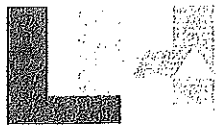


HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY

**REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTAL
DATA**

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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**LODI
HOUSING
AUTHORITY**

A HUD SPONSORED PUBLIC HOUSING AGENCY
50 Brookside Avenue ■ Lodi, New Jersey 07644

Thomas DeSomma
Executive Director/Secretary-Treasurer
973-470-3650 FAX 973-778-1429
thomasd@lodihousing.org

June 6, 2019

Dear Board of Directors, US Department of Housing and Urban Development and the State of New Jersey:

On behalf of Lodi Housing Authority of Lodi, New Jersey, I respectfully submit this annual financial report for the year ended September 30, 2018. I believe the information presented is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the Authority's financial position and operations have been included. The accompanying financial statements included in this annual financial report have been prepared in conformity with accounting principles generally accepted in the United States of America. Responsibility for the accuracy, completeness, and fairness of the financial statements presentation rests with the management of the Authority.

The 2018 Lodi Housing Authority Annual financial report consists of these sections:

- Introductory Section - this includes the independent auditor's report and a management discussion and analysis of our financial report.
- Financial Section - this includes the basic financial statements and notes and required supplementary information.
- Single Audit Section - this includes reports from the independent auditor on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Lodi Housing Authority realizes that its role as a means of housing for the low income and elderly in the community and the State of New Jersey has never been more important. The Authority has four projects of their own with over 200 units for low income and elderly tenants and over 400 Section 8 participants. The following pages report and analyze the financial position of Lodi Housing Authority.

Respectfully submitted,

Thomas DeSomma
Executive Director

FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

6225 Rising Sun Avenue
Philadelphia, PA 19111
Voice: 215-742-3428

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lodi Housing Authority
Lodi, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of Lodi Housing Authority as of and for the years ended September 30, 2018 and September 30, 2017, and the related notes to the financial statements, which collectively comprise the Lodi Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lodi Housing Authority, as of September 30, 2018 and September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Authority's Proportionate Share of the Net Pension Liability and Net OPEB liability as listed in the table of contents 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lodi Housing Authority's basic financial statements. The accompanying financial information, the combining statements of net position, activities and changes in net position and Financial Data Schedule as listed in HUD supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements of net position, activities and changes in net position, Financial Data Schedule and the schedule of expenditures of federal awards 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 my opinion, the combining statements of net position, activities and changes in net position, financial data schedule and the schedule of expenditures of federal awards 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*, I have also issued my report dated June 6, 2019, on my consideration of the Lodi Housing Authority's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lodi Housing Authority's internal control over financial reporting and compliance.

Francis McConnell

Francis J McConnell
Certified Public Accountant

June 6, 2019

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

As management of the Housing Authority of the Borough of Lodi, New Jersey we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended September 30, 2018 and September 30, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

2018

- The assets and deferred outflows of the Authority were in a deficit position at the close of the most recent fiscal year by (\$1,287,410) deficit net position – this was caused by the required adoption of “GASB 75” the recording of the post employment retirement liability.
- The Authority's unrestricted cash balance at September 30, 2018 was \$422,034 representing an increase of \$6,395 from September 30, 2017.
- The Authority had intergovernmental revenues of \$5,968,804 HUD operating grants for the year ended September 30, 2018.
- The Authority adopted accounting principle “GASB 75” the financial reporting for other post employment retirement benefits. This principle caused the recording of an adjustment of over \$4 million dollars and restating 2017 statements for comparability purposes.

2017 - restated

- The assets and deferred outflows of the Authority were in a deficit position at the close of the this fiscal year by \$(1,463,629)(net position)
- The Authority's unrestricted cash balance at September 30, 2017 was \$415,639 representing a decrease of \$48,585 from September 30, 2016.
- The Authority had intergovernmental revenues of \$5,703,210 HUD operating grants for the year ended September 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- Statement of Net Position – reports the Authority's current financial resources (short term spend able resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses and Changes in Fund Net Position – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position: may serve over time as a useful indicator of an agency's financial position. In the case of the Lodi Housing Authority was in a deficit position by \$1.3million at the close of the most recent fiscal year. The following table shows a summary of changes from the prior years

	2018	(restated) 2017
Current and Other Assets	567,652	558,098
Capital Assets, net of depreciation	5,324,525	5,433,733
Total Assets	5,892,177	5,991,831
Deferred Outflows of Resources	1,182,665	1,152,540
Current Liabilities	101,219	126,859
Noncurrnt Liabilities	6,343,985	7,640,694
Total Liabilities	6,445,204	7,767,553
Deferred Inflows of Resources	1,917,048	840,447
Net Investment in Capital Assets	5,324,525	5,433,733
Restricted	26,061	34,902
Unrestricted	(6,637,996)	(6,932,264)
Net Position	* (1,287,410)	(1,463,629)

* Net position is reflective of the adoption of GASB 75, financial reporting for other post employment retirement benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The following table summarizes the changes in capital assets between fiscal years 2018 and 2017:

	2018	2017
LAND	\$ 2,600,000	\$ 2,600,000
BUILDINGS AND IMPROVEMENTS	14,726,380	14,726,380
EQUIPMENT	826,936	855,551
TOTAL CAPITAL ASSETS	18,153,316	18,181,931
ACCUMULATED DEPRECIATION	12,828,791	12,748,218
NET CAPITAL ASSETS	<u>5,324,525</u>	<u>5,433,713</u>

Debt

At the end of September 30, 2018 the Authority had no outstanding debt.

Statement of Activities. The Statement of Activities shows the sources of LHA's changes in net position as they arise through its various programs and functions. A condensed Statement of Activities comparing fiscal year 2018 and 2017.

	9/30/2018	9/30/2017	Diff
tenant revenue	1,442,126	1,436,088	6,038
hud revenue	5,968,804	5,703,210	265,594
other revenue	95,546	195,517	(99,971)
total revenue	<u>7,506,476</u>	<u>7,334,815</u>	<u>171,661</u>
Operating expenses			-
admin	993,710	1,223,731	(230,021)
tenant services	1,016	1,000	16
utilities	473,158	478,770	(5,612)
maint	578,068	689,900	(111,832)
Security	27,265	31,781	(4,516)
hap	5,015,555	4,797,031	218,524
Other operating	141,069	137,943	3,126
Depreciation	109,208	130,939	(21,731)
total expenses	<u>7,339,049</u>	<u>7,491,095</u>	<u>(152,046)</u>
Oper inc (loss)	167,427	(156,280)	323,707
Non Operating	(8,792)	(3,241)	(5,551)
Change in Net Position	176,219	(153,039)	329,258

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Statement of Activities – continued

Governmental operating revenue includes the annual operating subsidies for the low rent and capital grants made available by the U.S. Housing and Urban Development (“HUD”). LHA also generated over 1.4 million in tenant revenue which helped offset LHA’s administrative expenses.

Other Information

The Authority has been designated a High Performer as per the PHAS Certification and as well their SEMAP Certification.

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 information should be addressed to the Office of the Executive Director, Housing Authority of the Borough of Lodi, New Jersey, 50 Brookside Avenue, Lodi, New Jersey 07644, or call (973) 470-3650.

FINANCIAL SECTION

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 and 2017

	ASSETS	
	2018	(restated) 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 422,034	\$ 415,639
Restricted cash and cash equivalents	71,804	79,513
Receivables, net of allowance	22,219	15,423
Other current assets	51,595	47,523
Total Current Assets	<u>567,652</u>	<u>558,098</u>
Noncurrent assets		
Capital assets, net of depreciation	5,324,525	5,433,733
Total Noncurrent Assets	<u>5,324,525</u>	<u>5,433,733</u>
Deferred Outflow of Resources		
Total Deferred Outflows of resources	<u>1,182,665</u>	<u>1,152,540</u>
Total Assets and Deferred Outflow of Resources	<u><u>7,074,842</u></u>	<u><u>7,144,371</u></u>

LIABILITIES AND NET POSITION

LIABILITIES:		
Current Liabilities		
Accounts Payable	1,639	3,743
Accrued Liabilities	21,424	39,090
Compensated Absences	9,540	9,020
Trusts and deposits	45,743	44,611
Deferred credits and other liabilities	22,873	30,395
Total Current Liabilities	<u>101,219</u>	<u>126,859</u>
Noncurrent liabilities		
Other Liabilities	1,410	1,410
Accrued Pension and Opeb	6,256,716	7,558,096
Compensated Absences	85,859	81,188
Total Noncurrent Liabilities	<u>6,343,985</u>	<u>7,640,694</u>
Total Liabilities	<u>6,445,204</u>	<u>7,767,553</u>
Deferred Inflow of Resources		
Total Deferred Inflow of Resources	<u>1,917,048</u>	<u>840,447</u>
NET POSITION		
Net Investments in capital assets	5,324,525	5,433,733
Restricted Net Assets - Section 8 Housing Choice Vouchers	26,061	34,902
Unrestricted net assets (Deficit)	<u>(6,637,996)</u>	<u>(6,932,264)</u>
Total net position	<u>(1,287,410)</u>	<u>(1,463,629)</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 7,074,842</u></u>	<u><u>\$ 7,144,371</u></u>

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2018 and 2017

	<u>2018</u>	<u>(restated) 2017</u>
OPERATING REVENUES		
Tenant Revenue	\$ 1,442,126	\$ 1,436,088
Operating grants	5,968,804	5,703,210
Other Income	95,546	195,517
Total operating revenues	<u>7,506,476</u>	<u>7,334,815</u>
OPERATING EXPENSES		
Administrative	993,710	1,223,731
Tenant services	1,016	1,000
Utilities	473,158	478,770
Maintenance	578,068	689,900
Protective services	27,265	31,781
General	141,069	137,943
Housing Assistance Payments	5,015,555	4,797,031
Depreciation Expense	109,208	130,939
Total Operating Expenses	<u>7,339,049</u>	<u>7,491,095</u>
NET OPERATING INCOME (LOSS)	167,427	(156,280)
NONOPERATING REVENUES (EXPENSES)		
Investment Income	8,792	3,242
Total nonoperating revenues	<u>8,792</u>	<u>3,242</u>
Change in net position	176,219	(153,038)
Total net position - beginning - restated	(1,463,629)	3,168,328
prior Period adjustment	-	(4,478,919)
Total net position - ending	<u>\$ (1,287,410)</u>	<u>\$ (1,463,629)</u>

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Hud operating subsidies	\$ 5,968,804	\$ 5,703,210
Receipts from residents and others	1,442,126	1,436,088
Other revenue received	95,546	195,517
Payments to suppliers	(1,242,005)	(1,003,900)
Payments to and on behalf of employees	(1,259,022)	(1,585,207)
Housing Assistance payments made	<u>(5,015,555)</u>	<u>(4,797,031)</u>
Net cash provided by (used) in operating activities	<u>(10,106)</u>	<u>(51,323)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment Income	<u>8,792</u>	<u>3,241</u>
Net cash provided by investing activities	<u>8,792</u>	<u>3,241</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>(1,314)</u>	<u>(48,082)</u>
<u>CASH AND CASH EQUIVALENTS, OCTOBER 1</u>	<u>495,152</u>	<u>543,234</u>
<u>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</u>	<u>\$ 493,838</u>	<u>\$ 495,152</u>
<u>SEPTEMBER 30, CASH AND CASH EQUIVALENTS</u>		
Unrestricted	\$ 422,034	\$ 415,639
Restricted	71,804	79,513
Total Unrestricted and Restricted	<u>\$ 493,838</u>	<u>\$ 495,152</u>

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>RECONCILIATION OF OPERATING INCOME TO</u>		
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Net Operating Loss	\$ 167,427	\$ (156,280)
Add back non-cash Items:		
Depreciation expense	109,208	130,939
Bad Debt Expense		11,182
Pension Expense	(275,508)	(63,328)
Decrease (Increase) in Assets		
Accounts Receivable	6,796	11,917
Prepaid Expenses	4,072	(6,914)
	<u>11,995</u>	<u>(72,484)</u>
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(19,770)	6,598
Accrued Compensated absences	5,191	19,040
other Liabilities and deferred credits	(7,522)	(4,477)
	<u>(22,101)</u>	<u>21,161</u>
Net Cash provided by operating activities	<u>\$ (10,106)</u>	<u>\$ (51,323)</u>

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Program Description

The Housing Authority of the Borough of Lodi, New Jersey was organized under the laws of the State of New Jersey and operates under an Annual Contributions Contract (ACC) with the United States Department of Housing and Urban Development (HUD) to provide low-income housing to eligible participants under the United States Housing Act of 1937, as amended. The formation and operation of the Housing Authority is governed by the Act, and administered by HUD under the Annual Contributions Contracts.

The Authority is governed by a board of Directors appointed locally. An Executive Director is appointed by the housing authority's Board to manage the day to day operations of the Authority.

Low Rent Housing Program

This program provides low-rent housing to qualified residents of the Borough of Lodi, New Jersey. All units are owned and operated by the Housing Authority and were purchased with financing arranged or provided through HUD. The operations of the program are subsidized by HUD through an Annual Contributions Contract. Operating subsidy contributions for the years ended September 30, 2018 and 2017 were \$278,131 and \$212,700 respectively, and are included in operating subsidies in the combined statement of revenues, expenses and changes in net assets.

Housing Choice Voucher Program

This program allows for existing privately-owned housing units to be used for low-income housing. This program assists low-income families and persons to find and lease a house or apartment. After inspecting the unit, Lodi HA assists the resident in negotiating a lease under HUD rules and regulations for the program. After the lease is signed, the resident pays a share of the rent according to HUD guidelines, and the remainder is subsidized by Lodi Housing Authority through HUD funding.

Lodi Housing Authority earns a fee for administering the annual contributions from HUD. This fund accounts for the revenues and expenses associated with providing administrative services.

Capital Fund Program Grants

Capital fund grants are recognized as revenues in the combined statement of revenues, expenses and changes in net assets in accordance with GASB Statement No. 34. Capital grants support the development, modernization and operation of public housing developments.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017
(continued)

B Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is made by applying the criteria set forth by GASB. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financial accountable. Based on these criteria, There are no additional agencies which should be included in the financial statements of Lodi Housing Authority..

C - Basis of Accounting

The Authority's financial statements represent the net position and results of operations of LHA and have been prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America as applied to governmental entities.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. LHA maintains their accounts substantially in accordance with the chart of accounts prescribed by HUD and are organized utilizing the fund accounting model. A fund is an independent entity with a self-balancing set of accounts.

LHA accounts for its operations in a single enterprise fund. Enterprise funds account for those operations financed and operated in a manner similar to a private business or where LHA has decided that determination of revenue earned, costs incurred and net revenue over expenses is necessary for management accountability.

Enterprise funds are proprietary funds used to account for business activities of special purpose governments for which a housing authority qualifies under GASB No. 34 *"Basic Financial Statements – and Management's Discussion and analysis – for State and Local Governments."*

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred regardless of the timing of the cash flows. All assets and deferred outflows and liabilities and deferred inflows associated with the operation of the Authority are included in the statements of net position. The statements of revenues, expenses and changes in net position present increases (revenues and capital contributions) and decreases (expenses) in total net position.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017
(continued)

C - Basis of Accounting - continued

Statement No. 68 – “*Accounting and Financial reporting for Pensions*” this standard adopted in prior years, the financial statements contain a liability which is the amount of the unfunded pension liability, referred to in the new standard as the net pension liability (NPL). The NPL is the total pension liability (TPL) less the plan’s fiduciary net position (PFNP). The PFNP represents the fair value of plan assets which are available to pay the pension benefits. The NPL is measured as of a date no earlier than the end of the employer’s prior fiscal year (measurement date).

Statement No. 75 – “*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*” (GASB 75). GASB 75 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with post employment benefits other than pensions (OPEB) of State and Local Governments.

Budgeting and Budgetary Accounting

The Authority prepares an annual operating and capital budget for all programs in accordance with HUD requirements. The budget is formally adopted by resolution of the Authority’s Board of Directors. Once adopted, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses. The budget is prepared on a detailed line item basis.

D – Cash and Cash Equivalents

The Authority considers all securities, including certificates of deposits and short term investments, with maturities of three months or less to be cash equivalents.

E – Accounts Receivable

Rents are due from tenants on the first day of each month. An allowance for doubtful accounts is established to provide for accounts which may not be collected in the future for any reason.

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

F - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017
(continued)

F – Capital Assets

Capital assets include land, structures and equipment recorded at cost and is comprised of property betterments and additions, and modernization program costs. Charges for maintenance and repairs are expensed when incurred. The authority depreciates these assets over their estimated useful lives using the straight-line method of depreciation..

<u>Category</u>	<u>Useful lives (in Years)</u>
Buildings	30 - 40 years
Improvements	30 - 40 years
Furniture and Equipment	5 - 10 years
Vehicles	5 - 10 years
Computer equipment	5 - 10 years

Impairment of Capital Assets

GASB Statement No., 42, *Accounting and Financial reporting for Impairment of Capital Assets and for the Insurance Recoveries*, established accounting and financial reporting standards for impairment of capital assets. A capital assets is considered impaired when its service utility has declined significantly and unexpectedly. LHA is required to evaluate prominent events of changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of September 30, 2018 and 2017.

G – Accrued Compensated absences

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

H – Equity Classifications

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

Net Investment in Capital Assets – consists of any capital assets, net of accumulated depreciation and reduced by any outstanding balances of loans, notes or mortgages

Restricted Net Position – consists of the net amount of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – all other net amounts of assets that do not meet the definition of “restricted” or “net investment in capital assets”.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017
(continued)

I – Use of Restricted Assets

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

J - Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, and in the management of Authority assets. Its operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies other revenues and expenses as non-operating.

K - Income Taxes

LHA is a New Jersey municipal authority and, as such, is exempt from income taxes and other state and local taxes. LHA believes it has not engaged in any activities for which its tax-exempt status would not be sustained under Internal Revenue Service examination or that would require filing of an income tax return for unrelated business income taxes.

L – Economic Dependency

The Section 8 and Low Rent Housing Programs of the Authority are economically dependent on operating grants and subsidies from HUD.

NOTE 2 – CASH AND CASH EQUIVALENTS –

Cash consists primarily of cash in checking accounts. Cash is classified as "Unrestricted" and "Restricted" for financial presentation purposes based on HUD guidance:

- Cash – Unrestricted includes cash available for program purposes including current operations, working capital and reserves. Because the funds are not tied to a certain program or property, they are classified as unrestricted.
- Cash – Restricted includes cash to be expended for specific purposes based on the sources of the money. LHA's restricted cash generally includes: housing choice voucher funds and resident security deposits.

All funds on deposits are FDIC insured up to \$250,000 per institution or are fully collateralized in accordance with guidance recommended by HUD.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017
(continued)

NOTE 2 – CASH AND CASH EQUIVALENTS – continued

As of September 30, 2018 and 2017 cash and cash equivalents consisted of the following:

	2018	2017
Low Rent	\$ 440,065	\$ 434,066
Section 8 Housing Choice	53,773	61,086
	-	-
	-	-
	<u>493,838</u>	<u>495,152</u>
	<u>493,838</u>	<u>495,152</u>
Bank Balances	<u>\$ 603,157</u>	<u>\$ 584,717</u>
<u>Reconciliation of detail to statement of net assets</u>		
Cash - unrestricted	422,034	415,639
Cash - restricted	71,804	79,513
	<u>\$ 493,838</u>	<u>\$ 495,152</u>

NOTE 3 – RECEIVABLES

Accounts Receivable as of September 30, 2018 and 2017

	2018	2017
Tenant accounts receivable	\$ 3,858	\$ 4,266
Due from Hud	203	0
Other	<u>20,692</u>	<u>13,691</u>
Total accounts receivable	24,753	17,957
Less: allowance for doubtful accounts	<u>(2,534)</u>	<u>(2,534)</u>
	<u>\$ 22,219</u>	<u>\$ 15,423</u>

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017
(continued)

NOTE 4 – RISK MANAGEMENT

The Authority is exposed to various risks of potential liabilities, such as theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to deal with these potential liabilities, the Authority's risk management program consisted of various insurance policies covering each of these risks. The Authority believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

FIXED ASSETS

Changes in capital assets for 2018 consisted of:

	2017	additions	disposals	transfers	2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,600,000	-	-	-	\$ 2,600,000
<u>Depreciable capital assets:</u>					
Buildings and Improvements	14,726,400	-	-	-	14,726,400
Equipment - Admin & Dwelling	857,406	-	(30,490)	-	826,916
Totals	15,583,806	-	(30,490)	-	15,553,316
Total capital assets	18,183,806	-	(30,490)	-	18,153,316
Accumulated Depreciation:	(12,750,073)	(109,208)	30,490	-	(12,828,791)
Net Capital Assets	\$ 5,433,733	(109,208)	-	-	\$ 5,324,525

Changes in capital assets for 2017 consisted of: (restated)

	2016	additions	disposals	transfers	2017
<u>Non-depreciable capital assets:</u>					
Land	2,600,000	-	-	-	2,600,000
<u>Depreciable capital assets:</u>					
Buildings and Improvements	14,561,780	164,620	-	-	14,726,400
Equipment - Admin & Dwelling	855,451	1,955	-	-	857,406
Totals	15,417,231	166,575	-	-	15,583,806
Total capital assets	18,017,231	166,575	-	-	18,183,806
Accumulated Depreciation:	(12,619,134)	(130,939)	-	-	(12,750,073)
Net Capital Assets	5,398,097	35,636	-	-	5,433,733

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

(continued)

NOTE 6 – COMPENSATED ABSENCES

Accrued compensated absences represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the authority's Personnel Policy. Compensated absences activity consisted of the following:

	2018	2017
Beginning compensated absences	\$ 90,208	\$ 71,168
Compensated absences earned	61,341	48,394
Compensated absences redeemed	<u>(56,150)</u>	<u>(29,354)</u>
Ending compensated absences	95,399	90,208
Less: current portion	9,540	9,020
Compensated absences, net of current position	<u>\$ 85,859</u>	<u>\$ 81,188</u>

NOTE 7 – ACCRUED LIABILITIES

Accrued Liabilities as of September 30, 2018 and 2017

	2018	2017
Accrued payroll and payroll taxes	\$ 21,424	\$ 20,299
Accrued utilities	-	18,791
	<u>\$ 21,424</u>	<u>\$ 39,090</u>

NOTE 8 – DEFERRED CREDITS AND OTHER LIABILITIES

Deferred Credits and other liabilities as of September 30, 2018 and 2017:

	2018	2017
Prepaid rental income	\$ 22,873	\$ 30,395
	<u>\$ 22,873</u>	<u>\$ 30,395</u>

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

(continued)

NOTE 9 – COMMITMENTS AND CONTINGENCIES

During the year ended September 30, 2018 the Authorities lease commitment, as lessor, with T-Mobile for renting space for a tower on authority grounds, was automatically renewed for an additional year. Current Year rental income was \$28,716.

10 – Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charges to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources until that time. These inflows consist of unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NOTE 11 – PENSION PLAN

Description of Plan

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. It is a cost-sharing, multiple-employer defined benefit pension plan. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system. Membership is mandatory for such employees.

Vesting and Benefit Provisions

The vesting and benefit provisions for the PERS are set by N.J. S.A. 43:15A and 43:3B. All benefits vest after ten years of services, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined.

Funding Requirements - PERS

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers contributions are actuarially determined annually by the

The Authority's total contributions to PERS for the year ended were \$ 119,468.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017
(continued)

NOTE 11 – PENSION PLAN - continued

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

– at September 30, 2018, the Authority reported a liability of \$ 2,364,854 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the authority's share of contributions to the pension plan relative to the contributions of all PERS participating employers. At June 30, 2018, the authority's collective proportion percentage was .01201073%

For the year ended the authority recognized pension expense of \$ 115,820. At September 30, 2018, the authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 45,098	\$ 12,194
Changes in assumptions	389,689	756,154
Net difference between projected and actual earnings on pension plan investments	-	22,182
Changes in proportion and differences between Authority contributions and proportionate share of contributions	270,798	313,638
Total	<u>\$ 705,585</u>	<u>\$ 1,104,168</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended Sept., 30	Total
2019	\$ (79,717)
2020	(79,717)
2021	(79,717)
2022	(79,717)
2023	(79,715)
	<u>\$ (398,583)</u>

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017
(continued)

NOTE 11 – PENSION PLAN – continued

Actuarial assumptions – the total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate of:	2.25%
Rates of 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%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality tables, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major class included in PERS's target class allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Allocation	Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash	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 private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. 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%

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

NOTE 11 – PENSION PLAN – continued

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 plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Pension Plan Fiduciary Net Position – detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report which is available on the PERS website at www.pers.nj.gov.

Sensitivity of the Authority's Proportionate Share of Net Pension Liability to changes in the Discount Rate – the following represents 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 (4.00 percent) or 1-percentage point higher (6.00 percent) than the current rate,

	1% Decrease	Discount Rate	1% Increase
	4.66%	5.66%	6.66%
Authority's proportionate share of			
the net pension liability	2,973,530	2,364,854	1,854,212

Note 12 – OPEB –(other post employment benefits)

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 ("CAFR"), which can be found at <https://www.state.nj.us/treasury/pension/financial-reports.shtml>.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

NOTE 12. - OPEB (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 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 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.

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

At September 30, 2018, the Authority reported a liability of \$3,891,862, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2016, and rolled forward to June 30, 2017.

For the year ended September 30, 2018, the Authority recognized OPEB expense of \$129,074. At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 431,964
Changes in proportions		380,896
Net differences between projected and actual investment earnings on OPEB plan investments	667	
Authority contributions subsequent to the measurement date	476,413	
Total	\$ 477,080	\$ 812,860

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

NOTE 12. - OPEB (continued)

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

Year Ended 30-Sep	Total
2019	(162,443)
2020	(16,269)
2021	(16,269)
2022	(16,269)
2023	(16,269)
	<u><u>\$(227,519)</u></u>

D - Acturial Assumptions

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

Inflation Rate 2.50%

Salary increases:

Through 2026 1.65 - 8.98%, based on age

Thereafter 2.65 - 9.98%, based on age

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

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

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

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

NOTE 12. - OPEB (continued)

E: Discount Rate

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

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

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

	1% Decrease	Discount Rate	1% Increase
Authority's proportionate share of			
the net OPEB liability	4,590,711	3,891,862	3,337,451

G: Health Care Trend Assumptions

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

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 and 2017

NOTE 12. - OPEB (continued)

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

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

	1% Decrease	Healthcare cost Trend rate	1% Increase
Authority's proportionate share of the net OPEB liability	3,234,251	3,891,862	4,748,147

NOTE 13 – LITIGATION

The Authority has also been involved in numerous claims against present and former tenants regarding unpaid rents and damage claims. The Authority has proceeded according to the HUD guidelines in these cases.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The Authority has restated it's opening net position for a change in accounting principle, adopting GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions:

Net OPEB Liability	\$ 4,575,001
Deferred Outflows	<u>(\$96,081)</u>
Net Adjustment	<u>\$4,478,920</u>

NOTE 15 – SUBSEQUENT EVENTS

In preparing the financial statements, the Housing Authority has evaluated events and transactions for potential recognition or disclosure through June 6, 2019 the date the financial statements were available to be issued. No transactions were found for recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED SEPTEMBER 30, 2018

	2018	2017	2016	2015
Authority's proportions of the net pension liability (asset)	0.0001201073%	0.0128148609%	0.0112592985%	0.0125833428%
Authority's proportionate share of the net pension liability	\$ 2,364,854	\$ 2,983,095	\$ 3,334,681	\$ 2,824,708
Authority's covered-employee payroll	\$ 843,297	\$ 842,214	\$ 855,930	\$ 1,080,289
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	280.43%	354.20%	389.60%	261.48%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	47.93%	59.86%	47.93%

Note: GASB Statement NO 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Authority will present information for those years for which information is available.

See accompanying independent auditor's report

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED SEPTEMBER 30, 2018

	2018	2017	2016	2015
Statutorily required contributions	\$ 119,468	\$ 118,716	\$ 100,026	\$ 108,183
Contributions in relation to the statutorily required contributions	\$ 119,468	\$ 118,716	\$ 100,026	\$ 108,183
Contributions deficiency (excess)				-
Authority's covered-employee payroll	\$ 843,297	\$ 842,214	\$ 855,930	\$ 1,080,289
Contributions as a percentage of covered-employee payroll	14.17%	14.10%	11.69%	10.01%

See accompanying independent auditor's report

Housing Authority of the Borough of Lodi
Schedule of Proportionate Share of the Net OPEB Liability (Asset)
For the Year Ended September 30

	<u>2018</u>
Employer's proportionate share of the net OPEB liability	\$3,891,862
Employer's covered payroll	\$ 951,153
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	24.44%
Plan fiduciary net position as a percentage of the total OPEB liability	1.03%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
COMBINING STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018

	Low Rent Housing	Capital fund Program	Housing choice Vouchers	Totals
ASSETS				
Current Assets				
Cash	394,322	-	27,712	422,034
Restricted cash and investments	45,743	-	26,061	71,804
Receivables, net	4,061	-	18,158	22,219
Due from other funds	-	-	-	-
Other assets	51,595	-	-	51,595
Total Current assets	495,721	-	71,931	567,652
NONCURRENT ASSETS				
Capital assets, net of depreciation	5,324,525	-	-	5,324,525
Other assets	-	-	-	-
Total noncurrent assets	5,324,525	-	-	5,324,525
Deferred Outflows of Resources	957,276		225,389	1,182,665
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	6,777,522	-	297,320	7,074,842
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	1,347	-	292	1,639
Accrued Liabilities	17,604	-	3,820	21,424
Accounts Payable - other government	-	-	-	-
Compensated absences	7,214	-	2,326	9,540
Tenant security deposits	45,743	-	-	45,743
Deferred credits and other liabilities	22,873	-	-	22,873
Total current liabilities	94,781	-	6,438	101,219
NONCURRENT LIABILITIES				
Compensated absences	64,924	-	20,935	85,859
Accrued pension	5,078,170	-	1,178,546	6,256,716
other liabilities	-	-	1,410	1,410
Total noncurrent liabilities	5,143,094	-	1,200,891	6,343,985
TOTAL LIABILITIES	5,237,875	-	1,207,329	6,445,204
Deferred Inflows of Resources	1,573,253		343,795	1,917,048
NET POSITION				
Net Investment in capital assets	5,324,525	-	-	5,324,525
Restricted net position	-	-	26,061	26,061
Unrestricted net position (deficit)	(5,358,131)	-	(1,279,865)	(6,637,996)
TOTAL NET POSITION	(33,606)	-	(1,253,804)	(1,287,410)
TOTAL LIABILITIES AND NET POSITION	6,777,522	-	297,320	7,074,842

Housing Authority of the Borough of Lodi, New Jersey
Combining Statement of Revenues, Expenses and changes in Net Position
For the year ended September 30, 2018

	Low Rent Housing	Capital Fund Program	Housing Choice Vouchers	Totals
Operating revenue				
Total Tenant Revenue	1,442,126	-	-	1,442,126
Operating subsidies	278,131	241,937	5,448,736	5,968,804
other revenue	50,434	-	45,112	95,546
Total operating revenue	<u>1,770,691</u>	<u>241,937</u>	<u>5,493,848</u>	<u>7,506,476</u>
Operating Expenses				
Administrative expenses	610,094	-	383,616	993,710
Tenant services	1,016	-	-	1,016
Utilities	473,158	-	-	473,158
Maintenance	568,263	-	9,805	578,068
Protective services	27,265	-	-	27,265
General	135,256	-	5,813	141,069
Housing Assistance payments	-	-	5,015,555	5,015,555
Depreciation expense	109,208	-	-	109,208
Total operating expenses	<u>1,924,260</u>	<u>-</u>	<u>5,414,789</u>	<u>7,339,049</u>
Operating income (loss)	<u>(153,569)</u>	<u>241,937</u>	<u>79,059</u>	<u>167,427</u>
Nonoperating revenue (expenses)				
Investment Income	5,943	-	2,849	8,792
Net nonoperating revenue	<u>5,943</u>	<u>-</u>	<u>2,849</u>	<u>8,792</u>
Income (Loss) before capital subsidies	(147,626)	241,937	81,908	176,219
Capital subsidies	-	-	-	-
Change in net assets	<u>(147,626)</u>	<u>241,937</u>	<u>81,908</u>	<u>176,219</u>
Total net assets at beginning of year - restated	(127,917)	-	(1,335,712)	(1,463,629)
Capital contributions/transfers	241,937	(241,937)	-	-
Prior Period adjustments	-	-	-	-
Total net position at end of year	<u>(33,606)</u>	<u>-</u>	<u>(1,253,804)</u>	<u>(1,287,410)</u>

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$394,322	\$27,712	\$422,034	\$422,034
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$26,061	\$26,061	\$26,061
114. Cash - Tenant Security Deposits	\$45,743		\$45,743	\$45,743
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$440,065	\$53,773	\$493,838	\$493,838
121 Accounts Receivable - PHA Projects	\$203		\$203	\$203
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$3,858		\$3,858	\$3,858
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud		\$20,692	\$20,692	\$20,692
129 Accrued Interest Receivable		-\$2,534	-\$2,534	-\$2,534
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,061	\$18,158	\$22,219	\$22,219
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$29,125		\$29,125	\$29,125
143 Inventories	\$22,470		\$22,470	\$22,470
143.1 Allowance for Obsolete Inventories	\$0		\$0	\$0
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$495,721	\$71,931	\$567,652	\$567,652

Housing Authority of the Borough of Lodi (NJ011)

LODI, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
161 Land	\$2,600,000		\$2,600,000	\$2,600,000
162 Buildings	\$14,726,400		\$14,726,400	\$14,726,400
163 Furniture, Equipment & Machinery - Dwellings	\$518,833		\$518,833	\$518,833
164 Furniture, Equipment & Machinery - Administration	\$268,135	\$39,948	\$308,083	\$308,083
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$12,788,843	-\$39,948	-\$12,828,791	-\$12,828,791
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,324,525	\$0	\$5,324,525	\$5,324,525
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$5,324,525	\$0	\$5,324,525	\$5,324,525
200 Deferred Outflow of Resources	\$957,276	\$225,389	\$1,182,665	\$1,182,665
290 Total Assets and Deferred Outflow of Resources	\$6,777,522	\$297,320	\$7,074,842	\$7,074,842
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$1,347	\$292	\$1,639	\$1,639
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$17,604	\$3,820	\$21,424	\$21,424
322 Accrued Compensated Absences - Current Portion	\$7,214	\$2,326	\$9,540	\$9,540
324 Accrued Contingency Liability				
325 Accrued Interest Payable				

Housing Authority of the Borough of Lodi (NJ011)

LODI, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government				
341 Tenant Security Deposits	\$45,743		\$45,743	\$45,743
342 Unearned Revenue	\$22,873		\$22,873	\$22,873
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$94,781	\$6,438	\$101,219	\$101,219
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other		\$1,410	\$1,410	\$1,410
354 Accrued Compensated Absences - Non Current	\$64,924	\$20,935	\$85,859	\$85,859
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$5,078,170	\$1,178,546	\$6,256,716	\$6,256,716
350 Total Non-Current Liabilities	\$5,143,094	\$1,200,891	\$6,343,985	\$6,343,985
300 Total Liabilities	\$5,237,875	\$1,207,329	\$6,445,204	\$6,445,204
400 Deferred Inflow of Resources	\$1,673,253	\$343,795	\$1,917,048	\$1,917,048
508.4 Net Investment in Capital Assets	\$5,324,525		\$5,324,525	\$5,324,525
511.4 Restricted Net Position	\$0	\$26,061	\$26,061	\$26,061
512.4 Unrestricted Net Position	-\$5,358,131	-\$1,279,865	-\$6,637,996	-\$6,637,996

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
513 Total Equity - Net Assets / Position	-\$33,606	-\$1,253,804	-\$1,287,410	-\$1,287,410
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,777,522	\$297,320	\$7,074,842	\$7,074,842

Housing Authority of the Borough of Lodi (NJ011)

LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2018

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$1,366,581		\$1,366,581	\$1,366,581
70400 Tenant Revenue - Other	\$75,545		\$75,545	\$75,545
70500 Total Tenant Revenue	\$1,442,126	\$0	\$1,442,126	\$1,442,126
70600 HUD PHA Operating Grants	\$520,068	\$5,448,736	\$5,968,804	\$5,968,804
70610 Capital Grants				
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$5,943	\$901	\$6,844	\$6,844
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery		\$34,366	\$34,366	\$34,366
71500 Other Revenue	\$48,934	\$10,746	\$59,680	\$59,680
71600 Gain or Loss on Sale of Capital Assets	\$1,500		\$1,500	\$1,500
72000 Investment Income - Restricted		\$1,948	\$1,948	\$1,948
70000 Total Revenue	\$2,018,571	\$5,496,697	\$7,515,268	\$7,515,268
91100 Administrative Salaries	\$355,015	\$193,624	\$548,639	\$548,639
91200 Auditing Fees	\$4,315	\$4,200	\$8,515	\$8,515
91300 Management Fee				

Housing Authority of the Borough of Lodi (NJ011)

LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$98,002	\$136,796	\$234,798	\$234,798
91600 Office Expenses	\$110,973	\$20,796	\$131,769	\$131,769
91700 Legal Expense	\$26,689	\$14,200	\$40,889	\$40,889
91800 Travel				
91810 Allocated Overhead				
91900 Other	\$15,100	\$14,000	\$29,100	\$29,100
91000 Total Operating - Administrative	\$610,094	\$383,616	\$993,710	\$993,710
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$1,016		\$1,016	\$1,016
92500 Total Tenant Services	\$1,016	\$0	\$1,016	\$1,016
93100 Water	\$75,171		\$75,171	\$75,171
93200 Electricity	\$191,110		\$191,110	\$191,110
93300 Gas	\$119,007		\$119,007	\$119,007
93400 Fuel	\$453		\$453	\$453
93500 Labor	\$70,540		\$70,540	\$70,540
93600 Sewer				
93700 Employee Benefit Contributions - Utilities	\$16,877		\$16,877	\$16,877
93800 Other Utilities Expense				
93000 Total Utilities	\$473,158	\$0	\$473,158	\$473,158
	39			

Housing Authority of the Borough of Lodi (NJ011)

LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2018

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
94100 Ordinary Maintenance and Operations - Labor	\$300,210		\$300,210	\$300,210
94200 Ordinary Maintenance and Operations - Materials and Other	\$77,448	\$9,805	\$87,253	\$87,253
94300 Ordinary Maintenance and Operations Contracts	\$93,083		\$93,083	\$93,083
94500 Employee Benefit Contributions - Ordinary Maintenance	\$62,693		\$62,693	\$62,693
94000 Total Maintenance	\$533,434	\$9,805	\$543,239	\$543,239
95100 Protective Services - Labor	\$22,580		\$22,580	\$22,580
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services	\$4,685		\$4,685	\$4,685
95000 Total Protective Services	\$27,265	\$0	\$27,265	\$27,265
96110 Property Insurance	\$54,788		\$54,788	\$54,788
96120 Liability Insurance	\$19,317		\$19,317	\$19,317
96130 Workmen's Compensation	\$19,044		\$19,044	\$19,044
96140 All Other Insurance	\$13,433		\$13,433	\$13,433
96100 Total Insurance Premiums	\$106,582	\$0	\$106,582	\$106,582
96200 Other General Expenses				
96210 Compensated Absences	\$18,674	-\$2,090	\$16,584	\$16,584
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense	\$10,000	\$7,903	\$17,903	\$17,903
96000 Total Other General Expenses	\$28,674	\$5,813	\$34,487	\$34,487
	40			

Housing Authority of the Borough of Lodi (NJ011)

LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,780,223	\$399,234	\$2,179,457	\$2,179,457
97000 Excess of Operating Revenue over Operating Expenses	\$238,348	\$5,097,463	\$5,335,811	\$5,335,811
97100 Extraordinary Maintenance	\$34,829		\$34,829	\$34,829
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$5,005,498	\$5,005,498	\$5,005,498
97350 HAP Portability-In		\$10,057	\$10,057	\$10,057
97400 Depreciation Expense	\$109,208		\$109,208	\$109,208
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,924,260	\$5,414,789	\$7,339,049	\$7,339,049
10010 Operating Transfer In	\$241,937		\$241,937	\$241,937
10020 Operating transfer Out	-\$241,937		-\$241,937	-\$241,937
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2018

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$94,311	\$81,908	\$176,219	\$176,219
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$3,416,550	-\$401,260	\$3,015,290	\$3,015,290
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$3,544,467	-\$934,452	-\$4,478,919	-\$4,478,919
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		-\$1,279,865	-\$1,279,865	-\$1,279,865
11180 Housing Assistance Payments Equity		\$26,061	\$26,061	\$26,061
11190 Unit Months Available	2640	5724	8364	8364
11210 Number of Unit Months Leased	2640	5561	8201	8201
11270 Excess Cash	\$200,994		\$200,994	\$200,994
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$0		\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
	42			

Housing Authority of the Borough of Lodi (NJ011)

LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2018

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0	\$0
11650 Leasehold Improvements Purchases	\$0		\$0	\$0
11660 Infrastructure Purchases	\$0		\$0	\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
SCHEDULE OF ACTUAL MODERNIZATION COST CERTIFICATES
YEAR ENDED SEPTEMBER 30, 2018

<u>PROGRAM/GRANT</u>	<u>NJ39P011501-17</u>
BUDGET - ORIGINAL FUNDS APPROVED	<u>\$ 241,937</u>
FUNDS DISBURSED	241,937
	-
FUNDS EXPENDED	<u>\$ 241,937</u>
	-
EXCESS (DEFICIENCY) OF ADVANCES DUE TO (FROM) HUD	<u>\$ -</u>

THE ACTUAL MODERNIZATION COST CERTIFICATES ARE IN AGREEMENT WITH THE RECORDS OF THE HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY.

SINGLE AUDIT AND OTHER REPORTS

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

Department of Housing and Urban Development

	<u>CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Low Rent Public Housing	14,850	\$ 278,131
Housing Choice Vouchers	14.871	5,448,736
Public Housing Capital Fund Program	14.872	241,937
		<hr/>
Total		<u><u>\$ 5,968,804</u></u>

LODI HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Lodi Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Lodi Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (b). The entity did not elect to use the 10 percent de minimis indirect rate.
- © The authority was not a subrecipient of any federal awards and did not pass through any federal awards to subrecipients

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None

reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weakness(es)? No

Type of auditors' report issued on compliance for major programs:
Unqualified

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Low Rent Public Housing
14.871	Housing Choice Voucher

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS - Continued

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

SEMAP Certification – the required semap indicators were verified in accordance with 24CFR985.3

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no Financial Statement Findings for the current audit period.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no Federal Award Findings and Questioned Costs for the current period.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There are no open prior audit findings.

FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

6225 Rising Sun Avenue
Philadelphia, PA 19111
Voice: 215-742-3428

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

Board of Directors
Lodi Housing Authority
Lodi, New Jersey

I 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, the financial statements of Lodi Housing Authority, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Lodi Housing Authority's basic financial statements, and have issued our report thereon dated June 6, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Lodi Housing 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lodi Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Lodi Housing 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lodi Housing Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

Francis McConnell

Francis J McConnell
Certified Public Accountant

June 6, 2019

FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

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

Board of Directors
Lodi Housing authority
Lodi, New Jersey

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Lodi Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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). Those standards and the Uniform Guidance require that I 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 Lodi Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Lodi Housing Authority's compliance.

Opinion on Each Major Federal Program

In my opinion, Lodi Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of Lodi Housing 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 my audit of compliance, I considered Lodi Housing 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, I do not express an opinion on the effectiveness of Lodi Housing 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.

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. Accordingly, this report is not suitable for any other purpose.

Francis McConnell

Francis J McConnell
Certified Public Accountant

June 6, 2019