	-	40,892	-	133,048
91600	Office expenses	99,987	-	29,113	-	129,100
91700	Legal expenses	5,144	-	2,204	-	7,348
91800	Travel	1,285	-	-	-	1,285
91810	Allocated overhead	-	-	-	-	-
91900	Other	-	-	-	-	-
	Total administrative	357,656	-	200,326	-	557,982
92000	Asset Management Fee	-	-	-	-	-
Tenant services						
92100	Tenant services - salaries	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-
92300	Employee benefit contributions- tenant service	-	-	-	-	-
92400	Tenant services - other	-	-	-	-	-
	Total tenant services	-	-	-	-	-
Utilities						
93100	Water	44,289	-	-	-	44,289
93200	Electricity	41,302	-	-	-	41,302
93300	Gas	74,342	-	-	-	74,342
93400	Fuel	-	-	-	-	-
93500	Labor	25,046	-	-	-	25,046
93600	Sewer	23,490	-	-	-	23,490
93700	Employee benefit contributions- utilities	12,409	-	-	-	12,409
93800	Other utilities expense	-	-	-	-	-
	Total utilities	220,878	-	-	-	220,878
Ordinary maintenance & operation						
94100	Ordinary maintenance and operations - labor	44,926	-	-	-	44,926
94200	Ordinary maintenance and operations - materials & other	28,055	-	-	-	28,055
94300	Ordinary maintenance and operations - contract cost	47,889	-	-	-	47,889
94500	Employee benefit contributions- ordinary maintenance	22,259	-	-	-	22,259
	Total ordinary maintenance	143,129	-	-	-	143,129
Protective services						
95100	Protective services - labor	-	-	-	-	-
95200	Protective services- other contract cost	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-
95500	Employee benefit contributions- protective service	-	-	-	-	-
	Total protective services	-	-	-	-	-

Boonton Housing Authority (NJ052)						
BOONTON, NJ						
Financial Data Schedule (FDS)						
September 30, 2018						
Line Item #	Account Description	OPERATING	CAPITAL	SECTION 8 HCV	CDBG	TOTAL
	General expenses					
96100	Insurance premiums	-	-	-	-	-
96110	Property Insurance	16,952	-	-	-	16,952
96120	Liability Insurance	10,653	-	-	-	10,653
96130	Workmans Comp Insurance	10,653	-	2,429	-	13,082
96200	Other general expenses	-	537	1,329	-	1,866
96210	Compensated absences	18,165	-	(8,405)	-	9,760
96300	Payments in lieu of taxes	27,258	-	-	-	27,258
96400	Bad debt - tenant rents	-	-	-	-	-
96500	Bad debt- mortgages	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-
96700	Interest expense	-	-	-	-	-
96710	Interest of Mortgage (or Bonds) Payable	-	10,538	-	-	10,538
96730	Amortization of bond issue costs	-	-	-	-	-
96800	Severance expense	-	-	-	-	-
	Total general expenses	83,681	11,075	(4,647)	-	90,109
96900	TOTAL OPERATING EXPENSES	805,344	11,075	195,679	-	1,012,098
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(108,705)	96,799	1,730,666	-	1,718,760
97100	Extraordinary maintenance	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-
97300	Housing assistance payments	-	-	1,579,451	-	1,579,451
97350	HAP Portability - in	-	-	20,100	-	20,100
97400	Depreciation expense	219,634	-	-	8,692	228,326
97500	Fraud losses	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-
90000	TOTAL EXPENSES	1,024,978	11,075	1,795,230	8,692	2,839,975
	OTHER FINANCING SOURCES (USES)					
10010	Operating transfers in	81,450	-	-	-	81,450
10020	Operating transfers out	-	(81,450)	-	-	(81,450)
10030	Operating transfers from/to primary government	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-
10091	Inter Project excess cash transfer in	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	81,450	(81,450)	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(246,889)	15,349	131,115	(8,692)	(109,117)
	MEMO ACCOUNT INFORMATION:					
11020	Required annual debt principal payments	15,000	15,000	-	-	30,000
11030	Beginning equity	1,532,881	-	(332,517)	156,467	1,356,831
11040	Prior period adjustments and equity transfers	(586,244)	-	(328,713)	-	(914,957)
11170	Administrative fee equity	-	-	(231,772)	-	(231,772)
11180	Housing assistance payments equity	-	-	46,173	-	46,173
		-	-	(185,599)	-	(185,599)
11190	Unit months available	-	-	1,908	-	1,908
11210	Number of unit months leased	-	-	1,726	-	1,726
	Equity Roll Forward Test:					
	Calculation from R/E Statement	\$ 715,097		\$ (530,115)	\$ 147,775	\$ 332,757
	B/S Line 513	\$ 715,097		\$ (530,115)	\$ 147,775	\$ 332,757
		\$ -	\$ -	\$ -	\$ -	\$ -