

Report On Audit

**HOUSING AUTHORITY OF THE
TOWN OF DOVER**

**For the Year Ended
September 30, 2017**

Housing Authority of the Town of Dover

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Dover
215 East Blackwell Street
Dover, New Jersey 07801

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Town of Dover (a governmental public corporation) in the Town of Dover, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of September 30, 2017, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the Town of Dover 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 Housing Authority of the Town of Dover 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.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and PERS supplemental information on pages 4 through 17 and pages 58-59 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 reports dated January 26, 2018 on our consideration of the Housing Authority of the Town of Dover internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the Town of Dover's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: January 26, 2018

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

As Management of the Housing Authority of the Town of Dover (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 18 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,067,632 a decrease in the financial position of \$110,368 or 9% percent as compared to the prior year.

As noted above, the net position of the Authority was \$1,067,632 as of September 30, 2017. Of this amount, the unrestricted net position is \$406,206 representing a decrease of \$27,582 or 6% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 20 the financial statements, which is included in this report.

The net investment in capital assets decreased \$105,219 or 18% percent for an ending balance of \$483,919.

The restricted net position increased \$22,433 from the previous year for an ending balance of \$177,507. Additional information on the Authority's restricted net position can be found in Note 19 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at September 30, 2017 is \$774,366 representing an increase of \$15,062 or 2% percent from the prior year. Total restricted cash increased \$34,561 or 54% percent for an ending balance of \$98,122. The full detail of these amounts can be found in the Statement of Cash Flow on pages 21-22 of this report.

The Authority's total assets and deferred outflows are \$1,849,628 of which capital assets net book value is \$628,919, deferred outflows is \$162,540, other assets in the amount of \$130,808, leaving total current assets at \$927,361. Total current assets increased from the previous year by \$67,219 or 8% percent. Unrestricted cash and cash equivalents increased by \$15,062, restricted cash and cash equivalents increased \$34,561, accounts receivables increased by \$234; and prepaid expenses increased by \$17,362.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

FINANCIAL HIGHLIGHTS - CONTINUED

Capital assets reported a decreased in the net book value of the capital assets in the amount of \$115,219 or 15% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$17,491, less the recording of depreciation expense in the amount of \$132,710. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority note receivable – noncurrent decreased \$10,000 or 7% percent as compared to the previous fiscal year for an ending balance of \$130,808. The amount consists of future grants receivable for the payment of the debt of the capital leveraging program.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$68,619 for an ending balance of \$162,540. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$5,229 for an ending balance of \$-0-. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements section Note – 10 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$781,996, of which noncurrent liabilities are stated at \$705,981. Total liabilities increased during the year as compared to the prior year in the amount of \$126,216, or 19% percent. Total current liabilities decreased during the year by \$1,731, leaving non-current liabilities for an increase of \$127,947 as compared to the previous year.

Total current liabilities decreased from the previous year by \$1,731 or 2% percent. Accounts payables decreased by \$1,116, accrued liabilities decreased by \$315, tenant security deposit payable decreased by \$300, and current portion of long term debt remained the same.

Total noncurrent liabilities increased by \$127,947 or 22% percent. The increase was made up of four (4) accounts, accrued compensated absences – long term with no offsetting assets increased \$1,175 from the prior fiscal year for an ending balance of \$27,451, long-term note payable which decreased by \$10,000 for an ending balance of \$135,000, and noncurrent liabilities increased \$2,608 for an ending balance of \$38,324.

Accrued pension and other post-employment benefits (OPEB) liabilities increased \$134,164 for an ending balance of \$505,206. Additional information Authority's accrued pension and OPEB liabilities at September 30, 2017 can be found in Notes 17-18 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

FINANCIAL HIGHLIGHTS – CONTINUED

The Authority had total operating revenue of \$2,828,280 as compared to \$2,735,285 from the prior year for an increase of \$92,995 or 3% percent. The Authority had total operating expenses of \$2,946,049 as compared to \$2,908,995 from the previous year for an increase of \$37,054 or 1% percent, resulting in a deficiency of revenue from operations in the amount of \$117,769 for the current year as compared to excess expenses over revenue from operations in the amount of \$173,710 for a decrease in expenses over revenue of \$55,941 or 32% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$20,303 as compared to \$34,043 from the previous year for a decrease of \$13,740.

The Authority had capital outlays in the amount of \$17,491 for the fiscal year. These expenditures were funded by a grant received from the U.S. Department of Housing and Urban Development in the amount of \$20,303. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$2,558,702 for the fiscal year 2017 as compared to \$2,468,829 for the previous fiscal year 2016 for an increase of \$89,873 or 4% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing Program
2. Section 8 Housing Choice Voucher Program
3. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flow
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's 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 18 through 22.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flow– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 54.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 55-57 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Town of Dover are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended September 30, 2017. Type B programs for the Housing Authority of the Town of Dover are those which are less than \$750,000 in expenditures for the fiscal year ended September 30, 2017.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between September 30, 2017 and September 30, 2016:

Computations of Net Position are as follows:

	<u>Year Ended</u>		<u>Increase</u>
	<u>September-17</u>	<u>September-16</u>	<u>(Decrease)</u>
Cash	\$ 872,488	\$ 822,865	\$ 49,623
Other Current Assets	54,873	37,277	17,596
Capital Assets - Net	628,919	744,138	(115,219)
Other Assets	130,808	140,808	(10,000)
Deferred Outflows	162,540	93,921	68,619
Total Assets	1,849,628	1,839,009	10,619
Less: Current Liabilities	(76,015)	(77,746)	1,731
Less: Non Current Liabilities	(705,981)	(578,034)	(127,947)
Less Deferred Inflows	-	(5,229)	5,229
Total Net Position	<u>\$ 1,067,632</u>	<u>\$ 1,178,000</u>	<u>\$ (110,368)</u>
Net Investment in Capital Assets	\$ 483,919	\$ 589,138	\$ (105,219)
Restricted Net Position	177,507	155,074	22,433
Unrestricted Net Position	406,206	433,788	(27,582)
Total Net Position	<u>\$ 1,067,632</u>	<u>\$ 1,178,000</u>	<u>\$ (110,368)</u>

Cash increased by \$49,623 or 6% percent. Net cash used by operating activities was \$4,086, net cash provided for capital and related financing activities was \$51,812, and net cash provided by investing activities was \$1,897. The full detail of this amount can be found in the Statement of Cash Flow on pages 22-22 of this audit report.

Other current assets increased \$17,596. Account receivable increased \$234 and prepaid expenses increased \$17,362.

Capital assets reported a decreased in the net book value of the capital assets in the amount of \$115,219 or 15% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$17,491, less the recording of depreciation expense in the amount of \$132,710. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority note receivable – noncurrent decreased \$10,000 or 7% percent as compared to the previous fiscal year for an ending balance of \$130,808.

The Authority deferred outflow for the pension cost increased in the amount of \$68,619. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$5,229.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities decreased from the previous year by \$1,731 or 2% percent. Accounts payables decreased by \$1,116, accrued liabilities decreased by \$315, tenant security deposit payable decreased by \$300, and current portion of long term debt remained the same.

Total noncurrent liabilities increased by \$127,947 or 22% percent. The increase was made up of four (4) accounts, accrued compensated absences – long term with no offsetting assets increased \$1,175 from the prior fiscal year for an ending balance of \$27,451, long-term note payable which decreased by \$10,000 for an ending balance of \$135,000, and noncurrent liabilities increased \$2,608 for an ending balance of \$38,324.

Accrued pension and other post-employment benefits (OPEB) liabilities increased \$134,164 for an ending balance of \$505,206. Additional information Authority's accrued pension and OPEB liabilities at September 30, 2017 can be found in Notes 17-18 to the financial statements, which is included in this report.

The Authority's reported net position of \$1,067,632 is made up of three categories. The net investment in capital assets in the amount of \$483,919 represents 45% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance September 30, 2016	\$ 589,138
Acquisition in Fixed Assets	17,491
Depreciation Expense	(132,710)
Payment of Debt	10,000
Balance September 30, 2017	<u>\$ 483,919</u>

The Housing Authority of the Town of Dover operating results for September 30, 2017 reported a decrease in unrestricted net position of \$27,582 or 6% percent for an ending balance of \$406,206. A full detail of this account can be found in the Notes to the Financial Statements section Notes – 20.

The Authority reported restricted net position in the amount of \$177,507 which increased \$22,433 or 14% percent compared to the prior fiscal year. A full detail of this account can be found in the Notes to the Financial Statements section Notes – 19.

At the end of the current year, the Authority is able to report positive balances in the three categories of net position. The same situation held true for the prior year.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between September 30, 2017 and September 30, 2016:

	<u>Year Ended</u>		<u>Increase</u>
	<u>September-17</u>	<u>September-16</u>	<u>(Decrease)</u>
<u>Revenues</u>			
Tenant Revenues	\$ 230,804	\$ 230,211	\$ 593
HUD Operating Grants	2,538,399	2,434,786	103,613
Fraud Recovery	5,165	2,803	2,362
Other Revenues	53,912	67,485	(13,573)
Total Operating Income	2,828,280	2,735,285	92,995
<u>Expenses</u>			
Operating Expenses	2,813,339	2,774,553	38,786
Depreciation Expense	132,710	134,442	(1,732)
Total Operating Expenses	2,946,049	2,908,995	37,054
Operating (Deficit)	(117,769)	(173,710)	55,941
Interest Income	2,197	2,065	132
Extraordinary Maintenance	(15,099)	(14,387)	(712)
HUD Capital Grants	20,303	34,043	(13,740)
Change in Net Position	(110,368)	(151,989)	41,621
Net Position Prior Year	1,178,000	1,329,989	(151,989)
Total Net Position	\$ 1,067,632	\$ 1,178,000	\$ (110,368)

Approximately 90% percent of the Authority's total revenue was provided by HUD operating subsidy, while 8% percent resulted from tenant revenue. Charges for various services and fraud recovery provided for the remaining 2% percent of the total operating income.

The Housing Authority of the Town of Dover received capital fund improvement grant money during the year in the amount of \$20,303 as compared to \$34,043 for the previous year. There were capital expenditures in the amount of \$17,491, was used primarily for elevator improvements and a replacement copier.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 68% percent of total operating expenses. Administrative expenses accounted for 14% percent, tenant services accounted for less than 1% percent, utilities expense accounted for 4% percent, maintenance expense accounted for 3% percent, protective services accounted for less than 1%, other operating expenses accounted for 4% percent, and depreciation accounted for the remaining 5% of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$117,769 from operations as compared to excess expenses over revenue from operations of \$173,710 for the previous year. The key element for the decrease in the deficit in comparison to the prior year is as follow:

- The Authority experienced an increase in HUD operating grants in the amount of \$103,613, or 4% percent due to increase budgeting by HUD.
- Other revenue decreased in the amount of \$13,573 mainly due to decreases in portability income from other authorities.
- The Housing Authority experienced decreases in the following expenses:
 - Maintenance decreased \$3,733 or 4% percent.
 - Other operating expenses decreased \$18,131 or 15% percent.
- The Housing Authority experienced increases in the following expenses:
 - Administrative expenses increased \$3,320 or 1% percent.
 - Utilities increased \$968 or 1% percent
 - Protective services increased \$5,130 or 98% percent.
 - Housing Assistance Payments increased \$51,182 or 3% percent.

Total net cash used by operating activities during the year was \$4,086. A full detail of this amount can be found on the Statement of Cash Flow on pages 21-22 of this report.

Overall the Housing Authority of the Town of Dover operating results for September 30, 2017 reported a decrease in unrestricted net position of \$27,582 or 6% percent for an ending balance of \$406,206. A full detail of this account can be found in the Notes to the Financial Statements section Notes – 20.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four year period of time ending on September 30, 2017:

	September-17	September-16	September-15	September-14
Significant Income				
Total Tenant Revenue	\$ 230,804	\$ 230,211	\$ 225,165	\$ 224,247
HUD Operating Grants	2,538,399	2,434,786	2,530,969	2,415,259
HUD Capital Grants	20,303	34,043	10,114	94,671
Investment Income	2,197	2,065	3,581	3,295
Other Revenue	59,077	70,288	76,925	110,795
Total	<u>\$ 2,850,780</u>	<u>\$ 2,771,393</u>	<u>\$ 2,846,754</u>	<u>\$ 2,848,267</u>
Payroll Expense				
Administrative Salaries	\$ 156,039	\$ 138,048	\$ 90,232	\$ 100,231
Tenant Services Salaries	-	-	28,000	20,000
Maintenance Labor	8,970	9,235	8,552	8,346
Employee Benefits Expense	188,927	154,124	92,478	103,988
Total Payroll Expense	<u>\$ 353,936</u>	<u>\$ 301,407</u>	<u>\$ 219,262</u>	<u>\$ 232,565</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 113,911	\$ 161,669	\$ 155,903	\$ 163,900
Utilities Expense	120,237	119,269	126,729	129,258
Maintenance Contract Cost	69,098	74,078	79,893	76,460
Insurance Premiums	28,838	27,742	26,552	26,675
Housing Assistance Payments	2,032,796	1,981,614	2,079,853	2,090,535
Total	<u>\$ 2,364,880</u>	<u>\$ 2,364,372</u>	<u>\$ 2,468,930</u>	<u>\$ 2,486,828</u>
Total Operating Expenses	<u>\$ 2,946,049</u>	<u>\$ 2,908,995</u>	<u>\$ 2,890,133</u>	<u>\$ 2,931,634</u>
Total of Federal Awards	<u>\$ 2,558,702</u>	<u>\$ 2,468,829</u>	<u>\$ 2,541,083</u>	<u>\$ 2,509,930</u>

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and 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 unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

THE HOUSING AUTHORITY OF THE TOWN OF DOVER PROGRAMS

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the Town of Dover flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency, or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

BUDGETARY HIGHLIGHTS

For the year ended September 30, 2017, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

NEW INITIATIVES

For the fiscal year 2017 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 90% percent of its revenue from the Department of Housing and Urban Development, (2016 was 89% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the Town of Dover all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of September 30, 2017 was \$628,919 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$115,219 or 15% percent. Major capital expenditures of \$17,491 were made during the year. Major capital assets events during the fiscal year included the following:

- Elevator Improvements
- Replacement of copier

	September-17	September-16	Increase (Decrease)
Land	\$ 68,000	\$ 68,000	\$ -
Building	3,301,414	3,301,414	-
Furniture, Equipment - Dwelling	258,780	258,780	-
Furniture, Equipment - Administration	136,911	131,710	5,201
Construction in Process	12,290	-	12,290
Total Fixed Assets	3,777,395	3,759,904	17,491
Accumulated Depreciation	(3,148,476)	(3,015,766)	(132,710)
Net Book Value	<u>\$ 628,919</u>	<u>\$ 744,138</u>	<u>\$ (115,219)</u>

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 - Debt Administration

The Authority in 2007 participated in the New Jersey Pooled Leveraging Program. Through this financing of majority capital projects will be completed on an expedited basis. Restricted Cash relating to the bonded debt stood at \$190 at the end of the fiscal year, with Capital Project Bond payable of \$145,000 in outstanding debt. A full disclosure of loans payable at September 30, 2017 can be found in Note 15.

**HOUSING AUTHORITY OF THE TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of Town of Dover is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

The capital budgets for the 2018 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

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

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

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 Maria Tchinchinian, Executive Director, Housing Authority Town of Dover, 215 East Blackwell Street, Dover, NJ 07801, or call (973) 361-9444.

HOUSING AUTHORITY OF THE TOWN OF DOVER
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017

	<u>2017</u>
Assets	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	\$ 774,366
Cash and Cash Equivalents - Restricted	98,122
Accounts Receivables, Net of Allowances	13,290
Prepaid Expenses	41,583
Total Current Assets	<u>927,361</u>
Noncurrent Assets	
Capital Assets	
Land	68,000
Building	3,301,414
Furniture, Equipment - Dwelling	258,780
Furniture, Equipment - Administration	136,911
Construction in Progress	12,290
Total Capital Assets	3,777,395
Less: Accumulated Depreciation	<u>(3,148,476)</u>
Net Book Value	628,919
Grants Receivable - Noncurrent	<u>130,808</u>
Total Noncurrent Assets	<u>759,727</u>
Total Assets	<u>1,687,088</u>
Deferred Outflow of Resources	
Total Deferred Outflows of Resources - NJ PERS	<u>162,540</u>
Total Assets and Deferred Outflow of Resources	<u><u>\$ 1,849,628</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF DOVER
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017

	<u>2017</u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 39,512
Accrued Liabilities	6,412
Tenant Security Deposit Payable	20,091
Long Term Debt - Current	<u>10,000</u>
Total Current Liabilities	<u>76,015</u>
Noncurrent Liabilities	
Long Term Debt - Noncurrent	135,000
Accrued Compensated Absences - Long-Term	27,451
Noncurrent Liabilities - Other	38,324
Accrued Pension and Other Post-Employment Benefits (OPEB)	<u>505,206</u>
Total Noncurrent Liabilities	<u>705,981</u>
 Total Liabilities	 <u>781,996</u>
Deferred Inflow of Resources	
Total Deferred Inflow of Resources - NJ PERS	<u>-</u>
Net Position:	
Net Investment in Capital Assets	483,919
Restricted	177,507
Unrestricted	<u>406,206</u>
Total Net Position	<u>1,067,632</u>
 Total Liabilities, Deferred Inflow of Resources, and Net Position	 <u>\$ 1,849,628</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF DOVER
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017

	2017
Revenue:	
Tenant Rental Revenue	\$ 230,804
HUD PHA Operating Grants	2,538,399
Fraud Recovery	5,165
Other Revenue	53,912
Total Revenue	<u>2,828,280</u>
Operating Expenses:	
Administrative Expense	447,406
Tenant Services	1,900
Utilities Expense	120,237
Maintenance Expense	94,077
Protective Services	10,342
Other Operating Expenses	106,581
Housing Assistance Payments	2,032,796
Depreciations Expense	132,710
Total Operating Expenses	<u>2,946,049</u>
Excess Expenses Over Revenue From Operations	<u>(117,769)</u>
Non Operating Income and (Expenses):	
Investment Income	2,197
Extraordinary Maintenance	(15,099)
Capital Grant Contributions	20,303
Total Non Operating Income	<u>7,401</u>
Change in Net Position	(110,368)
Beginning Net Position	<u>1,178,000</u>
Ending Net Position	<u><u>\$ 1,067,632</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF DOVER
STATEMENT OF CASH FLOW - 1
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017

	2017
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 230,804
Receipts from Federal Grants	2,538,399
Receipts from Fraud Recovery	5,165
Receipts from Misc. Sources	53,912
Payments to Vendors and Suppliers	(445,634)
Housing Assistance Payments	(2,032,796)
Payments to Employees	(165,009)
Payment of Employee Benefits	(188,927)
Net Cash (Used) by Operating Activities	<u>(4,086)</u>
Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	20,303
Acquisitions and Construction of Capital Assets	(17,491)
Payment of Extraordinary Maintenance	(15,099)
Increase in Compensated Absences - Long Term	1,175
Receipts of Noncurrent Liabilities (FSS accounts)	2,608
Receipt in Capital Project Bonds Receivable	10,000
Payment of Debt	(10,000)
Accrued Pension and Other Post-Employment Benefits (OPEB) Liabilities	134,164
Net Effect of Deferred Inflows and Outflows	(73,848)
Net Cash Provided by Capital and Related Financing Activities	<u>51,812</u>
Cash Flow From Investing Activities	
Interest Income	2,197
Payment of Tenant Security Deposit	(300)
Net Cash Provided by Investing Activities	<u>1,897</u>
Net Increase in Cash and Cash Equivalents	49,623
Beginning Cash	<u>822,865</u>
Ending Cash	<u><u>\$ 872,488</u></u>
Reconciliation of Cash Balances:	
Cash and Cash Equivalents - Unrestricted	\$ 774,366
Tenant Security Deposit	20,091
HAP Reserve - Restricted	39,517
FSS Escrow Deposits	38,324
Leveraging Deposits	190
Total Ending Cash	<u><u>\$ 872,488</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF DOVER
STATEMENT OF CASH FLOW - 2
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017

	<u>2017</u>
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expenses Over Revenue	\$ (117,769)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	132,710
(Increase) Decrease in:	
Accounts Receivables	(234)
Prepaid Expenses	(17,362)
Increase (Decrease) in:	
Accounts Payable	(1,116)
Accrued Expenses	(315)
Net Cash (Used) By Operating Activities	<u><u>\$ (4,086)</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute e (N.J., S.A. 40A:12A-1 et al 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 Town of Dover in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in the Town of Dover. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of Dover and Town Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the Town of Dover reporting entity.

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The organization is fiscal dependency on the primary government.
- C. The organization has potential to impose a financial benefit or burden on the primary government.
- D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
- E. The primary government is able to impose its will on the organization.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. 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.

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

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

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

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

Significant Accounting Policies -Continued

The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board *"Accounting and Financial Reporting for Pensions."* The Statement 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, this Statement 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, this Statement 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.

Basis of Accounting –

In Enterprise fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the Town of Dover's flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. Amounts not received by September 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as unearned revenue.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

Basis of Accounting – Continued

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program income are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Other revenue composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary fund.

Report Presentation -

The Authority's financial statements are prepared in accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement 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 a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

Report Presentation - Continued

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

Net Investment in Capital Assets.

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Restricted.

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

Unrestricted.

The net position consists of net assets that do not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

Other accounting policies are as follows - continued

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

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

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

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

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

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

9 – The Authority does not have any infrastructure assets for its Enterprise Fund.

10 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

11- Advertising cost is charged to expense when incurred.

12- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

13- When expenses are incurred where both restricted and unrestricted net position are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

Other accounting policies are as follows - continued

14- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

15- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

Budgetary and Policy Control –

The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

Activities - The only programs or activities administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-63	59
Capital Fund	14.872		
ROSS Grant	14.870		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-68	248

Public and Indian Housing

The Public and Indian Housing program is designed to provide low-cost housing within the Town of Dover. Funding is provided by eligible residents who are charged monthly rent based on family size, family income and other determinants, as well as by subsidies provided by HUD.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Section 8 Housing Choice Vouchers Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency, or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

Taxes - Under federal, state, and local law, the Authority's program are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes

Grants - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 – ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 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. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2017divisioncombined.pdf>

Funding Policy

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. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.78% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2017 was in the amount of \$12,905.

Post Employment Retirement Benefits

The Authority provides post-employment health care benefits for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects do to the adoption of GASB 68 can be found in Note 18- Accrued Pension Liability.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

NOTE 4 – CASH, CASH EQUIVALENTS

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

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/FSLIC 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. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

Unrestricted cash and cash equivalents at September 30, 2017 of \$774,366 and restricted cash and cash equivalents of \$98,122, which were either insured or collateralized with securities held by pledging financial institutions in the Authority's name as discussed below:

	September-17
The Provident	\$ 872,248
Wells Fargo	190
Petty Cash	50
Total Cash, Cash Equivalents	<u>\$ 872,488</u>

The Authority has total restricted cash at September 30, 2017 in the amount of \$98,122 which consists of the following:

	September-17
CFP Leveraging	\$ 190
Security Deposit	20,091
HAP Reserves	39,517
FSS Escrow	38,324
Total Restricted Cash	<u>\$ 98,122</u>

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED

Risk Disclosures

Collateral for Deposits

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

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At September 30, 2017, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities. The Authority's checking accounts are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it.

The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	
	<u>September-17</u>
Insured	\$ 250,240
Collateralized held by pledging bank's trust department in the Authority's name	622,248
Total Cash, Cash Equivalents	<u>\$ 872,488</u>

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 5 - ACCOUNTS RECEIVABLE

The Housing Authority of the Town of Dover carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Accounts Receivable at September 30, 2017 consist of the following:

	September-17
Morris County Receivable	\$ 3,283
Tenant's Accounts Receivable	7
Debt Leveraging Receivable	10,000
Total Accounts Receivable	<u>\$ 13,290</u>

NOTE 6 - PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at September 30, 2017 consisted of the following:

	September-17
Prepaid Insurance	\$ 23,830
Prepaid Expense - Software	10,476
Prepaid Health Insurance	7,277
Total Prepaid Expenses	<u>\$ 41,583</u>

NOTE 7 - INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at September 30, 2017 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value.

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized.

Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$5,000 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The Housing Authority of the Town of Dover has given consideration to GASBS #42, Accounting for the Impairment or Disposal of Long-Lived Assets, in the preparation of these financial statements.

The carrying value of long-live assets in accordance with GASBS #42, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at September 30, 2017.

Below is a schedule of changes in fixed assets for the twelve months ending September 30, 2017:

	September-16	Additions	September-17
Land	\$ 68,000	\$ -	\$ 68,000
Building	3,301,414	-	3,301,414
Furniture, Equipment - Dwelling	258,780	-	258,780
Furniture, Equipment - Administration	131,710	5,201	136,911
Construction in Process	-	12,290	12,290
Total Fixed Assets	3,759,904	17,491	3,777,395
Accumulated Depreciation	(3,015,766)	(132,710)	(3,148,476)
Net Book Value	\$ 744,138	\$ (115,219)	\$ 628,919

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 8 - FIXED ASSETS – CONTINUED

Below is a schedule of the net book value of the fixed assets for the Authority as of September 30, 2017:

	<u>Net Book Value</u>	<u>September-17</u>
Land		\$ 68,000
Building		385,233
Furniture, Equipment - Dwelling		152,362
Furniture, Equipment - Administration		11,034
Construction in Process		12,290
Net Book Value		<u>\$ 628,919</u>

NOTE 9 – GRANTS RECEIVABLE – NON CURRENT

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of \$18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is \$235,000. The Authority received a net amount of \$235,000. The funds received were deposited with the Wells Fargo Bank which is acting as the Trustee. The Trustee may only draw funds from HUD E-LOCCS for repayment of debt and related interest.

The amount of HUD future CFP State Leveraging Program funds receivables as of September 30, 2017 is as follows:

	<u>September-17</u>
HUD CFP Future Funds Receivable	\$ 140,808
Less Current Receivable	(10,000)
Net of Grant Receivable	<u>\$ 130,808</u>

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The Pension Liability discussed in Note 18 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experiences	\$ 8,001	\$ -
Changes in Assumptions	89,120	-
Net Difference Between Projected and Actual Earning on Pension Plan Investments	16,405	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	12,573	-
Contributions Subsequent to the Measurement Date	36,441	-
Total	<u>\$ 162,540</u>	<u>\$ -</u>

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$8,001.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$89,120.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$16,405 and \$-0-.

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of PERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$12,573 and \$-0-.

NOTE 11 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of September 30, 2017. Accounts payable vendors are amount owing to creditors as a result of delivered goods and completed services. The Authority accounts payable at September 30, 2017 consisted of the following:

	September-17
Accounts Payable Vendors	\$ 28,455
Accounts Payable - Other Government	11,057
Total Accounts Payable	<u>\$ 39,512</u>

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 12 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Town of Dover. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. PILOT payable at September 30, 2017 consisted of the following:

PILOT Payable 9-30-2016	\$	20,938
PILOT Expense		11,057
Less: Payments Made		(20,938)
PILOT Payable 9-30-2017	\$	<u>11,057</u>

NOTE 13 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before September 30. Accrued expenses at September 30, 2017 consisted of the following:

	September-17
Compensated Absences - Current Portion	\$ 3,050
Accrued Interest Payable	3,008
Accrued Wages and Taxes Payable	354
Total Accrued Liabilities	<u>\$ 6,412</u>

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 14 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of retirement, an employee is compensated for unused vacation days with a maximum amount of forty percent (40%) of gross pay under the current personnel policy. Generally, unused vacation may be carried over for a twenty four month period and then must be used. In the event of separation from the Authority, the employee is eligible for compensation for any unused allowed vacation time earned in the year of separation.

For September 30, 2017, the Authority has determined that the potential liability for accumulated vacation time, sick leave, and terminal pay to be as follows:

	September-17
Accumulated Sick Time	\$ 14,710
Accumulated Vacation Time	13,624
Accrued Payroll Taxes	2,167
Total	30,501
Compensated Absences - Current Portion	(3,050)
Total Compensated Absences - Noncurrent	\$ 27,451

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 15 – LONG TERM DEBT - STATE LEVERAGING CAPITAL PROJECT BOND

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of \$18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is \$235,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2027.

The faith and credit of the Housing Authority of the Town of Dover was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program. Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2008. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month. The interest payable for November 1, 2017 is \$3,825 and May 1, 2017 is \$3,825.

The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Wells Fargo Bank, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

September 30, 2018	\$	10,000
September 30, 2019		10,000
September 30, 2020		15,000
September 30, 2021		15,000
September 30, 2022		20,000
Sub Total		<u>70,000</u>
Next Five Years Ending September, 2027		75,000
Total Capital Project Bonds	\$	<u><u>145,000</u></u>

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

NOTE 16 – NON CURRENT LIABILITY - FSS ESCROW PAYABLE

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited. The bank account balance at September 30, 2017 is \$38,324.

NOTE 17 – ACCRUED PENSION AND OPEB LIABILITIES

The Authority as of September 30, 2017 reported accrued pension and OPEB liability amounts as follows:

	<u>September-17</u>
Accrued OPEB Liability	\$ 74,977
Accrued Pension Liability	430,229
Total OPEB and Pension Liability	<u>\$ 505,206</u>

These amounts arose due to adoption of GASB 45 several years ago as well as GASB 68 which was just adopted this fiscal year. This note will discuss the liability associated with GASB 45, which is accrued other postemployment benefits. Note 18 will discuss the effect of GASB 68 and the liability which arose from that.

OPEB Liability

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

NOTE 17 –OPEB LIABILITIES - CONTINUED

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

	September-17
Annual Required Contribution	\$ 52,526
Interest on net OPEB obligation	1,833
Adjustment to annual required contribution	4,572
Annual OPEB cost (expense)	58,931
Contributions made	(29,790)
Increase in net OPEB obligation	29,141
Net OPEB Obligation – beginning of year	45,836
Net OPEB Obligation – end of year	<u>\$ 74,977</u>

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September-15	\$ 35,349	89%	\$ 3,740
September-16	\$ 56,024	52%	\$ 27,136
September-17	\$ 58,931	51%	\$ 29,141

FUNDED STATUS AND FUNDING PROGRESS

As of October 1, 2014, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$702,452, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$702,452.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 17 –OPEB LIABILITIES - CONTINUED

EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event of that healthcare trend rates were 1% percent higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$802,722 or by 14% percent and the corresponding Normal Cost would increase to \$15,369 or by 42% percent.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- Actuarial Cost Method
 - Investment Rate of Return
 - Healthcare Trend Rates:
- Projected Unit Credit
5.00% per annum

	Year	Pre - 65	Post - 65
Initial Trend	October-11	10.00%	10.00%
Ultimate Trend	2016 & Later	5.00%	5.00%
Grading per Year		1.00%	1.00%

- General Inflation Assumption:
 - Actuarial Value of Assets:
 - Amortization of UAAL: Amortized as fixed dollar basis over 30 years at transition
 - Remaining Amortization Period:
- 3.5% per annum
Market Value
30 years at October 1, 2014

Reconciliation of Plan Participation (As of October 1, 2014) Active Employees:

	October-14
Number of Active Employees	1
Average Age - Actives	37
Average Years of Service - Actives	8
Average Expected Future Working Life	18.5
Number of Retired Employees	2
Average Age - Retirees	68.5

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 18 – ACCRUED PENSION LIABILITY

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PER 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 Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

Contributions

The local employers' contribution amounts are based on an 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 the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law.

Measurement Date

The net pension liability for fiscal year ending September 30, 2017 is determined at a measurement date of June 30, 2016. The total pension liability as of June 30, 2016 was determined by rolling forward the Plan's total pension liability as of July 1, 2015 to June 30, 2016. The plan fiduciary net position is the market value of plan assets as of June 30, 2016.

Net Pension Liability Information

The Authority as of September 30, 2017 reported a net pension liability in the amount of \$430,229 due to the adoption of GASB 68.

The component of the current year net pension liability of the Authority as of June 30, 2016, the last evaluation date, is as follows:

	PERS
Employer Total Pension Liability	\$ 718,687
Plan Net Position	(288,458)
Employer Net Pension Liability	<u>\$ 430,229</u>

The Authority allocation percentage is 0.0014526348% as of June 30, 2016.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2016 and 2015 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2016 and 2015, respectively. For this year there was a change in allocation percentage from June 30, 2015 to June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 most recent fiscal year. The State employer contributed 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Long-Term Expected Rate of Return

The arithmetic mean return on the portfolio was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset 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 asset class included in the pension plan's target asset allocation as of June 30, 2016. The capital market assumptions are per Buck's investment consulting practice for 2016.

The determination of each employer's projected long term contribution effort is accomplished by computing the actuarially determined indexed present value of future compensation using census data as of June 30, 2016. The indexed present value of future compensation for each employer is calculated by multiplying the present value of future projected compensation for current employees (that is, on a closed basis) by the applicable cost index for each participant.

The present value of future compensation for a participant incorporates:

- 1) Current employee demographics, including age, years of service, and salary,
- 2) Projected salary increases, and
- 3) Decrements (probabilities of retirement, death, and withdrawal).

The cost indexes are designed to reflect the relative cost of benefits for groups of employees with a common benefit in relation to other groups within each GASB plan. These cost indexes are also used in the determination of annual required contributions. The cost indexes are based on a new entrant valuation where the most recent set of new members to

- 1) An PERS regular plan (retirement eligibility based on age and service),
- 2) An PERS special plan (retirement eligibility based on service alone), and

These new entrant rates are the employer contribution rates that would be paid over the employee's career assuming all valuation assumptions are realized without gains or losses. The ratio of new entrant rates between plans establishes the relative plan lucrativeness, or index.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 3.98% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.98% percent) or 1 percentage-point higher (4.98% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (2.98%)	Current Discount (3.98%)	1% Increase (4.98%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 527,195	\$ 430,229	\$ 350,175

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of PERS members (active and inactive members), respectively.

The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow or resources or a deferred inflow of resources.

Actuarial Assumptions

The total pension liability for June 30, 2016 measurement dates were determined by using an actuarial valuation as of July 1, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The actuarial valuations used the following actuarial assumptions:

Inflation	3.08%
Salary Increases:	
Through 2026	1.65-4.15%, based on age
Thereafter	2.65-5.15%, based on age
Investment Rate of Return	7.65%

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions -Continued

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

The actuarial assumptions used in the July 1, 2015 evaluation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions 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 (expected returns, net of pension plan investment expense and inflation) are developed for each major asset 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.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions -Continued

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation - Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100%</u>	

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

Year Ending June 30, 2017	\$	25,559
Year Ending June 30, 2018	\$	25,559
Year Ending June 30, 2019	\$	29,611
Year Ending June 30, 2020	\$	24,878
Year Ending June 30, 2021	\$	7,918

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended September 30, 2017 is \$44,536.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements September 30, 2017

NOTE 19 – RESTRICTED NET POSITION

The Authority restricted net position account balance at September 30, 2017:

	September-17
State Leveraging Funds Receivable	\$ 140,808
Restricted State Leveraging Funds - Cash	190
Less: Accrued Interest Payable	(3,008)
Total Restricted Net Assets LIH Program	137,990
HCV Program Restricted Net Position	39,517
Total Restricted Net Position	<u>\$ 177,507</u>

The detail of the HCV reserve account balances is as follows:

HAP Reserve September 30, 2016	\$ 7,297
Increase During the Year	32,220
HAP Reserve September 30, 2017	<u>\$ 39,517</u>

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority at September 30, 2017 was \$246,149.

NOTE 20 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at September 30, 2017 was in the amount of 406,206. The detail of the account balance is as follows:

	LIH Program Reserves	HCV Admin Reserves	Total
Balance September 30, 2016	\$ (63,239)	\$ 497,027	\$ 433,788
Increase During the Year	-	3,945	3,945
Decrease During the Year	(31,527)	-	(31,527)
Balance September 30, 2017	<u>\$ (94,766)</u>	<u>\$ 500,972</u>	<u>\$ 406,206</u>

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

NOTE 21 – 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 for which the Authority purchases commercial insurance. During the year ended September 30, 2017, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its senior building for the purpose of determining potential liability issues.

NOTE 22 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended September 30, 2017 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended September 30, 2017 was in the amount of \$193,158.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Section 8 Housing Choice Voucher for September 30, 2017 were in the amount of \$2,311,464.

HOUSING AUTHORITY OF THE TOWN OF DOVER

Notes to Financial Statements

September 30, 2017

NOTE 23 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Governmental Accounting Standards Boards Statements (GASBS) requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was \$2,558,702 to the Authority which represents approximately 90% percent of the Authority's total revenue for the fiscal year September 30, 2017.

NOTE 24 - CONTINGENCIES

Litigation – At September 30, 2017, the Authority was not involved in any threatened litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 25 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru January 26, 2018; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF DOVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017

Programs funded by:

U.S. Department of Housing and Urban Development

CFDA # 's	Grant Period		Grant Award	Fiscal Year	Fiscal Year	Cumulative Expenditures
	From	To		Cash Receipts	Expenditures	
<u>Public and Indian Housing</u>						
NJ068-00000116D	1/1/2016	12/31/2016	\$ 192,103	\$ 48,637	\$ 48,637	\$ 192,103
NJ068-00000117D	1/1/2017	12/31/2017	193,210	144,521	144,521	144,521
Grant Subtotal			385,313	193,158	193,158	336,624
<u>Resident Opportunity & Self Sufficiency</u>						
NJ068FSH156A015	12/7/2015	12/31/2016	31,777	7,945	7,945	31,777
NJ068FSH420A016	7/18/2016	12/31/2017	31,777	23,832	23,832	23,832
Grant Subtotal			63,554	31,777	31,777	55,609
<u>Public Housing Capital Fund Program</u>						
NJ39P068501-14	5/13/2014	5/12/2018	49,646	8,013	8,013	49,646
NJ39P068501-15	4/13/2015	4/12/2019	49,640	13,290	13,290	13,290
NJ39P068501-16	4/13/2016	4/12/2020	51,558	1,000	1,000	1,000
Grant Subtotal			150,844	22,303	22,303	63,936
<u>Section 8 Housing Choice Vouchers</u>						
NJ39P068	10/1/2016	9/30/2017	2,311,464	2,311,464	2,311,464	2,311,464
Grant Subtotal			2,311,464	2,311,464	2,311,464	2,311,464
Total Awards			\$ 2,911,175	\$ 2,558,702	\$ 2,558,702	\$ 2,767,633

HOUSING AUTHORITY OF THE TOWN OF DOVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the Town of Dover is under programs of the federal government for the year ended September 30, 2017. 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 the operations of the Housing Authority of the Town of Dover, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the Town of Dover.

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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Housing Authority of the Town of Dover has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 3. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2017.

Note 4. Sub recipients:

Of the federal expenditures presented in the schedule above, the Housing Authority of the Town of Dover did not provide federal awards to any sub recipients.

HOUSING AUTHORITY OF THE TOWN OF DOVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017

Note 5. Loans Outstanding:

Housing Authority Town of Dover had Capital Project Bonds payable in the amount of \$145,000, outstanding at September 30, 2017. See Note 15 on page 42 of this report for full detail.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

September 30, 2018	\$	10,000
September 30, 2019		10,000
September 30, 2020		15,000
September 30, 2021		15,000
September 30, 2022		20,000
Sub Total		<u>70,000</u>
Next Five Years Ending September, 2027		<u>75,000</u>
Total Capital Project Bonds	\$	<u><u>145,000</u></u>

HOUSING AUTHORITY OF THE TOWN OF DOVER

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)
September 30, 2017

REQUIRED SUPPLEMENTAL INFORMATION

GASB 68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.00145263%	0.00144871%	0.00139474%
Housing Authority's proportionate share of the net pension liability	\$ 430,229	\$ 325,206	\$ 261,133
Housing Authority's covered employee payroll	\$ 165,009	\$ 147,283	\$ 126,784
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.73%	220.80%	205.97%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE TOWN OF DOVER

Schedule of Proportionate Share of the Net Pension Liability Of the Public Employee Retirement System (PERS)

September 30, 2017

REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2017	2016	2015
Contractually required contribution	\$ 12,905	\$ 12,455	\$ 11,498
Contribution in relation to the contractually required contribution	(12,905)	(12,455)	(11,498)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 165,009	\$ 147,283	\$ 126,784
Contribution as a percentage of covered employee payroll	7.82%	8.46%	9.07%

**The amounts determined for each fiscal year were determined as of June 30.*

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$155,336		\$619,030	\$774,366	\$774,366
112 Cash - Restricted - Modernization and Development	\$190			\$190	\$190
113 Cash - Other Restricted			\$77,841	\$77,841	\$77,841
114 Cash - Tenant Security Deposits	\$20,091			\$20,091	\$20,091
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$175,617	\$0	\$696,871	\$872,488	\$872,488
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government			\$3,283	\$3,283	\$3,283
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$7			\$7	\$7
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	\$10,000			\$10,000	\$10,000
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$10,007	\$0	\$3,283	\$13,290	\$13,290
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$41,583			\$41,583	\$41,583
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$227,207	\$0	\$700,154	\$927,361	\$927,361
161 Land	\$68,000			\$68,000	\$68,000
162 Buildings	\$3,301,414			\$3,301,414	\$3,301,414
163 Furniture, Equipment & Machinery - Dwellings	\$258,780			\$258,780	\$258,780
164 Furniture, Equipment & Machinery - Administration	\$135,045		\$1,866	\$136,911	\$136,911
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$3,146,610		-\$1,866	-\$3,148,476	-\$3,148,476
167 Construction in Progress	\$12,290			\$12,290	\$12,290
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$628,919	\$0	\$0	\$628,919	\$628,919
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current	\$130,808			\$130,808	\$130,808
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$759,727	\$0	\$0	\$759,727	\$759,727
200 Deferred Outflow of Resources	\$113,778		\$48,762	\$162,540	\$162,540
290 Total Assets and Deferred Outflow of Resources	\$1,100,712	\$0	\$748,916	\$1,849,628	\$1,849,628
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$24,686		\$3,769	\$28,455	\$28,455
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$354			\$354	\$354
322 Accrued Compensated Absences - Current Portion	\$1,948		\$1,102	\$3,050	\$3,050
324 Accrued Contingency Liability					
325 Accrued Interest Payable	\$3,008			\$3,008	\$3,008

See accompanying notes to the financial statements

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	Subtotal	Total
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$11,057			\$11,057	\$11,057
341 Tenant Security Deposits	\$20,091			\$20,091	\$20,091
342 Unearned Revenue					
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$10,000			\$10,000	\$10,000
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	\$71,144	\$0	\$4,871	\$76,015	\$76,015
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$135,000			\$135,000	\$135,000
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other			\$38,324	\$38,324	\$38,324
354 Accrued Compensated Absences - Non Current	\$17,530		\$9,921	\$27,451	\$27,451
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities	\$349,895		\$155,311	\$505,206	\$505,206
350 Total Non-Current Liabilities	\$502,425	\$0	\$203,556	\$705,981	\$705,981
300 Total Liabilities	\$573,569	\$0	\$208,427	\$781,996	\$781,996
400 Deferred Inflow of Resources	\$0		\$0	\$0	\$0
508.4 Net Investment in Capital Assets	\$483,919	\$0	\$0	\$483,919	\$483,919
511.4 Restricted Net Position	\$137,990	\$0	\$39,517	\$177,507	\$177,507
512.4 Unrestricted Net Position	-\$94,766	\$0	\$500,972	\$406,206	\$406,206
513 Total Equity - Net Assets / Position	\$527,143	\$0	\$540,489	\$1,067,632	\$1,067,632
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,100,712	\$0	\$748,916	\$1,849,628	\$1,849,628

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$225,925			\$225,925	\$225,925
70400 Tenant Revenue - Other	\$4,879			\$4,879	\$4,879
70500 Total Tenant Revenue	\$230,804	\$0	\$0	\$230,804	\$230,804
70600 HUD PHA Operating Grants	\$195,158	\$31,777	\$2,311,464	\$2,538,399	\$2,538,399
70610 Capital Grants	\$20,303			\$20,303	\$20,303
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	\$1,660		\$536	\$2,196	\$2,196
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery			\$5,165	\$5,165	\$5,165
71500 Other Revenue	\$36,191		\$17,721	\$53,912	\$53,912
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted	\$1			\$1	\$1
70000 Total Revenue	\$484,117	\$31,777	\$2,334,886	\$2,850,780	\$2,850,780
91100 Administrative Salaries	\$73,884	\$13,000	\$69,155	\$156,039	\$156,039
91200 Auditing Fees	\$5,430		\$5,025	\$10,455	\$10,455
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$92,813	\$3,702	\$80,941	\$177,456	\$177,456
91600 Office Expenses	\$32,675			\$32,675	\$32,675
91700 Legal Expense	\$2,800		\$5,200	\$8,000	\$8,000
91800 Travel			\$426	\$426	\$426
91810 Allocated Overhead					
91900 Other		\$15,075	\$47,280	\$62,355	\$62,355
91000 Total Operating - Administrative	\$207,602	\$31,777	\$208,027	\$447,406	\$447,406
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$1,900			\$1,900	\$1,900
92500 Total Tenant Services	\$1,900	\$0	\$0	\$1,900	\$1,900
93100 Water	\$19,879			\$19,879	\$19,879
93200 Electricity	\$100,358			\$100,358	\$100,358
93300 Gas					
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$120,237	\$0	\$0	\$120,237	\$120,237
94100 Ordinary Maintenance and Operations - Labor	\$8,970			\$8,970	\$8,970
94200 Ordinary Maintenance and Operations - Materials and Other	\$4,538			\$4,538	\$4,538
94300 Ordinary Maintenance and Operations Contracts	\$69,098			\$69,098	\$69,098
94500 Employee Benefit Contributions - Ordinary Maintenance	\$11,471			\$11,471	\$11,471

See accompanying notes to the financial statements

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14.870 Resident Opportunity and \$0	14.871 Housing Choice Vouchers \$0	Subtotal	Total
94000 Total Maintenance	\$94,077	\$0	\$0	\$94,077	\$94,077
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs	\$10,342			\$10,342	\$10,342
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$10,342	\$0	\$0	\$10,342	\$10,342
96110 Property Insurance	\$10,059			\$10,059	\$10,059
96120 Liability Insurance	\$4,974			\$4,974	\$4,974
96130 Workmen's Compensation	\$6,336			\$6,336	\$6,336
96140 All Other Insurance	\$7,469			\$7,469	\$7,469
96100 Total insurance Premiums	\$28,838	\$0	\$0	\$28,838	\$28,838
96200 Other General Expenses	\$332		\$57,578	\$57,910	\$57,910
96210 Compensated Absences	\$985		\$320	\$1,305	\$1,305
96300 Payments in Lieu of Taxes	\$11,057			\$11,057	\$11,057
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$12,374	\$0	\$57,898	\$70,272	\$70,272
96710 Interest of Mortgage (or Bonds) Payable	\$7,471			\$7,471	\$7,471
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$7,471	\$0	\$0	\$7,471	\$7,471
96900 Total Operating Expenses	\$482,841	\$31,777	\$265,925	\$780,543	\$780,543
97000 Excess of Operating Revenue over Operating Expenses	\$1,276	\$0	\$2,068,961	\$2,070,237	\$2,070,237
97100 Extraordinary Maintenance	\$15,099			\$15,099	\$15,099
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments			\$2,032,796	\$2,032,796	\$2,032,796
97350 HAP Portability-In					
97400 Depreciation Expense	\$132,710			\$132,710	\$132,710
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$630,650	\$31,777	\$2,298,721	\$2,961,148	\$2,961,148
10010 Operating Transfer In	\$2,000			\$2,000	\$2,000
10020 Operating transfer Out	-\$2,000			-\$2,000	-\$2,000
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$146,533	\$0	\$36,165	-\$110,368	-\$110,368
Total Expenses					

See accompanying notes to the financial statements

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	Subtotal	Total
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$673,676	\$0	\$504,324	\$1,178,000	\$1,178,000
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors					
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			\$500,972	\$500,972	\$500,972
11180 Housing Assistance Payments Equity			\$39,517	\$39,517	\$39,517
11190 Unit Months Available	708		2976	3684	3684
11210 Number of Unit Months Leased	701		2955	3656	3656
11270 Excess Cash	\$74,054			\$74,054	\$74,054
11610 Land Purchases	\$0			\$0	\$0
11620 Building Purchases	\$24,580			\$24,580	\$24,580
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$5,201			\$5,201	\$5,201
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



Hymanson, Parnes & Giampaolo

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

Board of Commissioners
Housing Authority of the Town of Dover
215 East Blackwell Street
Dover, New Jersey 07801

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, the financial statements of the Housing Authority of the Town of Dover as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Housing Authority of the Town of Dover basic financial statements, and have issued our report thereon dated January 26, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the Town of Dover 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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: January 26, 2018



Hymanson, Parnes & Giampaolo

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

**(Unmodified Opinion on Compliance for Each Major Program:
No Material Weakness or Significant Deficiencies
in Internal Control Over Compliance Identified)**

Board of Commissioners
Housing Authority of the Town of Dover
215 East Blackwell Street
Dover, New Jersey 07801

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the Town of Dover compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the Town of Dover major federal programs for the year ended September 30, 2017. Housing Authority of the Town of Dover 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

Our responsibility is to express an opinion on compliance for each of Housing Authority of the Town of Dover 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). 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 Housing Authority of the Town of Dover compliance with those requirements and performing such other procedures as we consider 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 Housing Authority of the Town of Dover compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the Town of Dover 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, 2017.

Report on Internal Control Over Compliance

Management of Housing Authority of the Town of Dover 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 Housing Authority of the Town of Dover'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 Housing Authority of the Town of Dover 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. Accordingly, this report is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: January 26, 2018

HOUSING AUTHORITY OF THE TOWN OF DOVER

Schedule of Findings and Questioned Costs

Year Ended September 30, 2017

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with section Title 2 U.S. Code of Federal Regulation
Part 200, Uniform Administrative Requirements, _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Voucher Program	\$ 2,311,464

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as a low-risk auditee X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the Town of Dover
215 East Blackwell Street
Dover, New Jersey 07801

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the Town of Dover and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. Housing Authority of the Town of Dover is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the Town of Dover as of and for the year ended September 30, 2017, and have issued our reports thereon dated January 26, 2018. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated September 30, 2017, was expressed in relation to the basic financial statements of Housing Authority of the Town of Dover taken as a whole.

A copy of the reporting package required by OMB Uniform Guidance, which includes the auditor's reports, is available in its entirety from Housing Authority of the Town of Dover. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of Housing Authority of the Town of Dover and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
January 26, 2018

**ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURE**

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule,all CFDA's	☒	☐
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	☒	☐
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	☒	☐
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	☒	☐
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	☒	☐
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	☒	☐
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	☒	☐
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	☒	☐
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	☒	☐