

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD**

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

**YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the Borough of Freehold  
Freehold, New Jersey 07728

**Report on the Financial Statements**

I have audited the accompanying financial statements of Housing Authority of the Borough of Freehold, NJ , as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Freehold's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In my opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Borough of Freehold, NJ, as of December 31, 2019, 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, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, Schedule of the authority's contributions and Authority's share of Net OPEB liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying financial information, the combining statements of net position, activities and changes in net position and Financial Data Schedule as listed in other supplementary Information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report October 14, 2020 on my consideration of the Housing Authority of the Borough of Freehold's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Highlands Housing Authority's internal control over financial reporting and compliance.

*Francis McConnell*

Francis J. McConnell  
Certified Public Accountant

October 14, 2020

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2019**

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As management of the Housing Authority of the Borough of Freehold, New Jersey we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 8.

**FINANCIAL HIGHLIGHTS**

**2019**

- The Liabilities and deferred outflows of the Authority exceeded its assets by \$127,634 (deficit net position) .
- The Authority's unrestricted cash balance at December 31, 2019 was \$473,151 representing an increase of \$59,476 from December 31, 2018.
- The Authority had intergovernmental revenues of \$ 202,738 HUD operating grants for the year ended December 31, 2019.
- In 2018 the Authority adopted accounting principle "GASB 75" the financial reporting for other post-employment retirement benefits. .

**2018**

- The Liabilities and deferred outflows of the Authority exceeded its assets by \$149,401 (deficit net position) – this was caused by the required adoption of "GASB 75" the recording of the post employment retirement liability.
- The Authority's unrestricted cash balance at December 31, 2018 was \$413,675 representing a decrease of \$6,954 from December 31, 2017.
- The Authority had intergovernmental revenues of \$165,481 HUD operating grants for the year ended December 31, 2018.
- The Authority adopted accounting principle "GASB 75" the financial reporting for other post employment retirement benefits. This principle caused the recording of an adjustment of over \$900 thousand dollars.

## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

### FINANCIAL ANALYSIS OF THE AUTHORITY

**Net Position:** may serve over time as a useful indicator of an agency's financial position. In the case of the Freehold Housing Authority was in a deficit position by \$128 thousand at the close of the most recent fiscal year. The following table shows a summary of changes from the prior years

	<u>2019</u>	<u>2018</u>
Current and Other Assets	531,677	468,518
Capital Assets, net of depreciation	942,980	1,050,940
Total Assets	<u>1,474,657</u>	<u>1,519,458</u>
Deferred Outflows of Resources	87,555	116,771
Current Liabilities	153,269	178,218
Noncurrnt Liabilities	993,335	1,150,956
Total Liabilities	<u>1,146,604</u>	<u>1,329,174</u>
Deferred Inflows of Resources	542,942	456,456
Net Investment in Capital Assets	782,980	870,940
Restircted	142	-
Unrestricted	<u>(910,756)</u>	<u>(1,020,341)</u>
Net Position	* <u>(127,634)</u>	<u>(149,401)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets The following table summarizes the changes in capital assets between fiscal years 2019 and 2018:

	2019	2018
LAND	\$ 145,000	\$ 145,000
BUILDINGS AND IMPROVEMENTS	4,860,868	4,860,868
EQUIPMENT	118,757	118,757
CONSTRUCTION IN PROGRESS	-	-
TOTAL CAPITAL ASSETS	<u>5,124,625</u>	<u>5,124,625</u>
ACCUMULATED DEPRECIATION	<u>4,181,645</u>	<u>4,073,685</u>
NET CAPITAL ASSETS	<u>942,980</u>	<u>1,050,940</u>

**Debt**

At the end of December 31, 2019 the Authority had outstanding debt in the amount of \$ 160,000 from the Authority entering into a Capital Fund Leveraging Pool in 2004.

**Statement of Activities.** The Statement of Activities shows the sources of FHA's changes in net position as they arise through its various programs and functions. A condensed Statement of Activities comparing fiscal year 2019 and 2018.

	12/31/2019	12/31/2018	Diff
tenant revenue	570,250	563,929	6,321
hud revenue	202,738	165,481	37,257
other revenue	15,492	8,301	7,191
total revenue	<u>788,480</u>	<u>737,711</u>	<u>50,769</u>
Operating expenses			
admin	173,259	218,085	(44,826)
tenant services	10,098	-	10,098
utilities	181,273	185,425	(4,152)
maint	201,112	210,160	(9,048)
Other operating	85,651	74,323	11,328
Depreciation	107,960	108,431	(471)
total expenses	<u>759,353</u>	<u>796,424</u>	<u>(37,071)</u>
Oper inc (loss)	29,127	(58,713)	87,840
Non Operating	(7,360)	(8,425)	1,065
Change in Net Position	21,767	(67,138)	88,905



## **MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

### **Statement of Activities – continued**

Governmental operating revenue includes the annual operating subsidies for the low rent and capital grants made available by the U.S. Housing and Urban Development (“HUD”). FHA also generated over 500 thousand in tenant revenue which helped offset FHA’s administrative expenses.

### **CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Executive Director, Housing Authority of the Borough of Freehold, New Jersey, 107 Throckmorton Street,, Freehold, New Jersey 07728.

**FINANCIAL SECTION**

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2019**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**ASSETS**

Current Assets

Cash and cash equivalents	\$ 473,151
Restricted cash and cash equivalents	45,353
Accounts receivable, net	12,937
Prepaid Expenses	236
<b>Total Current Assets</b>	<u>531,677</u>

Noncurrent assets

Capital assets, net of depreciation	942,980
<b>Total Noncurrent Assets</b>	<u>942,980</u>

Deferred Outflow of Resources

Deferred outflows related to pensions	65,874
Deferred outflows related to OPEB	21,381
<b>Total deferred outflows of resources</b>	<u>87,255</u>

<b>Total Assets and Deferred Outflow of Resources</b>	<u><u>1,561,912</u></u>
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**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

**LIABILITIES:**

Current Liabilities

Accounts Payable	12,592
Accrued Liabilities	32,811
Accounts payable - Other Government	24,221
Compensated Absences	18,400
Trusts and deposits	45,211
Deferred credits and other liabilities	34
Current portion of long-term debt	20,000
<b>Total Current Liabilities</b>	<u>153,269</u>

Noncurrent liabilities

Long-term debt, net of current portion	140,000
Accrued Pension and OPEB	321,634
Accrued OPEB	484,993
Compensated Absences - net of current	46,708
<b>Total Noncurrent Liabilities</b>	<u>993,335</u>

<b>Total Liabilities</b>	<u>1,146,604</u>
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Deferred Inflow of Resources

Deferred inflows related to pensions	118,136
Deferred inflows related to OPEB	424,806
<b>Total Deferred Inflow of Resources</b>	<u>542,942</u>

**NET POSITION**

Net Investments in capital assets	782,980
Restricted Net Assets	142
Unrestricted net assets (Deficit)	(910,756)
<b>Total net position</b>	<u>(127,634)</u>

<b>Total Liabilities, Deferred Inflow of Resources, and Net Position</b>	<u><u>\$ 1,561,912</u></u>
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The accompanying notes are an integral part of this statement

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2019**

OPERATING REVENUES	
Tenant Revenue	\$ 570,250
HUD Operating grants	202,738
Other Income	15,492
Total operating revenues	<u>788,480</u>
OPERATING EXPENSES	
Administrative	173,259
Tenant services	10,098
Utilities	181,273
Maintenance	201,112
General	85,651
Depreciation Expense	107,960
Total Operating Expenses	<u>759,353</u>
NET OPERATING INCOME (LOSS)	29,127
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	(8,176)
Investment Income	816
Total nonoperating revenues	<u>(7,360)</u>
Change in net position	21,767
Total net position - beginning	<u>(149,401)</u>
Total net position - ending	<u>\$ (127,634)</u>

The accompanying notes are an integral part of this statement

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Hud operating grants	\$	202,738
Receipts from residents and others		585,742
Payments to suppliers		(542,779)
Payments to and on behalf of employees		<u>(163,711)</u>
Net cash provided by (used) in operating activities		<u>81,990</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Interest paid on debt		(8,176)
Principal payments on long term debt		<u>(20,000)</u>
Net cash (used) in capital and related financing activities		<u>(28,176)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Investment Income		<u>816</u>
Net cash provided by investing activities		<u>626</u>
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>		<u>54,440</u>
<b><u>CASH AND CASH EQUIVALENTS, JANUARY 1</u></b>		<u>464,064</u>
<b><u>CASH AND CASH EQUIVALENTS, DECEMBER 31</u></b>	<b>\$</b>	<b><u>518,504</u></b>
<b>DECEMBER 31, CASH AND CASH EQUIVALENTS</b>		
Unrestricted	\$	473,151
Restricted		45,353
Total Unrestricted and Restricted	<b>\$</b>	<b><u>518,504</u></b>

The accompanying notes are an integral part of this statement

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

<b>Net Operating Loss</b>	<b>\$</b>	<b>29,127</b>
<b>Add back non-cash Items:</b>		
Depreciation expense		107,960
Bad Debts		5,748
Pension/OPEB Credit		40,586
<b>Decrease</b>		
Accounts Receivable		(30,322)
		<u>153,099</u>
<b>Increase (Decrease) in Liabilities</b>		
Accounts Payable and Accrued Expenses		(72,316)
other Liabilities and deferred credits		1,207
		<u>(71,109)</u>
<b>Net Cash provided by operating activities</b>	<b>\$</b>	<b><u>81,990</u></b>

The accompanying notes are an integral part of this statement

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Program Description**

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

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

**Low Rent Housing Program**

This program provides low-rent housing to qualified residents of the Borough of Freehold, New Jersey. All units are owned and operated by the Housing Authority and were purchased with financing arranged or provided through HUD. The operations of the program are subsidized by HUD through an Annual Contributions Contract. Operating subsidy contributions for the year ended December 31, 2019 was \$126,254 and is included in operating subsidies in the combined statement of revenues, expenses and changes in net assets.

**Capital Fund Program Grants**

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

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
(continued)

**B Reporting Entity**

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

**C - Basis of Accounting**

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

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

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

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

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



**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
(continued)

**C - Basis of Accounting - continued**

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

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

**Budgeting and Budgetary Accounting**

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

**D – Cash and Cash Equivalents**

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

**E – Accounts Receivable**

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

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

**F - Use of Estimates**

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

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
(continued)

**F – Capital Assets**

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

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

**Impairment of Capital Assets**

GASB Statement No., 42, *Accounting and Financial reporting for Impairment of Capital Assets and for the Insurance Recoveries*, established accounting and financial reporting standards for impairment of capital assets. A capital assets is considered impaired when its service utility has declined significantly and unexpectedly. LHA is required to evaluate prominent events of changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of December 31, 2019.

**G – Accrued Compensated absences**

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

**H – Equity Classifications**

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

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

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

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

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
(continued)

**I – Use of Restricted Assets**

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

**J - Operating Revenues and Expenses**

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

**K - Income Taxes**

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

**L – Economic Dependency**

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

**NOTE 2 – CASH AND CASH EQUIVALENTS –**

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

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

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

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
(continued)

**NOTE 2 – CASH AND CASH EQUIVALENTS – continued**

As of December 31, 2019 cash and cash equivalents consisted of the following:

	2019
Low Rent	\$ 473,293
Security Deposits	45,211
	518,504
	518,504
Bank Balances	\$ 521,448
<u>Reconciliation of detail to statement of net assets</u>	
Cash - unrestricted	473,151
Cash - restricted	45,353
	\$ 518,504

**NOTE 3 – RECEIVABLES**

Accounts Receivable as of December 31, 2019

	2019
Tenant accounts receivable	\$ 18,481
	-
Total accounts receivable	18,481
Less: allowance for doubtful accounts	(5,544)
	\$ 12,937

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
(continued)

**NOTE 4 – RISK MANAGEMENT**

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

**FIXED ASSETS**

Changes in capital assets for 2019 consisted of:

	2018	additions	disposals	transfers	2019
<b>Non-depreciable capital assets:</b>					
Land	145,000	-	-		145,000
Construction in Progress	-	-		-	-
	145,000	-		-	145,000
<b>Depreciable capital assets:</b>					
Buildings and Improvements	4,860,868	-	-	-	4,860,868
Equipment - Admin & Dwelling	118,757	-	-		118,757
Totals	4,979,625	-	-	-	4,979,625
Total capital assets	5,124,625	-			5,124,625
Accumulated Depreciation:	(4,073,685)	(107,960)	-		(4,181,645)
Net Capital Assets	1,050,940	(107,960)	-	-	942,980

**NOTE 6 – COMPENSATED ABSENCES**

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

	2019
Beginning compensated absences	\$ 60,049
Compensated absences earned	6,142
Compensated absences redeemed	(1,083)
Ending compensated absences	65,108
Less: current portion	18,400
Compensated absences, net of current position	\$ 46,708

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

(continued)

**NOTE 7 – ACCRUED LIABILITIES**

Accrued Liabilities as of December 31, 2019

	2019
Accrued payroll and payroll taxes	\$ 1,224
Accrued utilities	31,587
	\$ 32,811

**NOTE 8 – DEFERRED CREDITS AND OTHER LIABILITIES**

Deferred Credits and other liabilities as of December 31, 2019

	2019
Prepaid rental income	\$ 34
	\$ 34

**NOTE 9 – PAYABLE TO OTHER GOVERNMENT AGENCIES – (PILOT)**

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 Borough of Freehold, New Jersey. Under the cooperation agreements, the Authority must pay the lesser of 10% of its net shelter rent or the appropriate full real property taxes. During the fiscal years ended December 31, 2019, PILOT expense was accrued in the amounts of \$ 24,221. Shown on statement of net position as Accounts Payable - other Government.

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
 (continued)

**Note 10 – BONDS PAYABLE**

The Authority during 2004 entered into a Capital Fund Leveraging Fund. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty-year Capital Fund Program Revenue Bonds, 2004 Series A, on December 23, 2004. The Authority's share amounted to \$400,000.

The following is a schedule of required payments for the next five years and thereafter.

Year ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	20,000	7,285	27,285
2021	20,000	6,345	26,345
2022	30,000	5,288	35,288
2023	30,000	3,877	33,877
2024-2025	60,000	4,074	64,074
	<u>160,000</u>	<u>26,869</u>	<u>186,869</u>

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

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

**NOTE 12 – PENSION PLAN**

**Description of Plan**

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

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
 (continued)

**NOTE 12 – PENSION PLAN – continued**

**Vesting and Benefit Provisions**

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

**Funding Requirements - PERS**

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

The Authority's total contributions to PERS for the year ended were \$ 17,383.

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – at December 31, 2019, the Authority reported a liability of \$ 321,634 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the authority's share of contributions to the pension plan relative to the contributions of all PERS participating employers. At June 30, 2019, the authority's collective proportion percentage was .000017850214%

For the year ended the authority recognized pension expense of \$ 29,996. At December 31, 2019, the authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 5,773	\$ 1,421
Changes in assumptions	-	111,638
Net difference between projected and actual earnings on pension plan investments	32,116	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	27,985	5,077
Total	\$ 65,874	\$ 118,136



**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
 (continued)

**NOTE 12 – PENSION PLAN – continued**

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

Year Ended Dec-18	Total
2020	\$ (10,452)
2021	(10,452)
2022	(10,452)
2023	(10,452)
2025	(10,452)
	<u>\$ (52,260)</u>

Actuarial assumptions – the total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation : price	2.75%
Wage	3.25%
Rates of salary increases:	
through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment rate of return	7.00%

Mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality tables with an 82.2% adjustment for males and 101.4% adjustment for females., as appropriate, with adjustments for mortality improvements based on Scale AA.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00%at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major class included in PERS’s target asset allocation as of June 30, 2019 are summarized in the following table

**:HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**NOTE 12 – PENSION PLAN – continued**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Risk Mitigation Strategies	3.00%	4.57%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
Public High Yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-US developed markets equity	12.50%	9.00%
Emerging Markets equity	6.50%	11.37%
Buyouts/venture capital	12.00%	10.85%

Discount Rate - the discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 12 – PENSION PLAN – continued**

Pension Plan Fiduciary Net Position – detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report which is available on the PERS website at [www.pers.nj.gov](http://www.pers.nj.gov).

Sensitivity of the Authority’s Proportionate Share of Net Pension Liability to changes in the Discount Rate – the following represents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.28 percent, as well as what the authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.66 percent) or 1-percentage point higher (6.66 percent) than the current rate,

	1% Decrease 4.66%	Discount Rate 5.66%	1% Increase 6.66%
Authority's proportionate share of the net pension liability	409,102	323,871	252,052

**Note 13 – OPEB –(other post employment benefits)**

**A. Plan Description**

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

**B. Benefits**

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

**.HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**NOTE 13. - OPEB (continued)**

C. Benefits - continued

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

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

At December 31, 2019, the Authority reported a liability of \$484,993 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and rolled forward to June 30, 2019.

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$(17,516). At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$ -	
Changes in assumptions	-	141,699
Changes in proportions	8,382	171,711
Net differences between projected and actual investment earnings on OPEB plan investments	309	111,396
Authority contributions subsequent to the measurement date	12,690	
Total	<u>\$ 21,381</u>	<u>\$ 424,806</u>

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**NOTE 13. - OPEB (continued)**

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

Year Ended Dec., 31	Total
2020	(83,223)
2021	(83,223)
2022	(83,223)
2023	(83,223)
2024	(83,223)
	<u>\$(416,115)</u>

in OPEB expense as follows:

**D - Actuarial Assumptions**

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2019. This actuarial valuation used the following assumptions:

Inflation Rate increases: Through 2026	2.50%  2.00 to 6.00%, based on years of service	Salary
Thereafter	3.00 – 7.00%, based on years of service	

**Mortality:**

PERS	Pub-2010 General classification headcount weighted mortality with Fully generational mortality improvement projections from the central Year using Scale MP-2019
PFRS	Pub-2010 safety classification headcount weighted mortality with Fully generational mortality improvement projections from the central Year using Scale MP-2019

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**NOTE 13. - OPEB (continued)**

**E: Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2019. This represents the municipal bond return rate chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

	1% Decrease 4.00%	Discount Rate 5.00%	1% Increase 6.00%
Authority's proportionate share of the net pension liability	537,191	433,181	346,362

**G: Health Care Trend Assumptions**

For pre-Medicare preferred provider organization ("PPO") and health maintenance organization ("HMO") medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% trend rate after eight years. .

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**NOTE 13. - OPEB (continued)**

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

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

	1% Decrease	Discount Rate	1% Increase
Authority's proportionate share of the net pension liability	408,895	484,543	581,045

**NOTE 14 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Housing Authority has evaluated events and transactions for potential recognition or disclosure through October 14, 2020 the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties could have arisen which would have had a negative impact, The authority experienced no such uncertainties. No transactions were found for recognition or disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**



**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD**  
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY**  
**YEAR ENDED DECEMBER 31, 2019**

	2019	2018	2017	2016	2015	2014
Authority's proportions of the net pension liability (asset)	0.00179%	0.00175%	0.00170%	0.00160%	0.00160%	0.00160%
Authority's proportionate share of the net pension liability	\$ 321,634	\$ 343,639	\$ 399,912	\$ 472,468	\$ 351,473	\$ 289,385
Authority's covered-employee payroll	\$ 131,252	\$ 126,844	\$ 141,859	\$ 109,741	\$ 107,999	\$ 106,891
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.05%	270.91%	281.91%	430.53%	325.44%	270.73%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	53.60%	48.10%	40.14%	47.93%	52.08%

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

See accompanying independent auditor's report

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
 SCHEDULE OF AUTHORITY'S CONTRIBUTIONS  
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY  
 YEAR ENDED DECEMBER 31, 2019

	2019	2018	2017	2016	2015	2014
Statutorily required contributions	17,363	17,360	15,915	14,172	13,461	12,752
Contributions in relation to the statutorily required contributions	17,363	17,360	15,915	14,172	13,461	12,752
Contributions deficiency (excess)	-	-	-	-	-	-
Authority's covered-employee payroll	131,252	126,844	141,859	109,741	107,999	106,891
Contributions as a percentage of covered-employee payroll	13.23%	13.69%	11.22%	12.91%	12.46%	11.93%

**FREEHOLD HOUSING AUTHORITY**  
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**YEAR ENDED DECEMBER 31,**

	2019	(restated) 2018
Authority's proportionate share of the net OPEB liability	\$ 484,003	\$ 605,045
Authority's covered-employee payroll	\$ 131,252	\$ 126,844
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	27.12%	20.96%
Plan fiduciary net position as a percentage of the total OPEB liability	1.04%	1.03%

Note: GASB Statement NO 68 requires ten years of information to be presented in this table.  
years for which information is available.

**OTHER SUPPLEMENTARY INFORMATION**

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2019**

	Low Rent Housing	Capital fund Program	Totals
<b>Current Assets</b>			
Cash	473,151	-	473,151
Restricted cash and investments	45,353	-	45,353
Receivables, net	12,937	-	12,937
Other assets	236	-	236
<b>Total Current assets</b>	<u>531,677</u>	<u>-</u>	<u>531,677</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, net of depreciation	942,980	-	942,980
<b>Total noncurrent assets</b>	<u>942,980</u>	<u>-</u>	<u>942,980</u>
<b>Deferred Outflows of Resources - Pension</b>	65,874	-	65,874
<b>Deferred Outflows of Resources - OPEB</b>	21,381	-	21,381
<b>TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,561,912</u>	<u>-</u>	<u>1,561,912</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts payable	12,592	-	12,592
Accrued Liabilities	32,811	-	32,811
Accounts Payable - other government	24,221	-	24,221
Compensated absences	18,400	-	18,400
Tenant security deposits	45,211	-	45,211
Deferred credits and other liabilities	34	-	34
Current portion of long term debt	20,000	-	20,000
<b>Total current liabilities</b>	<u>153,269</u>	<u>-</u>	<u>153,269</u>
<b>NONCURRENT LIABILITIES</b>			
Long Term Debt	140,000	-	140,000
Accrued pension	321,634	-	321,634
Accrued OPEB	484,993	-	484,993
other liabilities	46,708	-	46,708
<b>Total noncurrent liabilities</b>	<u>993,335</u>	<u>-</u>	<u>993,335</u>
<b>TOTAL LIABILITIES</b>	<u>1,146,604</u>	<u>-</u>	<u>1,146,604</u>
<b>Deferred Inflows of Resources - pension</b>	118,136	-	118,136
<b>Deferred Inflows of Resources - opeb</b>	424,806	-	424,806
<b>NET POSITION</b>			
Net Investment in capital assets	782,980	-	782,980
Restricted net position	142	-	142
Unrestricted net position ( deficit )	(910,756)	-	(910,756)
<b>TOTAL NET POSITION</b>	<u>(127,634)</u>	<u>-</u>	<u>(127,634)</u>
<b>TOTAL LIABILITIES, NET POSITION and DEFERRED INFLOWS</b>	<u>1,561,912</u>	<u>-</u>	<u>1,561,912</u>

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD, NEW JERSEY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Low Rent Housing	Capital Fund Program	Totals
Operating revenue			
Total Tenant Revenue	570,250	-	570,250
HUD Operating subsidies other revenue	126,254	76,484	202,738
	15,492	-	15,492
Total operating revenue	<u>711,996</u>	<u>76,484</u>	<u>788,480</u>
Operating Expenses			
Administrative expenses	166,468	6,791	173,259
Tenant services	10,098	-	10,098
Utilities	181,273	-	181,273
Maintenance	175,633	25,479	201,112
General	35,028	-	35,028
Insurance Expense	50,623	-	50,623
Depreciation expense	107,960	-	107,960
Total operating expenses	<u>727,083</u>	<u>32,270</u>	<u>759,353</u>
Operating income (loss)	<u>(15,087)</u>	<u>44,214</u>	<u>29,127</u>
Nonoperating revenue (expenses)			
Investment Income	816	-	816
Interest Expense	816	8,176	(8,176)
Net nonoperating revenue	<u>816</u>	<u>8,176</u>	<u>(7,360)</u>
Change in net assets	<u>(14,271)</u>	<u>36,038</u>	<u>21,767</u>
Total net assets at beginning of year	(149,401)	-	(149,401)
Capital contributions/transfers	36,038	(36,038)	-
Total net position at end of year	<u>(127,634)</u>	<u>-</u>	<u>(127,634)</u>

Freehold Housing Authority (NJ069)  
FREEHOLD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$473,151	\$473,151	\$473,151
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$142	\$142	\$142
114 Cash - Tenant Security Deposits	\$45,211	\$45,211	\$45,211
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$518,504	\$518,504	\$518,504
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	\$0	\$0	\$0
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$18,481	\$18,481	\$18,481
126.1 Allowance for Doubtful Accounts - Tenants	-\$5,544	-\$5,544	-\$5,544
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$12,937	\$12,937	\$12,937
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$236	\$236	\$236
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			

Freehold Housing Authority (NJ069)  
FREEHOLD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
145 Assets Held for Sale			
150 Total Current Assets	\$531,677	\$531,677	\$531,677
161 Land	\$145,000	\$145,000	\$145,000
162 Buildings	\$4,161,376	\$4,161,376	\$4,161,376
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$118,757	\$118,757	\$118,757
165 Leasehold Improvements	\$699,492	\$699,492	\$699,492
166 Accumulated Depreciation	-\$4,181,645	-\$4,181,645	-\$4,181,645
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$942,980	\$942,980	\$942,980
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$942,980	\$942,980	\$942,980
200 Deferred Outflow of Resources	\$87,255	\$87,255	\$87,255
290 Total Assets and Deferred Outflow of Resources	\$1,561,912	\$1,561,912	\$1,561,912
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$12,592	\$12,592	\$12,592
313 Accounts Payable >90 Days Past Due			



Freehold Housing Authority (NJ069)  
FREEHOLD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
321 Accrued Wage/Payroll Taxes Payable	\$1,224	\$1,224	\$1,224
322 Accrued Compensated Absences - Current Portion	\$18,400	\$18,400	\$18,400
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$24,221	\$24,221	\$24,221
341 Tenant Security Deposits	\$45,211	\$45,211	\$45,211
342 Unearned Revenue	\$34	\$34	\$34
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$20,000	\$20,000	\$20,000
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other	\$31,587	\$31,587	\$31,587
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$153,269	\$153,269	\$153,269
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$140,000	\$140,000	\$140,000
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current	\$46,708	\$46,708	\$46,708
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities	\$806,627	\$806,627	\$806,627
350 Total Non-Current Liabilities	\$993,335	\$993,335	\$993,335
300 Total Liabilities	\$1,146,604	\$1,146,604	\$1,146,604

**Freehold Housing Authority (NJ069)  
FREEHOLD, NJ**

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Non Single Audit      Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
400 Deferred Inflow of Resources	\$542,942	\$542,942	\$542,942
508.4 Net Investment in Capital Assets	\$782,980	\$782,980	\$782,980
511.4 Restricted Net Position	\$142	\$142	\$142
512.4 Unrestricted Net Position	-\$910,756	-\$910,756	-\$910,756
513 Total Equity - Net Assets / Position	-\$127,634	-\$127,634	-\$127,634
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,561,912	\$1,561,912	\$1,561,912

**Freehold Housing Authority (NJ069)  
FREEHOLD, NJ  
Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Non Single Audit      Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$549,203	\$549,203	\$549,203
70400 Tenant Revenue - Other	\$21,047	\$21,047	\$21,047
70500 Total Tenant Revenue	\$570,250	\$570,250	\$570,250
70600 HUD PHA Operating Grants	\$202,738	\$202,738	\$202,738
70610 Capital Grants			
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$813	\$813	\$813
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery	\$3,309	\$3,309	\$3,309
71500 Other Revenue	\$12,183	\$12,183	\$12,183
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted	\$3	\$3	\$3
70000 Total Revenue	\$789,296	\$789,296	\$789,296
91100 Administrative Salaries	\$93,805	\$93,805	\$93,805

Freehold Housing Authority (NJ069)  
FREEHOLD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
91200 Auditing Fees	\$4,046	\$4,046	\$4,046
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$2,759	\$2,759	\$2,759
91600 Office Expenses	\$25,778	\$25,778	\$25,778
91700 Legal Expense	\$16,758	\$16,758	\$16,758
91800 Travel	\$838	\$838	\$838
91810 Allocated Overhead			
91900 Other	\$29,275	\$29,275	\$29,275
91000 Total Operating - Administrative	\$173,259	\$173,259	\$173,259
92000 Asset Management Fee			
92100 Tenant Services - Salaries	\$10,000	\$10,000	\$10,000
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services	\$98	\$98	\$98
92400 Tenant Services - Other			
92500 Total Tenant Services	\$10,098	\$10,098	\$10,098
93100 Water	\$16,388	\$16,388	\$16,388
93200 Electricity	\$65,709	\$65,709	\$65,709
93300 Gas	\$52,640	\$52,640	\$52,640
93400 Fuel			
93500 Labor	\$5,431	\$5,431	\$5,431
93600 Sewer	\$40,155	\$40,155	\$40,155

Freehold Housing Authority (NJ069)  
FREEHOLD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit      Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
93700 Employee Benefit Contributions - Utilities	\$950	\$950	\$950
93800 Other Utilities Expense			
93000 Total Utilities	\$181,273	\$181,273	\$181,273
94100 Ordinary Maintenance and Operations - Labor	\$48,876	\$48,876	\$48,876
94200 Ordinary Maintenance and Operations - Materials and Other	\$14,109	\$14,109	\$14,109
94300 Ordinary Maintenance and Operations Contracts	\$66,903	\$66,903	\$66,903
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,792	\$1,792	\$1,792
94000 Total Maintenance	\$131,680	\$131,680	\$131,680
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance			
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance	\$50,623	\$50,623	\$50,623
96100 Total Insurance Premiums	\$50,623	\$50,623	\$50,623
96200 Other General Expenses			
96210 Compensated Absences	\$5,059	\$5,059	\$5,059
96300 Payments in Lieu of Taxes	\$24,221	\$24,221	\$24,221

Freehold Housing Authority (NJ069)  
FREEHOLD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
96400 Bad debt - Tenant Rents	\$5,748	\$5,748	\$5,748
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$35,028	\$35,028	\$35,028
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)	\$8,176	\$8,176	\$8,176
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$8,176	\$8,176	\$8,176
96900 Total Operating Expenses	\$590,137	\$590,137	\$590,137
97000 Excess of Operating Revenue over Operating Expenses	\$199,159	\$199,159	\$199,159
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$69,432	\$69,432	\$69,432
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense	\$107,960	\$107,960	\$107,960
90000 Total Expenses	\$767,529	\$767,529	\$767,529

Freehold Housing Authority (NJ069)  
FREEHOLD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
10010 Operating Transfer In	\$16,038	\$16,038	\$16,038
10020 Operating transfer Out	-\$16,038	-\$16,038	-\$16,038
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$21,767	\$21,767	\$21,767
11020 Required Annual Debt Principal Payments	\$20,000	\$20,000	\$20,000
11030 Beginning Equity	-\$149,401	-\$149,401	-\$149,401
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0
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			

Freehold Housing Authority (NJ069)  
FREEHOLD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2019

	Project Total	Subtotal	Total
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	1008	1008	1008
11210 Number of Unit Months Leased	978	978	978
11270 Excess Cash	\$330,052	\$330,052	\$330,052
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$0	\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$28,552	\$28,552	\$28,552
13901 Replacement Housing Factor Funds	\$0	\$0	\$0



**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
 SCHEDULE OF ACTUAL MODERNIZATION COST CERTIFICATES  
 YEAR ENDED DECEMBER 30, 2019**

<u>PROGRAM/GRANT</u>	<u>NJ39PO6950117</u>
BUDGET - ORIGINAL FUNDS APPROVED	\$ 83,473
FUNDS DISBURSED	83,473
	-
FUNDS EXPENDED	\$ 83,473
	-
EXCESS (DEFICIENCY) OF ADVANCES DUE TO (FROM) HUD	\$ -

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

**OTHER REPORTS**

FRANCIS J McCONNELL  
CERTIFIED PUBLIC ACCOUNTANT

Member of American and Pennsylvania  
Institutes of Certified Public Accountants

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

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors  
Housing Authority of the Borough of Freehold  
Freehold, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Housing Authority of the Borough of Freehold, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Highlands Housing Authority's basic financial statements, and have issued our report thereon dated October 14 2020.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Francis McConnell*

Francis J. McConnell  
Certified Public accountant

October 14, 2020

**HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
SCHEDULE OF FINDINGS OF NONCOMPLIANCE  
December 31, 2019**

**FINDINGS**

NONE

**General comments**

NONE