HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2018

WITH
REPORT OF INDEPENDENT AUDITORS

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018

Contents	Page

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of the
Housing Authority of the Township of Lakewood:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the discretely presented component unit of the Housing Authority of the Township of Lakewood (the "Authority") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the primary government and the discretely presented component unit of the Authority as of December 31, 2018, and the changes in their net position and their 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 December 31, 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 and other postemployment benefits information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic 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 basic financial statements. The accompanying financial data schedule is also not a required part of the basic financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

August 23, 2019
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

As Management of the Housing Authority of the Township of Lakewood (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 December 31, 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 (Primary Government)

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 $4,648,172 (net position) as opposed to $5,119,742 for the prior fiscal year.

2. At the close of the current fiscal year, the Authority reported ending unrestricted net position (deficit) of ($947,518).

3. The Authority's unrestricted cash and cash equivalents and restricted cash balances at December 31, 2018 were $4,681,728 representing a increase of $1,018,739 from the prior fiscal year.

4. The Authority had total operating revenues of $15,106,629 and total operating expenses of $15,702,078 for the year ended December 31, 2018.

5. The Authority's capital outlays for the fiscal year were $22,351.

6. The Authority's expenditures of federal awards amounted to $14,316,581 for the fiscal year.

B. Using the Annual Report

1. Management's Discussion and Analysis

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

B. Using the Annual Report (continued)

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

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

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

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 12 through 16 in this Report.

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 basic financial statements. The Notes to Financial Statements can be found in this Report after the financial statements.

B. Using the Annual Report (continued)

4. Supplemental Information

Accounting principles generally accepted in the United States of America require that a schedule of pension contributions and schedule of net pension liability be presented to supplement the basic financial statements.

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal Awards can be found on page 42 of this report.

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.

C. The Authority as a Whole (Primary Government)

The Authority's net position decreased during the fiscal year as detailed on the following page. 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 not sufficient to cover all expenses, excluding depreciation during the fiscal year.

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

C. The Authority as a Whole (Primary Government) (continued)

Computations of Net Position are as follows:

	As of 12/31/2018	As of 12/31/2017
Cash and Other Current Assets	$ 2,980,356	$ 2,216,220
Restricted Cash	1,776,343	1,971,941
Notes Receivable	3,903,361	3,813,534
Capital Assets - Net	3,949,191	4,313,920
Deferred Outflows of Resources	853,581	948,365
Total Assets	13,462,832	13,263,980
Less: Total Liabilities	6,176,958	3,601,132
Deferred Inflows of Resources	2,637,702	651,244
Net Position	$ 4,648,172	$ 9,011,604
Net Investment in Capital Assets	$ 3,949,191	$ 4,313,920
Restricted Net Position	1,646,499	1,879,988
Unrestricted Net Position	(947,518)	2,817,696
Net Position	$ 4,648,172	$ 9,011,604

- Restricted cash decreased $195,598 primarily due to the use of housing assistance payment reserves due to decreased funding in the Section 8 Housing Choice Vouchers program.

- Notes receivable increased $89,827 due to accrued interest included in the note receivable balance.

- Total liabilities increased $2,575,826 along with deferred inflows of resources $1,986,458 due to the Authority recording their unfunded pension liability and unfunded other post employment benefits liability in FY 2018 as required by Governmental Accounting Standards Board Opinion No. 68 (GASB 68) and Governmental Accounting Standards Board Opinion No. 75 (GASB 75), respectively.

- Unrestricted net position decreased $3,765,214 primarily due to the Authority recording their unfunded pension liability and unfunded other post employment benefits liability in FY 2018 as required by GASB 68 and GASB 75, respectively.

C. The Authority as a Whole (Primary Government) (continued)

Computations of Changes in Net Position are as follows:

	Year Ended 12/31/2018	Year Ended 12/31/2017
Revenues		
Tenant Revenues	$ 769,886	$ 754,841
HUD Operating Grants	13,357,584	14,212,039
Other Revenues	979,159	299,533
Total Operating Revenues	15,106,629	15,266,413
Expenses		
Other Operating Expenses	3,727,534	3,005,559
Housing Assistance Payments	11,587,464	11,631,299
Depreciation Expense	387,080	398,073
Total Operating Expenses	15,702,078	15,034,931
Operating Gain/(Loss)	(595,449)	231,482
Non-Operating Revenues & Expenses		
Interest on Investments	123,879	91,999
Interest Expense	-	-
HUD Capital Grants	-	-
Total Non-Operating Revenues	123,879	91,999
Change in Net Position	(471,570)	323,481
Net Position - Beginning of Year	9,011,604	8,688,123
Change in Accounting Principle – Adoption of GASB 75	(3,891,862)	-
Net Position - End of Year	$ 4,648,172	$ 9,011,604

- HUD operating grants decreased $854,455 from $14,212,039 in fiscal year 2017 to $13,357,584 in fiscal year 2018. This was primarily due to the Section 8 Housing Choice Vouchers Program receiving $867,954 in less funding in FY 2018.

C. <u>The Authority as a Whole (Primary Government) (continued)</u>

- Administrative expenses increased $662,605 primarily due to the recognition of $86,086 of GASB 68 related pension costs and $668,719 of GASB 75 related other post employment benefit costs as well as an increase in administrative salaries.

- Housing assistance payments ("HAP") expense increased from $11,631,299 in fiscal year 2017 to $11,587,464 in fiscal year 2018 or $43,835. This increase in HAP expense can be attributable to the Authority having 239 more unit months under lease in FY 2018.

D. <u>Budgetary Highlights</u>

For the year ended December 31, 2018, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the decrease of revenues over expenses, the Authority's net position decreased during the fiscal year.

E. <u>Capital Assets</u>

As of December 31, 2018, the Authority's investment in capital assets, net of accumulated depreciation was $3,949,191. This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased during the year totaled $22,351, of which was purchased from operations.

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

E. Capital Assets (continued)

The following table summarizes the change in capital assets as of December 31, 2018 and 2017:

	2018	2017	Change
Land	$ 313,844	$ 313,844	$ -
Buildings and improvements	13,313,725	13,308,330	5,395
Furniture and equipment	233,547	216,591	16,956
Construction in progress	-	-	-
Total fixed assets	13,861,116	13,838,765	22,351
Less: accumulated depreciation	9,911,925	9,524,845	387,080
Net fixed assets	$ 3,949,191	$ 4,313,920	$ (364,729)

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

The following factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2018:

1. The state of the economy.

2. The need for Congress to fund the war on terrorism and the continued cut-back of funding of federal programs.

3. The Authority's use of unrestricted reserves to offset the proration of subsidy from HUD. The Authority's unrestricted cash appears sufficient to cover any shortfall.

G. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Scott E. Parsons, Acting Executive Director, Housing Authority of the Township of Lakewood, 317 Sampson Avenue, Lakewood, NJ 08701.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Current assets:			
Cash and cash equivalents	$ 2,905,385	$ 17,221	$ 2,922,606
Tenant security deposits	-	64,019	64,019
Accrued interest receivable	1,007	-	1,007
Accounts receivable, net	72,255	11,848	84,103
Prepaid expenses	1,709	-	1,709
Inventories, net	-	44,335	44,335
Total current assets	2,980,356	137,423	3,117,779
Non-current assets:			
Restricted cash	1,776,343	-	1,776,343
Notes receivable	3,620,281	-	3,620,281
Accrued interest on notes receivable	283,080	-	283,080
Capital assets, net	3,949,191	-	3,949,191
Total non-current assets	9,628,895	-	9,628,895
Total assets	12,609,251	137,423	12,746,674

DEFERRED OUTFLOW OF RESOURCES

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
State of New Jersey P.E.R.S.	680,075	-	680,075
State of New Jersey S.H.B.P.	173,506	-	173,506
Total deferred outflow of resources	853,581	-	853,581
Total assets and deferred outflow of resources	$ 13,462,832	$ 137,423	$ 13,600,255

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
STATEMENT OF NET POSITION (continued)
DECEMBER 31, 2018

LIABILITIES

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Current liabilities:			
Accounts payable	$ 110,748	$ 71,335	$ 182,083
Accrued expenses	55,424	-	55,424
Accrued compensated absences, current	21,752	-	21,752
Tenant security deposits	-	64,019	64,019
Prepaid rent	-	2,069	2,069
Total current liabilities	187,924	137,423	325,347
Non-current liabilities:			
Accrued compensated absences, non-current	54,117	-	54,117
Accrued pension liability	2,779,536	-	2,779,536
Accrued OPEB liability	3,025,537	-	3,025,537
Other non-current liabilities	129,844	-	129,844
Total non-current liabilities	5,989,034	-	5,989,034
Total liabilities	6,176,958	137,423	6,314,381

DEFERRED INFLOW OF RESOURCES

State of New Jersey P.E.R.S.	929,152	-	929,152
State of New Jersey S.H.B.P.	1,708,550	-	1,708,550
Total deferred inflow of resources	2,637,702	-	2,637,702

NET POSITION

Net position:			
Net investment in capital assets	3,949,191	-	3,949,191
Restricted	1,646,499	-	1,646,499
Unrestricted	(947,518)	-	(947,518)
Total net position	4,648,172	-	4,648,172
Total liabilities, deferred inflow of resources and net position	$ 13,462,832	$ 137,423	$ 13,600,255

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Operating revenues:			
Tenant revenue	$ 769,886	$ -	$ 769,886
HUD operating grants	13,357,584	-	13,357,584
Other revenues	979,159	-	979,159
Total operating revenues	15,106,629	-	15,106,629
Operating expenses:			
Administrative	2,433,384	-	2,433,384
Tenant services	79,621	-	79,621
Utilities	442,722	-	442,722
Ordinary repairs and maintenance	560,606	-	560,606
Protective services	67,498	-	67,498
General expenses	143,703	-	143,703
Housing assistance payments	11,587,464	-	11,587,464
Depreciation	387,080	-	387,080
Total operating expenses	15,702,078	-	15,702,078
Operating loss	(595,449)	-	(595,449)
Non-operating revenue:			
Investment income	123,879	-	123,879
Total non-operating revenues	123,879	-	123,879
Change in net position	(471,570)	-	(471,570)
Total net position, beginning of year	9,011,604	-	9,011,604
Change in accounting principle - adoption of GASB 75	(3,891,862)	-	(3,891,862)
Total net position, beginning of year (as restated)	5,119,742	-	5,119,742
Total net position, end of year	$ 4,648,172	$ -	$ 4,648,172

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Cash Flows from Operating Activities:			
Cash received from tenants and others	$ 2,200,779	$ 10,190	$ 2,210,969
Cash received from grantors	13,347,785	9,751	13,357,536
Cash paid to employees	(2,424,894)	-	(2,424,894)
Cash paid to vendors and suppliers	(12,116,810)	(462,036)	(12,578,846)
Net cash provided by (used in) operating activities	1,006,860	(442,095)	564,765
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(22,351)	-	(22,351)
Net cash used in capital and related financing activities	(22,351)	-	(22,351)
Cash Flows from Investing Activities			
Interest received	34,230	-	34,230
Net cash provided by investing activities	34,230	-	34,230
Net increase (decrease) in cash and cash equivalents	1,018,739	(442,095)	576,644
Cash and cash equivalents, beginning of year	3,662,989	523,335	4,186,324
Cash and cash equivalents, end of year	$ 4,681,728	$ 81,240	$ 4,762,968

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Reconciliation of cash and cash equivalents to the Statement of Net Position is as follows:			
Cash and cash equivalents	$ 2,905,385	$ 17,221	$ 2,922,606
Tenant security deposits	-	64,019	64,019
Restricted cash	1,776,343	-	1,776,343
Cash and cash equivalents, end of year	$ 4,681,728	$ 81,240	$ 4,762,968

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$ (595,449)	$ -	$ (595,449)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	387,080	-	387,080
Changes in operating assets, deferred outflow of resources, liabilities, and deferred inflow of resources:			
Accounts receivable, net	449,586	(183)	449,403
Inventories, net	-	(5,785)	(5,785)
Prepaid expenses	437	-	437
Deferred outflow of resources	94,784	-	94,784
Accounts payable	(19,170)	(446,500)	(465,670)
Accrued expenses	8,490	-	8,490
Tenant security deposits	-	9,838	9,838
Prepaid rent	-	535	535
Accrued compensated absences	(12,032)	-	(12,032)
Other liabilities	37,891	-	37,891
Accrued pension liability	(464,890)	-	(464,890)
Accrued OPEB liability	(866,325)	-	(866,325)
Deferred inflow of resources	1,986,458	-	1,986,458
Net cash provided by (used in) operating activities	$ 1,006,860	$ (442,095)	$ 564,765

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the Township of Lakewood (the "Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A: 12A-1, et. seq., the “Housing Authority Act”) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Township of Lakewood, New Jersey (the "Township"). The Authority is responsible for operating certain low-rent housing programs in the Township 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 commissioners which is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's Board of Commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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 Pension Plans* ("GASB 75"). GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits ("OPEB"), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. 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 a defined contribution OPEB.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity

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

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.

2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.

3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above criteria, this report includes the following discretely presented component unit:

Affordable Housing Corporation of Lakewood

Affordable Housing Corporation of Lakewood (the "Organization") was incorporated under the laws of the State of New Jersey as a non-profit corporation on August 17, 2016. The Organization's purpose is to improve the quality of life for low and moderate income people (as defined by regulations promulgated by HUD or the New Jersey Council on Affordable Housing) by providing them with affordable housing and housing opportunities primarily through the administration of Section 8 Housing Choice Vouchers. Currently, the Organization's only activity is the administration of the Authority's project based vouchers for which it does not charge a fee.

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:

Section 8 Housing Choice Vouchers
The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income households 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 household.

Mainstream Vouchers
The Mainstream Vouchers Program provides vouchers for low-income households that include a person(s) with disabilities. 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 household.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Resident Opportunity and Supportive Services - Service Coordinators
The purpose of the Resident Opportunity and Supportive Services - Service Coordinators program is to fund the Family Self Sufficiency coordinator position for the Authority's Housing Choice Vouchers Family Self Sufficiency program.

Business Activities Fund
The Business Activities Fund was created as part of the Rental Assistance Demonstration Program ("RAD"). RAD was created in order to give public housing authorities ("PHA") a powerful tool to preserve and improve public housing properties. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards rent. The former public housing units which were converted under the RAD program are contained in this non-federal fund.

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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 net pension and OPEB liability, depreciable lives of properties and equipment, deferred inflows and outflows of resources, and contingencies. Actual results could differ significantly from these estimates.

F. Cash and Cash Equivalents

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

The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents (continued)

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

G. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, tenants accounts 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. Also included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation.

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

H. Allowance for Doubtful Accounts

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

I. Prepaid Expenses

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

J. Capital Assets, Net

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

♦ Buildings and Improvements	15-40 Years
♦ Furniture and Equipment	5-10 Years

The Authority has established a capitalization threshold of $5,000.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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 the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. During the year ended December 31, 2018, there were no impairments losses incurred.

L. Inventory

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is carried at net realizable value and the Authority uses the first-in, first-out ("FIFO") flow assumption in determining cost. The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used. If inventory falls below the cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. As of December 31, 2018, inventory is shown net of an allowance for obsolescence of $4,346.

M. Notes Receivable

The Authority has utilized development funds in accordance with HUD guidelines to assist in the construction and redevelopment of numerous public housing developments through the issuance of mortgage notes. When preparing financial statements in accordance with generally accepted accounting principles, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property; the property’s ability to generate positive cash flow, and current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectable amounts during an accounting period.

N. Inter-program Receivables and Payables

Inter-program receivables and payables are current, and are the result of the use of the Business Activities fund as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net to zero. In accordance with GASB 34, interprogram receivables and payables are eliminated for financial statement purposes.

O. Accounts Payable and Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year-end. It also recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Compensated Absences

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued at the net position date for which payment is probable. Compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service based on the unused accrued leave. Employees may be compensated for sick leave at retirement or termination at 50% of accumulated sick time up to a maximum of $15,000.

Q. Prepaid Rent

The Authority's prepaid rent primarily consists of the prepayment of rent by residents applicable to future periods.

R. Pensions

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

S. Other Post Employment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the net OPEB, and OPEB expense, and information about the fiduciary net position of the State Health Benefits Plan ("SHBP") and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan.

T. Deferred Outflow of Resources / Deferred Inflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow 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 inflow 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 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. 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.”

V. 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. The Authority receives annual operating subsidies from HUD, subject to limitations prescribed by HUD. Operating subsidies from HUD are recorded when received and are accounted for as revenue. Other contributions from HUD that are for development and modernization of capital assets are reflected separately in the accompanying financial statements as capital grants. 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.

W. Taxes

The Authority is a unit of local government under the State of New Jersey law and is exempt from real estate, sales and income taxes by both the federal and state governments. However, the Authority will pay a payment in lieu of taxes to cover municipal services provided by the local government for certain properties owned throughout the Township.

X. Budgets and Budgetary Accounting

The Authority adopts annual, appropriated operating budgets for all its programs receiving federal expenditure awards, which are used as a management tool throughout the accounting cycle. All budgets are prepared on a HUD basis, which differs with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Y. Economic Dependency

The Section 8 Housing Choice Vouchers Program is economically dependent on receiving subsidies from HUD. The program operates at a loss prior to receiving such subsidies.

Z. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund ("JIF").

The JIF is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the year ended December 31, 2018.

NOTE 2. CASH AND CASH EQUIVALENTS

As of December 31, 2018, the Authority had funds on deposit in checking, savings, and money market accounts. The carrying amount of the Authority's cash and cash equivalents (including restricted cash) was $4,762,968, and the bank balances approximated $4,868,475.

Cash Category	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Unrestricted	$ 2,905,385	$ 17,221	$ 2,922,606
Tenant security deposits	-	64,019	64,019
Restricted	1,776,343	-	1,776,343
Total cash and cash equivalents	$ 4,681,728	$ 81,240	$ 4,762,968

Of the bank balances, $760,640 was covered by federal depository insurance and the remaining $4,107,835 was collateralized by GUDPA as of December 31, 2018.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2018, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following as of December 31, 2018:

Description	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Accounts receivable - HUD	$ 24,803	$ -	$ 24,803
Accounts receivable - tenants, net	-	11,848	11,848
Accounts receivable - fraud recovery, net	47,452	-	47,452
Total accounts receivable, net	$ 72,255	$ 11,848	$ 84,103

Accounts Receivable - HUD
As of December 31, 2018, Accounts receivable - HUD consisted of amounts due from the Department of Housing and Urban Development for program grants and subsidies. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

Accounts Receivable - Tenants, Net
Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The balance is shown net of an allowance for doubtful accounts of $5,863.

Accounts Receivable - Fraud Recovery, Net
Accounts receivable - fraud recovery, net represents amounts owed from tenants or other program participants who committed fraud or mis-representation and now owe additional rent or retroactive rent. The amount is shown net of an allowance for doubtful accounts of $89,920.

NOTE 4. NOTES RECEIVABLE

The Authority has utilized grants and other development funds in accordance with HUD guidelines to assist the Authority in its participation in RAD through the issuance of mortgage loans. Outstanding notes receivable of the primary government as of December 31, 2018 consisted of the following:

Description	Amount
In November 2017, the Authority entered a loan agreement in the amount of $2,702,252 with Chambers Crescent, LLC in connection with the sale of Residential ERG Tax Credit Certificates related to the property located at 438 Cedar Bridge Avenue known as John F. Kennedy Apartments. The outstanding balance of $2,702,252, bears interest at 2.82% per annum and is secured by a second mortgage. Interest will accrue annually and all principal and accrued interest will be due on September 1, 2070.	$ 2,702,252

NOTE 4. NOTES RECEIVABLE (continued)

On September 11, 2015, the Authority took back a seller's note from Chambers Crescent, LLC in connection with the sale of property and improvements known as John F. Kennedy Apartments. The loan, which totaled $2,990,000, bears interest at 2.82% per annum. Interest will be paid annually beginning on September 1, 2016 and on each anniversary thereafter equal to forty percent (40%) of project cash flow. The loan is secured by a third mortgage and matures on September 1, 2070, whereby all unpaid interest and principal is due.	2,990,000
On September 11, 2015, the Authority entered a loan agreement with Chambers Crescent, LLC. The loan, which totaled $600,000, bears interest at 0.01% per annum. Payment of principal and interest is due in full on the maturity date which is September, 2045. The loan is secured by the property.	600,000
Total notes receivable	6,292,252
Allowance for uncollectible notes receivable	2,671,971
Notes receivable, net	$ 3,620,281

As of December 31, 2018, accrued interest on the notes receivable totaled $283,080.

As of December 31, 2018, the current portion of notes receivable amounted to $-0-.

NOTE 5. GROUND LEASE

On September 11, 2015, as part of the sale of John F. Apartments, the Authority entered into a ground lease agreement with the purchaser, Chambers Crescent LLC, to lease the parcel of land located at 438 Cedar Bridge Road, Lakewood, NJ. for a term of eighty (80) years. As part of the agreement, the lessee will pay all taxes and assessments associated with the property and $72,000 per annum ($6,000 monthly) in rent over the term of the lease.

NOTE 6. RESTRICTED DEPOSITS

As of December 31, 2018, restricted deposits consisted of the following:

Cash Category	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Family Self Sufficiency program escrows	$ 129,844	$ -	$ 129,844
Reserve for replacements	1,646,499	-	1,646,499
Tenant security deposits	-	64,019	64,019
Total restricted deposits	$ 1,776,343	$ 64,019	$ 1,840,362

NOTE 6. RESTRICTED DEPOSITS (continued)

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

Reserve for replacement funds are required to be set aside for future project expenditures in accordance with the RAD Conversion Commitment.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination from the Authority, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

NOTE 7. CAPITAL ASSETS, NET

The following is a summary of the primary government's changes in capital assets during the year ended December 31, 2018:

Description	December 31, 2017	Additions	Dispositions	Transfers	December 31, 2018
Non-depreciable:					
Land	$ 313,844	$ -	$ -	$ -	$ 313,844
Subtotal	313,844	-	-	-	313,844
Depreciable:					
Buildings and improvements	13,308,330	5,395	-	-	13,313,725
Furniture and equipment	216,591	16,956	-	-	233,547
Subtotal	13,524,921	22,351	-	-	13,547,272
Less: accumulated depreciation	9,524,845	387,080	-	-	9,911,925
Net capital assets	$ 4,313,920	$ (364,729)	$ -	$ -	$ 3,949,191

Depreciation expense for the year ended December 31, 2018 amounted to $387,080.

NOTE 8. ACCOUNTS PAYABLE

As of December 31, 2018, accounts payable consisted of the following:

Description	Primary Government	Discretely Presented Component Unit	Memorandum Only - Total Reporting Entity
Accounts payable - vendors	$ 105,354	$ 30,107	$ 135,461
Accounts payable - HUD	5,394	-	5,394
Accounts payable - other governments	-	41,228	41,228
Total accounts payable	$ 110,748	$ 71,335	$ 182,083

NOTE 8. ACCOUNTS PAYABLE (continued)

Accounts Payable - Vendors
Accounts payable - vendors represents the amounts payable to contractors and vendors for materials received or services rendered.

Accounts Payable - HUD
As of December 31, 2018, accounts payable - HUD consisted of amounts payable to the Department of Housing and Urban Development.

Accounts Payable - Other Governments
Accounts payable - other governments represents amounts due and payable to other federal agencies and state and local governments.

NOTE 9. PAYMENTS IN LIEU OF TAXES

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make payment in lieu of taxes ("PILOT") in accordance with the provisions of its Cooperation Agreement with the Township. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the year ended December 31, 2018, the Authority incurred PILOT expense in the amount of $41,228.

NOTE 10. NON-CURRENT LIABILITIES

Non-current liabilities of the primary government as of December 31, 2018 consisted of the following:

Description	December 31, 2017	Additions	Payments	December 31, 2018	Amounts due within one Year
Accrued compensated absences	$ 87,901	$ 107,911	$ (119,943)	$ 75,869	$ 21,752
Accrued pension liability	3,244,426	-	(464,890)	2,779,536	-
Accrued OPEB liability	3,891,862	-	(866,325)	3,025,537	-
Family self sufficiency escrows	91,953	79,783	(41,892)	129,844	-
Total non-current liabilities	$ 7,316,142	$ 187,694	$ (1,493,050)	$ 6,010,786	$ 21,752

NOTE 11. PENSION PLAN

A. Plan Description

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

NOTE 11. PENSION PLAN (continued)

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

C. Contributions

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

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

NOTE 11. PENSION PLAN (continued)

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

At December 31, 2018, the Authority reported a liability of $2,779,536, 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 December 31, 2018, the Authority recognized pension expense of $86,086. At December 31, 2018, the Authority reported deferred outflow of resources and deferred inflow of resources from the following sources.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of Assumptions	$ 458,022	$ 888,748
Changes in Proportion	169,047	-
Differences between expected and actual experience	53,006	14,332
Net differences between actual and projected earnings on pension plan investments	-	26,072
Net differences between Proportionate Share and actual Contribution	-	-
Total	$ 680,075	$ 929,152

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

Year ending December 31:	Amount
2019	$ (188,586)
2020	(284,581)
2021	(172,441)
2022	229,348
2023	167,183
	$ (249,077)

E. Actuarial Assumptions

The collective total pension liability at 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.

NOTE 11. PENSION PLAN (continued)

E. Actuarial Assumptions (continued)

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%

Pre-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 tales provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one 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. 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).

F. Long-Term Expected Rate of Return

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class, including the PERS's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
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%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related real estate	1.00%	6.61%
Debt related private equity	2.0%	10.63%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
US equity	30.00%	8.19%
Non-US developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

NOTE 11. PENSION PLAN (continued)

G. 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 5.66 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (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	$ 3,494,948	$ 2,779,536	$ 2,179,354

NOTE 12. OTHER POST-RETIREMENT BENEFITS PLAN

A. Plan Description

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

NOTE 12. OTHER POST-RETIREMENT BENEFITS 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 Outflow of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Authority reported a liability of $3,025,537, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and rolled forward to June 30, 2018.

For the year ended December 31, 2018, the Authority recognized OPEB expense of $668,719. At December 31, 2018, the Authority reported deferred outflow of resources and deferred inflow of resources from the following sources.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of Assumptions	$ -	$ 767,467
Changes in Proportion	49,532	326,791
Differences between expected and actual experience	-	614,292
Net differences between projected and actual investment earnings on OPEB plan investments	1,599	-
Contributions paid subsequent to the measurement date	122,375	-
Total	$ 173,506	$ 1,708,550

NOTE 12. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

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

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

		Amount
Year ending December 31:		
2019	$	(225,401)
2020		(225,401)
2021		(225,401)
2022		(225,589)
2023		(225,892)
Thereafter		(407,360)
	$	(1,535,044)

D. Actuarial Assumptions

The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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

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, 2017 valuation were based on the results of the pension plans' experience studies of the State of New Jersey's defined benefit pension plans for which 100% of active members are considered to participate in the SHBP upon retirement.

NOTE 12. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.87% as of June 30, 2018. 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 3.87%, 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 (2.87%) or 1 percentage point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Authority's proportionate share of the net OPEB liability	$ 3,549,755	$ 3,025,537	$ 2,606,806

G. Health Care Trend Assumptions

For pre-Medicare preferred provider organization ("PPO") and health maintenance organization ("HMO") medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight 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 8.0% decreasing to a 5.0% trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

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	Discount Rate	1% Increase
Authority's proportionate share of the net OPEB liability	$ 2,523,783	$ 3,025,537	$ 3,674,882

NOTE 13. RESTRICTED NET POSITION

As of December 31, 2018, restricted net position of the primary government consisted of reserve for replacement funds totaling $1,646,499. These funds are restricted for future expenditures in accordance with the RAD Conversion Commitment.

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 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 January 1, 2018 on the Authority's statement of revenues, expenses, and changes in net position in the amount of $3,891,862.

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 funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of December 31, 2018, the Authority estimates that no material liabilities will result from such audits.

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 August 23, 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.

NOVOGRADAC & COMPANY LLP®

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners of the
Housing Authority of the Township of Lakewood:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Township of Lakewood (the "Authority") which comprise the statement of net position as of December 31, 2018, and the related statement of revenues, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 23, 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.

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Compliance and Other Matters

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

Purpose of this Report

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

Novogradac & Company LLP

August 23, 2019
Toms River, New Jersey

See accompanying notes to financial statements.

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

To the Board of Commissioners of the
Housing Authority of the Township of Lakewood:

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the Township of Lakewood's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement and the State of New Jersey OMB Circular 15-08 that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 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 the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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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Opinion on Each Major Federal and State Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Novogradac & Company LLP

August 23, 2019
Toms River, New Jersey

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period From	/ To	Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
U.S. Department of Housing and Urban Development							
Housing Voucher Cluster							
Section 8 Housing Choice Voucher	14.871	N/A	1/1/2018	12/31/2018	$ 12,505,081	$ 13,464,078	$ 13,464,078
Mainstream Vouchers	14.879	N/A	1/1/2018	12/31/2018	785,557	785,557	785,557
Total Housing Voucher Cluster					13,290,638	14,249,635	14,249,635
Resident Opportunity and Supportive Services - Service Coordinators	14.870	N/A	1/1/2018	12/31/2018	66,946	66,946	66,946
Total U.S. Department of Housing and Urban Development					$ 13,357,584	$ 14,316,581	$ 14,316,581

See accompanying notes to Schedule of Expenditures of Federal Awards and Report of Independent Auditors

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 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) and State of New Jersey OMB Circular 15-08. Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the net position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, OMB Circular A-87 and the State of New Jersey OMB Circular 15-08, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The Authority has not elected to use the ten percent de minimus indirect cost rate allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

I. Summary of Auditors' Results

Financial Statement Section

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting

   a. Material weakness(es) identified? No

   b. Significant deficiency(ies) identified? No

3. Noncompliance material to the financial statements? No

Federal Awards Section

1. Internal control over compliance:

   a. Material weakness(es) identified? No

   b. Significant deficiency(ies) identified? No

2. Type of auditors' report on compliance for major programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

4. Identification of major programs:

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

5. Dollar threshold used to distinguish between Type A and Type B Programs: $750,000

6. Auditee qualified as low-risk Auditee? No

See Report of Independent Auditors.

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Federal Award Findings and Questioned Costs

There were no findings or questioned costs relating to federal awards.

IV. Summary of Prior Audit Findings

There were no findings or questioned costs in the prior year.

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

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Contractually required contribution	$ 91,626	$ 104,831	$ 121,142	$ 129,116	$ 140,417
Contributions in relation to the contractually required contribution	91,626	104,831	121,142	129,116	140,417
(Over) / under funded	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 974,743	$ 1,030,484	$ 1,043,059	$ 1,096,893	$ 1,164,949
Contributions as a percentage of covered-employee payroll	9.40 %	10.17 %	11.61 %	11.77 %	12.05 %

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

See Report of Independent Auditors.

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
REQUIRED PENSION INFORMATION
DECEMBER 31, 2018

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

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Authority's proportion of the net pension liability	0.0127 %	0.0131 %	0.0136 %	0.0139 %	0.0141 %
Authority's proportionate share of the net pension liability	$ 2,380,831	$ 2,947,610	$ 4,038,650	$ 3,244,426	$ 2,779,536
Authority's covered-employee payroll	$ 974,743	$ 1,030,484	$ 1,043,059	$ 1,096,893	$ 1,164,949
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	244.25 %	286.04 %	387.19 %	295.78 %	238.60 %
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.

See Report of Independent Auditors.

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
DECEMBER 31, 2018

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

	December 31, 2017	December 31, 2018
Statutorily required contribution	$ 224,202	$ 237,584
Contributions in relation to the statutorily required contribution	224,202	237,584
Contribution deficiency (excess)	$ -	$ -
Authority's covered-employee payroll	$ 1,096,893	$ 1,164,949
Contributions as a percentage of covered-employee payroll	20.44 %	20.39 %

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

See Report of Independent Auditors.

HOUSING AUTHORITY OF THE TOWNSHIP OF LAKEWOOD
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
DECEMBER 31, 2018

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

	December 31, 2017	December 31, 2018
Authority's proportion of the net OPEB liability	0.0191 %	0.0193 %
Authority's proportionate share of the net OPEB liability	$ 3,891,862	$ 3,025,537
Authority's covered-employee payroll	$ 1,096,893	$ 1,164,949
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	354.81 %	259.71 %
Plan fiduciary net position as a percentage of the total OPEB liability	1.03 %	1.97 %

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

See Report of Independent Auditors.

Lakewood Housing Authority

NJ054

Financial Data Schedule (FDS)

December 31, 2018

Line Item #	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Mainstream Vouchers	6.1 Component Units - Discretely Presented	Business Activities	Elimination	Total
	ASSETS:							
	CURRENT ASSETS:							
	Cash:							
111	Cash - unrestricted	$ -	$ 1,242,199	$ -	$ 17,221	$ 1,663,186	$ -	$ 2,922,606
112	Cash - restricted - modernization and developmen	-	-	-	-	-	-	-
113	Cash - other restricted	-	129,844	-	-	1,646,499	-	1,776,343
114	Cash - tenant security deposits	-	-	-	64,019	-	-	64,019
115	Cash - restricted for payment of current liabilitie	-	-	-	-	-	-	-
100	Total cash	-	1,372,043	-	81,240	3,309,685	-	4,762,968
	Accounts and notes receivables							
121	Accounts receivable - PHA project	-	-	-	-	-	-	-
122	Accounts receivable - HUD other project	6,086	18,717	-	-	-	-	24,803
124	Accounts receivable - other governmen	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneou	-	-	-	-	-	-	-
126	Accounts receivable- tenant	-	-	-	17,711	-	-	17,711
126.1	Allowance for doubtful accounts - tenant	-	-	-	(5,863)	-	-	(5,863)
126.2	Allowance for doubtful accounts - othe	-	-	-	-	-	-	-
127	Notes and mortgages receivable- curren	-	-	-	-	-	-	-
128	Fraud recovery	-	137,372	-	-	-	-	137,372
128.1	Allowance for doubtful accounts - fraud	-	(89,920)	-	-	-	-	(89,920)
129	Accrued interest receivabl	-	1,007	-	-	-	-	1,007
120	Total receivables, net of allowances for doubtful account	6,086	67,176	-	11,848	-	-	85,110
	Current investments							
131	Investments - unrestricted	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liabilit	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	-	1,709	-	1,709
143	Inventories	-	-	-	48,681	-	-	48,681
143.1	Allowance for obsolete inventories	-	-	-	(4,346)	-	-	(4,346)
144	Interprogram - due from	-	6,086	4,652	-	-	(10,738)	-
145	Assets held for sale	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	6,086	1,445,305	4,652	137,423	3,311,394	(10,738)	4,894,122
	NONCURRENT ASSETS:							
	Fixed assets:							
161	Land	-	-	-	-	313,844	-	313,844
162	Buildings	-	-	-	-	12,860,246	-	12,860,246
163	Furniture, equipment & machinery - dwelling	-	-	-	-	-	-	-
164	Furniture, equipment & machinery - administratio	-	2,865	-	-	230,681	-	233,546
165	Leasehold improvements	-	-	-	-	453,480	-	453,480
166	Accumulated depreciation	-	(2,865)	-	-	(9,909,060)	-	(9,911,925)
167	Construction in Progress	-	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciatio	-	-	-	-	3,949,191	-	3,949,191
	Other non-current assets:							
171	Notes and mortgages receivable - non-current, net of allowanc	-	-	-	-	3,903,361	-	3,903,361
172	Notes and mortgages receivable-non-current - past du	-	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-	-
175	Undistributed debits	-	-	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-	-	-
				-	-	-	-	
180	TOTAL NONCURRENT ASSETS	-	-	-	-	7,852,552	-	7,852,552
200	Deferred Outflow of Resources	-	397,841	-	-	455,740	-	853,581
290	**TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES**	$ 6,086	$ 1,843,146	$ 4,652	$ 137,423	$ 11,619,686	$ (10,738)	$ 13,600,255

Lakewood Housing Authority

NJ054

Financial Data Schedule (FDS)

December 31, 2018

Line Item #	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Mainstream Vouchers	6.1 Component Units - Discretely Presented	Business Activities	Elimination	Total
	LIABILITIES AND EQUITY:							
	Liabilities:							
	Current Liabilities:							
311	Bank overdraft	$ -	$ -	$ -	$ -	$ -	$ -	$ -
312	Accounts payable ≤ 90 days	-	41,021.00	-	30,107	64,333	-	135,461
313	Accounts payable > 90 days past duc	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	27,833.00	-	-	27,591	-	55,424
322	Accrued compensated absences - current portio	-	8,701.00	-	-	13,051	-	21,752
324	Accrued contingency liability	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	742	4,652	-	-	-	5,394
332	Accounts payable - PHA projects	-	-	-	-	-	-	-
333	Accounts payable - other governmen	-	-	-	41,228	-	-	41,228
341	Tenant security deposits	-	-	-	64,019	-	-	64,019
342	Unearned revenue	-	-	-	2,069	-	-	2,069
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-	-
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-
346	Accrued liabilities - other	-	-	-	-	-	-	-
347	Interprogram - due to	6,086	4,652	-	-	-	(10,738)	-
310	TOTAL CURRENT LIABILITIES	6,086	82,949	4,652	137,423	104,975	(10,738)	325,347
	NONCURRENT LIABILITIES:							
351	Long-term debt, net of current - capital projects	-	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowing	-	-	-	-	-	-	-
353	Non-current liabilities- other	-	129,844	-	-	-	-	129,844
354	Accrued compensated absences - noncurren	-	41,028	-	-	13,089	-	54,117
355	Loan Liability - Non Current	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	-	2,989,702	-	-	2,815,371	-	5,805,073
350	TOTAL NONCURRENT LIABILITIES	-	3,160,574	-	-	2,828,460	-	5,989,034
300	**TOTAL LIABILITIES**	6,086	3,243,523	4,652	137,423	2,933,435	(10,738)	6,314,381
400	Deferred Inflow of Resources	-	1,682,010	-	-	955,692	-	2,637,702
	EQUITY:							
508.1	Invested in Capital Assets, Net of Related Debt	-	-	-	-	3,949,191	-	3,949,191
511.1	Restricted Net Assets	-	-	-	-	1,646,499	-	1,646,499
512.1	Unrestricted Net Assets	-	(3,082,387)	-	-	2,134,869	-	(947,518)
513	**TOTAL EQUITY**	-	(3,082,387)	-	-	7,730,559	-	4,648,172
600	**TOTAL LIABILITIES AND EQUITY**	$ 6,086	$ 1,843,146	$ 4,652	$ 137,423	$ 11,619,686	$ (10,738)	$ 13,600,255
	Proof of concept	-	-	-	-	-	-	-

Lakewood Housing Authority
NJ054
Financial Data Schedule (FDS)

December 31, 2018

Line Item #	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Mainstream Vouchers	6.1 Component Units - Discretely Presented	Business Activities	Elimination	TOTAL
	REVENUE:							
70300	Net tenant rental revenue	$ -	$ -	$ -	$ -	$ 769,886	$ -	$ 769,886
70400	Tenant revenue - other	-	-	-	-	-	-	-
70500	Total tenant revenue	-	-	-	-	769,886	-	769,886
70600	HUD PHA grants	66,946	12,505,081	785,557	-	-	-	13,357,584
70610	Capital grants	-	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	1,088,390	(1,088,390)	-
71100	Investment income - unrestricted	-	18,915	-	-	89,831	-	108,746
71200	Mortgage interest income	-	-	-	-	-	-	-
71300	Proceeds from disposition of asseets held for sale	-	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-	-
71400	Fraud recovery	-	60,942	-	-	-	-	60,942
71500	Other revenue	-	42,223	-	-	875,994	-	918,217
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	15,133	-	15,133
70000	**TOTAL REVENUE**	66,946	12,627,161	785,557	-	2,839,234	(1,088,390)	15,230,508
	EXPENSES:							
	Administrative							
91100	Administrative salaries	-	561,858	40,509	-	350,427	-	952,794
91200	Auditing fees	-	7,793	-	-	8,443	-	16,236
91300	Outside management fees	-	-	-	-	-	-	-
91310	Book-keeping fee	-	-	-	-	-	-	-
91400	Advertising and marketing	-	3,540	-	-	2,395	-	5,935
91500	Employee benefit contributions- administrative	-	782,005	20,737	-	399,673	-	1,202,415
91600	Office expenses	-	94,800	6,500	-	96,772	-	198,072
91700	Legal expenses	-	14,141	935	-	14,007	-	29,083
91800	Travel	-	-	-	-	3,093	-	3,093
91810	Allocated overhead	-	-	-	-	-	-	-
91900	Other	-	13,152	869	-	11,735	-	25,756
	Total administrative	-	1,477,289	69,550	-	886,545	-	2,433,384
92000	Asset Management Fee	-	-	-	-	-	-	-
	Tenant services							
92100	Tenant services - salaries	51,009	-	-	-	-	-	51,009
92200	Relocation costs	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	15,937	-	-	-	-	-	15,937
92400	Tenant services - other	-	-	-	-	12,675	-	12,675
	Total tenant services	66,946	-	-	-	12,675	-	79,621
	Utilities							
93100	Water	-	-	-	-	110,362	-	110,362
93200	Electricity	-	-	-	-	120,093	-	120,093
93300	Gas	-	-	-	-	127,151	-	127,151
93400	Fuel	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	66,024	-	66,024
93600	Sewer	-	-	-	-	-	-	-
93700	Employee benefit contributions- utilities	-	-	-	-	19,092	-	19,092
93800	Other utilities expense	-	-	-	-	-	-	-
	Total utilities	-	-	-	-	442,722	-	442,722
	Ordinary maintenance & operation							
94100	Ordinary maintenance and operations - labor	-	-	-	-	154,057	-	154,057
94200	Ordinary maintenance and operations - materials & other	-	-	-	-	134,360	-	134,360
94300	Ordinary maintenance and operations - contract costs	-	-	-	-	201,436	-	201,436
94500	Employee benefit contributions- ordinary maintenance	-	-	-	-	70,753	-	70,753
	Total ordinary maintenance	-	-	-	-	560,606	-	560,606
	Protective services							
95100	Protective services - labor	-	-	-	-	-	-	-
95200	Protective services- other contract costs	-	-	-	-	67,498	-	67,498
95300	Protective services - other	-	-	-	-	-	-	-
95500	Employee benefit contributions- protective services	-	-	-	-	-	-	-
	Total protective services	-	-	-	-	67,498	-	67,498
	General expenses							
96100	Insurance premiums	-	14,003	926	-	67,143	-	82,072
96200	Other general expenses	-	7,324	-	-	-	-	7,324
96210	Compensated absences	-	4,398	291	-	37	-	4,726
96300	Payments in lieu of taxes	-	-	-	-	41,228	-	41,228
96400	Bad debt - tenant rents	-	-	-	-	8,353	-	8,353
96500	Bad debt- mortgages	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-	-
96710	Amortization of bond issue costs	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-
	Total general expenses	-	25,725	1,217	-	116,761	-	143,703
96900	**TOTAL OPERATING EXPENSES**	66,946	1,503,014	70,767	-	2,086,807	-	3,727,534
97000	**EXCESS OPERATING REVENUE OVER OPERATING EXPENSES**	-	11,124,147	714,790	-	752,427	(1,088,390)	11,502,974

Lakewood Housing Authority
NJ054
Financial Data Schedule (FDS)

December 31, 2018

Line Item #	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Mainstream Vouchers	6.1 Component Units - Discretely Presented	Business Activities	Elimination	TOTAL
97100	Extraordinary maintenance	-	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-
97300	Housing assistance payments	-	11,961,064	714,790	-	-	(1,088,390)	11,587,464
97350	HAP Portability - in	-	-	-	-	-	-	-
97400	Depreciation expense	-	-	-	-	387,080	-	387,080
97500	Fraud losses	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-
								-
90000	**TOTAL EXPENSES**	66,946	13,464,078	785,557	-	2,473,887	(1,088,390)	15,702,078
	OTHER FINANCING SOURCES (USES)							
10010	Operating transfers in	-	-	-	-	-	-	-
10020	Operating transfers out	-	-	-	-	-	-	-
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)**	-	-	-	-	-	-	-
								-
10000	**EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES**	-	(836,917)	-	-	365,347	-	(471,570)
MEMO ACCOUNT INFORMATION:								
11020	Required annual debt principal payments	-	-	-	-	-	-	-
11030	Beginning equity	-	262,480	-	-	11,504,876	-	11,767,356
11040	Prior period adjustments and equity transfers	-	(2,507,950)	-	-	(4,139,664)	-	(6,647,614)
11170	Administrative fee equity	-	-	-	-	-	-	-
11180	Housing assistance payments equity	-	-	-	-	-	-	-
11190	Unit months available	-	12,828	816	-	2,460	-	16,104
11210	Number of unit months leased	-	12,783	816	-	2,381	-	15,980
	Equity Roll Forward Test:							
	Calculation from R/E Statement	$ -	$ (3,082,387)	$ -	$ -	$ 7,730,559	$ -	$ 4,648,172
	B/S Line 513	$ -	$ (3,082,387)	$ -	$ -	$ 7,730,559	$ -	$ 4,648,172
		$ -	$ -	$ -	$ -	$ -	$ -	$ -