

NEWTON HOUSING AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NEWTON HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Newton Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Newton Housing Authority, as of December 31, 2018, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Newton Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 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 financial position of the Newton Housing Authority, as of December 31, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 16 to the financial statements, the Authority adopted a new accounting pronouncement, Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the required supplementary information presented on pages 40 through 43, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Newton Housing Authority's basic financial statements. The supplementary information on pages 44 through 52, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information presented on pages 44 through 52 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information presented on pages 44 through 52 and the Schedule of Expenditures of Federal Awards 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 issued our report dated September 30, 2019 on our consideration of the Newton Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Newton Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newton Housing Authority's internal control over financial reporting and compliance.

Marcum LLP

Boston, Massachusetts
September 30, 2019

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

As management of the Newton Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the end of fiscal year 2018 by \$18,116,828 (net position).
- The net position of the Authority consisted of investment in capital assets, net of related debt in the amount of \$13,743,730, restricted net position in the amount of \$2,222,346 and unrestricted net position in the amount of \$2,150,752.
- The Authority's cash and investments at December 31, 2018 was \$8,280,397 representing an increase of \$1,270,759 from December 31, 2017.
- The Authority had intergovernmental revenues of \$9,797,636, program revenues (charges for services) and other revenues of \$4,158,656. The Authority's total expenses (exclusive of depreciation expense) were \$11,868,173 for the year ended December 31, 2018.
- The Authority's capital outlays for the year were \$779,363.

OVERVIEW OF THE NEWTON HOUSING AUTHORITY

The Newton Housing Authority was created in 1959 to provide and promote safe and sanitary housing for low income persons residing in Newton, MA. The Authority is a municipal corporation located in Newton, MA as was established under Chapter 121B of the State Statutes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Newton Housing Authority's financial statements consist of two parts -1) management's discussion and analysis, which is intended to serve as an introduction to the Authority's basic financial statements, and 2) the Authority's basic financial statements which are comprised of two components: 1) financial statements, and 2) notes to the financial statements. This report also contains the schedule of expenditures of federal awards as supplementary information in addition to the basic financial statements.

The Authority is considered by accounting principles generally accepted in the United States of America (GAAP) to be a special purpose government accounted for as enterprise funds. Its chartered purpose is the housing of low and moderate income families and elderly individuals. All of the activities, programs and grants administered by the Authority are focused for that purpose.

As a single purpose enterprise fund government, the Authority is permitted to issue entity level financial statements. These statements report financial information for each of the Authority's funds and a combined total of all funds that represents the Authority wide financial position. The following is a brief description of each financial statement.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

STATEMENT OF NET POSITION

- The Statement of Net Position is prepared using the accrual basis of accounting and provides information relating to all financial and capital resources for the Authority as of the reporting date and related debts and other liabilities. The statement of net position is presented in a format where assets plus deferred outflows less liabilities and deferred inflows equals net position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current."
- Net position (formerly net assets) represent the cumulative effect of revenue and expenses. It is also the difference between the sum of assets and deferred outflows less the sum of liabilities and deferred inflows. Net position is reported in three broad categories:

Unrestricted Net Position is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority.

Investment in Capital Assets, Net of Related Debt consists of all Capital Assets, reduced by accumulated depreciation and the outstanding balances of any bonds, mortgages, notes or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Statement of Revenue Expenses and Changes in Fund Net Position

- This statement is similar to an Income Statement. This statement includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance and depreciation; and non-operating revenue and expenses, such as grant revenue, investment income and interest expense and capital contributions and operating transfers.
- The focus of this Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position," which is similar to Net Income or Loss.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

Statement of Cash Flows

- This Statement of Cash Flows shows the sources and amounts from which the Authority received cash such as income from tenants, income from grants, loans, etc. and the items and amounts for which cash was used such as payments to vendors and contractors, payments to employees, repayment of loans, etc. The statement is divided into four major sections: operating activities, non-capital financing activities, capital and related financing activities and investing activities. The statement functions down to the net increase or decrease in the Authority's cash accounts for the reporting period.

THE AUTHORITY'S FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Authority maintains an enterprise fund. The programs supporting this are as follows:

Federal Public Housing – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income. In addition HUD provides capital improvement dollars through multiple capital grant programs.

Section 8 Housing Choice Voucher – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenants share of the rent not to exceed a predetermined payment standard.

Section 8 New Construction Program – HUD provides a direct mortgage to a third party owner of a residential rental building. As a condition of the mortgage on the building, the owner enters into a long-term contract to rent some or all of the dwelling units to low income individuals or families and receive project based Section 8 rental assistance. Under the contract, the owner receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations. On behalf of HUD, the Authority monitors the compliance with the agreement, as well as paying the HAP expense to the owner.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

State and Local Programs – The Authority operates the following state and local programs:

- State Consolidated Chapters 667 and 705 – Under these programs the Authority owns, operates and maintains rental housing acquired with grants from Massachusetts Department of Housing & Community Development (DHCD). Dwelling units are leased to low income tenants and the elderly at rates based on their ability to pay. Operations are supported by the DHCD via operating grants.
- State Chapter 689 Housing – Under this program the Authority owns operates and maintains rental housing acquired with grants from DHCD. The building is generally rented to a non-profit corporation who provides health and human resource needs to mentally disabled individuals.
- Massachusetts Rental Voucher Program – DHCD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a contract amount.
- State Modernization Program – DHCD provides grant funds to authorities with State Consolidated units based on the Authority's application and determination of need. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the State Consolidated Housing Program.
- Authority-Owned Section 8 New Construction – DHCD provides a direct mortgage to the Authority as owners of a residential rental building. As a condition of the mortgage or the mortgage insurance on the building the Authority has entered into a long-term contract to rent some or all of the dwelling units to low income individuals or families and receive project based Section 8 rental assistance from DHCD through a contract between DHCD and HUD. Under the contract the Authority receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations.
- Business Activities / City of Newton's Ten Percent Zoning Ordinance – The Authority, through the City of Newton's Ten Percent Zoning Ordinance, is the recipient of monies or units of housing donated from developers of for-profit housing in Newton. This ordinance enables the Authority to broaden the scope of services it provides to the community by operating or buying additional affordable housing to lease to low and moderate income individuals and families.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

AN OVERVIEW OF THE FINANCIAL POSITION AND OPERATIONS

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

The Authority's total assets and deferred outflows at December 31, 2018 were \$27.10 million, an increase of \$1.01 million, or 3.89% from December 31, 2017.

The Authority's overall financial position and results of operations are presented at the end of this report.

CAPITAL ASSETS

As of December 31, 2018, the Authority's investment in capital assets for its governmental activities was \$18,067,722 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, equipment, and computer software.

Major capital asset purchases during the current fiscal year include the following:

Capital expenditures of \$779,363 were made for the improvement of the Authority's rental units.

LONG-TERM DEBT

As of December 31, 2018, the Authority has a total \$2,163,976 of long-term debt consisting of 7 separate mortgages secured by the properties acquired by the NHA Rental Acquisition Program and NHA Local Program. Of the total, \$2,022,087 represents the long-term portion and \$141,889 represents the current portion of the debt.

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

The following factors were considered in preparing the Authority's budget for the 2019 fiscal year:

- There will be significant increases in employee benefit costs relating to health insurance and PHA share of retirement costs.
- The budget was prepared with the knowledge that the operating subsidy for the Low Rent Program is expected to be decreased from the prior year funding of 95% to an expected 93% proration of the CY 2019 Operating fund. The Authority budgeted admin fee revenue of the Housing Choice Voucher Program at 80%, which is consistent with the prior year. In addition to the admin fee proration, the Authority budgeted HAP expenses at 100% of its CY 2018 HAP funding.
- The Massachusetts State Housing Programs' operating expenses, other than utility costs, are being funded by the State at a 4.0% increase from the prior year level.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

There are currently no future events that can be anticipated that will have a financial impact on the Authority.

Newton Housing Authority
Statements of Net Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Assets	\$ 8,514,827	\$ 7,175,213	\$ 1,339,614	18.67%
Capital Assets, Net of Depreciation	18,067,722	18,353,124	(285,402)	-1.56%
Deferred Outflow of Resources	<u>520,602</u>	<u>560,379</u>	<u>(39,777)</u>	-7.10%
Total Assets and Deferred Outflows	<u>27,103,151</u>	<u>26,088,716</u>	<u>1,014,435</u>	3.89%
Current Liabilities	787,355	776,382	10,973	1.41%
Non-Current Liabilities	7,934,602	6,492,599	1,442,003	22.21%
Deferred Inflow of Resources	<u>264,366</u>	<u>24,103</u>	<u>240,263</u>	996.82%
Total Liabilities and Deferred Inflows	<u>8,986,323</u>	<u>7,293,084</u>	<u>1,693,239</u>	23.22%
Net Position:				
Investment in Capital Assets, Net of Debt	13,743,730	16,051,403	(2,307,673)	-14.38%
Restricted	2,222,346	672,159	1,550,187	230.63%
Unrestricted	<u>2,150,752</u>	<u>2,072,070</u>	<u>78,682</u>	3.80%
Total Net Position	<u>\$ 18,116,828</u>	<u>\$ 18,795,632</u>	<u>\$ (678,804)</u>	-3.61%

The Authority's combined net position decreased by \$678,807 from a year ago. This represents a decrease of 3.61%. This increase is a combination of three components of net position: 1) Investment in capital assets, net of debt - a decrease of \$2,307,673, 2) Restricted net position – an increase of \$1,550,187, and 3) Unrestricted net position – an increase of \$78,682.

The increase (decrease) in invested in capital assets, net of debt consists of the following items:

Capital grants received and expended	\$ 433,416
Capital purchases from operations	329,380
Restriction of soft debt	(2,160,016)
Depreciation expense	(1,048,198)
Capital debt principal paid	<u>137,745</u>
Net increase (decrease) in invested in capital assets	<u>\$ (2,307,673)</u>

The increase (decrease) in restricted net position consists of the following items:

Restricted Revenue - HCV	\$ 6,436,613
Restricted Expenses - HCV	(6,374,283)
Restriction of soft debt	2,160,016
Release of restricted net position	<u>(672,159)</u>
Net increase (decrease) in restricted net position	<u>\$ 1,550,187</u>

The increase (decrease) in unrestricted net position consists of the following items:

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

Revenues and operating grants (excluding restricted revenue and capital)	\$ 7,086,263
Expenses (excluding depreciation and restricted expenses)	(5,493,890)
Capital purchases from operations	(329,380)
Capital debt principal paid	(137,745)
Prior Period Adjustment	(1,718,725)
Release of restricted net position	<u>672,159</u>
Net increase (decrease) in unrestricted net position	<u>\$ 78,682</u>

Other items of major change from 2017 to 2018:

Current assets increased by \$1,339,614 or 18.67%. This increase is related to the increase in cash and cash equivalents and accounts receivable – other government. The increase in cash is a result of the Authority's state 667-A program earning and collecting greater HAP payments for those units. In addition, accounts receivable – other government increased due to funds owed from DHCD for the Authority's 400-9 state program.

Investment in Capital Assets, Net of Debt and Restricted Net Position decreased and increased, respectively by a corresponding \$2,160,016 due to restricting the equity related to the forgivable loans for the properties on Pelham Street and Newtonville Avenue.

The deferred outflows of \$520,602 represents the Authority's future payments to their retirement system and group insurance commission. This account is recorded as part of the GASB 68 Pension Accounting Standard and GASB 75 Other Post-Employment Benefits Accounting Standard.

The deferred inflows of \$264,366 is recorded as part of the GASB 68 Pension Accounting Standard and GASB 75 Other Post-Employment Benefits Accounting Standard.

Non-current liabilities increased by \$1,442,003 or 22.21%. This increase is due to the implementation of GASB 75 Other Post-Employment Benefits Accounting Standard to record the Authority's entire OPEB liability.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

Newton Housing Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017	Increase (Decrease)	Percentage Change
Revenues				
HUD Operating Subsidies	\$ 8,450,370	\$ 8,170,342	\$ 280,028	3.43%
Tenant Revenue – Rents and Other	3,831,839	2,654,520	1,177,319	44.35%
Other Government Grants	1,060,662	1,495,306	(434,644)	-29.07%
HUD Capital Grants	286,604	29,368	257,236	875.91%
Other Revenue	244,771	127,125	117,646	92.54%
Investment Income	<u>82,046</u>	<u>68,882</u>	<u>13,164</u>	19.11%
Total Revenue	<u>13,956,292</u>	<u>12,545,543</u>	<u>1,410,749</u>	11.25%
Expenses				
Housing Assistance Payments	6,342,894	6,263,084	79,810	1.27%
Maintenance	1,966,770	2,072,995	(106,225)	-5.12%
Administrative	1,870,565	1,646,111	224,454	13.64%
Utilities	1,163,493	1,198,009	(34,516)	-2.88%
Depreciation	1,048,198	1,176,927	(128,729)	-10.94%
Insurance Expenses	205,537	200,112	5,425	2.71%
Tenant Services	113,773	61,134	52,639	86.10%
Interest Expense	104,771	112,881	(8,110)	-7.18%
General Expenses	<u>100,370</u>	<u>263,048</u>	<u>(162,678)</u>	-61.84%
Total Expenses	<u>12,916,371</u>	<u>12,994,301</u>	<u>(77,930)</u>	-0.60%
(Decrease) Increase in Net Position	<u>\$ 1,039,921</u>	<u>\$ (448,758)</u>	<u>\$ 1,488,679</u>	-331.73%
Net Position, Beginning of Year	<u>18,795,632</u>	<u>19,244,390</u>	<u>(448,758)</u>	-2.33%
Adjustment to Beginning Net Position	<u>(1,718,725)</u>	<u>-</u>	<u>(1,718,725)</u>	
Net Position, End of Year	<u>\$18,116,828</u>	<u>\$18,795,632</u>	<u>\$ (678,804)</u>	-3.61%
This statement excludes HAP Port In Revenue and Expenses of			FY 2018	<u>\$ 70,280</u>
			FY 2017	<u>\$ 65,502</u>

The major changes from 2017 to 2018 of the Statement of Revenues, Expenses and Changes in Fund Net Position are:

- Tenant revenue increased by \$1,177,319 or 44.35%. This increase is related to increases in HAP payments for the Authority's 667-A units following a rent reasonableness study.
- Other government grants decreased by \$434,644 or 29.07%. This decrease is related to the amount of work completed under the state modernization program as expenditures are direct reimbursements from the State.
- HUD capital grants increased by \$257,236 or 875.91%. This increase is related to the amount of work completed under the HUD capital grant program as expenditures are direct reimbursements from HUD.

NEWTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

- Other revenue increased by \$117,646 or 92.54%. This increase is due to an increase in insurance proceeds received for damages sustained at the Ash Street development.
- Interest income increased by \$13,164 or 19.11%. This increase is a result of an increase in available cash for investing purposes during the year.
- Depreciation expense decreased by \$128,729 or 10.94%. This decrease is due to a decrease in depreciable assets at year end.
- Tenant services increased by \$52,639 or 86.10%. This increase is a result of an increase in tenant services salaries due to an increase in the budget for licensed social workers.
- General expenses decreased by \$162,678 or 61.84%. This decrease was a result of a decrease in development costs related to the Haywood House project.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Amy Zarechian, Executive Director, Newton Housing Authority, 82 Lincoln Street, Newton, MA 02461, or call (617) 552-5501.

NEWTON HOUSING AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 8,213,206
Restricted cash	62,722
Accounts receivable, net	141,026
Prepaid expenses and other current assets	93,404
Total Current Assets	<u>8,510,358</u>

Noncurrent Assets

Restricted cash	4,469
Capital assets, net of accumulated depreciation	18,067,722
Total Noncurrent Assets	<u>18,072,191</u>

TOTAL ASSETS 26,582,549

DEFERRED OUTFLOWS OF RESOURCES 520,602

LIABILITIES

Current Liabilities

Current portion of long term debt	141,889
Accounts payable	191,734
Accounts payable, HUD	30,249
Accounts payable, other government	23,493
Accrued wages and current portion of compensated absences	63,384
Interest payable	2,520
Other current liabilities	257,500
Unearned revenue	76,194
Tenant security deposits	392
Total Current Liabilities	<u>787,355</u>

Noncurrent Liabilities

Long term debt, net of current portion	2,022,087
Accrued compensated absences, net of current portion	92,536
Leasing escrow liability	4,469
Net pension liability	3,054,425
Total OPEB liability	2,761,085
Total Noncurrent Liabilities	<u>7,934,602</u>

TOTAL LIABILITIES 8,721,957

DEFERRED INFLOWS OF RESOURCES 264,366

NET POSITION

Investment in capital assets	13,743,730
Restricted:	
Housing assistance payments	62,330
Use-restricted contributions	2,160,016
Unrestricted	2,150,752

TOTAL NET POSITION \$ 18,116,828

The accompanying notes are an integral part of these financial statements.

NEWTON HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING REVENUES	
HUD grants	\$ 8,450,370
Tenant rental income	3,831,839
Other government grants	698,862
Other revenue	244,771
Total Operating Revenues	<u>13,225,842</u>
OPERATING EXPENSES	
Housing assistance payments	6,342,894
Administration	1,870,565
Repair and maintenance	1,863,422
Utilities	1,163,493
Depreciation expense	1,048,198
Insurance expense	205,537
Other general expenses	203,718
Tenant services	113,773
Total Operating Expenses	<u>12,811,600</u>
Operating Income	<u>414,242</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	82,046
Interest expense	(104,771)
Total Nonoperating Revenues (Expenses)	<u>(22,725)</u>
Income before Capital Grants	<u>391,517</u>
CAPITAL GRANTS	
Other government capital grants	361,800
HUD capital grants	286,604
Total Capital Grants	<u>648,404</u>
Change in Net Position	<u>1,039,921</u>
Net Position, Beginning of Year - As Restated	<u>17,076,907</u>
Net Position, End of Year	<u>\$ 18,116,828</u>

The accompanying notes are an integral part of these financial statements.

NEWTON HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
HUD grants	\$ 8,487,912
Other government grants	342,754
Receipts from tenants	3,831,123
Other operating receipts	230,975
Payments to employees	(2,384,371)
Payments to suppliers	(8,953,117)
Net cash provided by operating activities	<u>1,555,276</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Other government capital grants	352,473
HUD capital grants	286,604
Interest expense	(105,099)
Payments on long term debt	(137,745)
Acquisitions of capital assets	(762,796)
Net cash used in capital and related financing activities	<u>(366,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>82,046</u>
Net cash provided by investing activities	<u>82,046</u>
Net increase in cash and cash equivalents	<u>1,270,759</u>
Cash and cash equivalents, beginning of year	<u>7,009,638</u>
Cash and cash equivalents, end of year	<u>\$ 8,280,397</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	\$ 414,242
Adjustments:	
Depreciation	1,048,198
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, tenants	6,458
(Increase) decrease in accounts receivable, other	610
(Increase) decrease in accounts receivable, HUD	20,175
(Increase) decrease in accounts receivable, other government	(102,916)
(Increase) decrease in prepaid expenses and other current assets	6,818
(Decrease) increase in accounts payable	(17,429)
(Decrease) increase in accounts payable, HUD	17,367
(Decrease) increase in accounts payable, other government	(252,328)
(Decrease) increase in compensated absences and accrued wages	4,559
(Decrease) increase in net pension and OPEB liabilities	153,782
(Decrease) increase in accrued expenses and other current liabilities	252,184
(Decrease) increase in tenant security deposits	342
(Decrease) increase in unearned operating revenue	3,214
Net cash provided by operating activities	<u>\$ 1,555,276</u>
Cash and restricted cash per Statement of Net Position:	
Cash and cash equivalents	\$ 8,213,206
Restricted cash - current	62,722
Restricted cash - noncurrent	4,469
Total cash and restricted cash per Statement of Net Position	<u>\$ 8,280,397</u>

The accompanying notes are an integral part of these financial statements.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 – ORGANIZATION

The Newton Housing Authority (the Authority) was incorporated under the laws of the Commonwealth of Massachusetts. The Authority operates under a board of commissioner form of government to provide safe and decent housing to low and moderate-income families and elderly individuals.

The Authority maintains its accounting records by program and operates the following programs:

Federal Programs

Low Rent Public Housing – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low-income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of the Authority.

Section 8 Housing Choice Voucher – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program, qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard.

Section 8 New Construction Program – HUD provides a direct mortgage to a third-party owner of a residential rental building. As a condition of the mortgage on the building, the owner enters into a long-term contract to rent some or all of the dwelling units to low income individuals or families and receive project-based Section 8 rental assistance. Under the contract, the owner receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations. On behalf of HUD, the Authority monitors the compliance with the agreement, as well as paying the HAP expense to the owner.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 – ORGANIZATION (CONTINUED)

State/Local and Other Programs

State Consolidated and State Chapter 705 Housing – Under these programs, the Authority owns, operates and maintains rental housing acquired with grants from Massachusetts Department of Housing & Community Development (DHCD). Dwelling units are leased to low income tenants at rates based on their ability to pay. Operations are supported by DHCD via operating grants.

State Chapter 689 Housing – Under this program, the Authority owns operates and maintains rental housing acquired with grants from DHCD. The building is generally rented to a non-profit corporation who provides health and human resource needs to mentally disabled individuals.

Massachusetts Rental Voucher Program (MRVP) – DHCD provides grants to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority subsidizes the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a contract amount.

State Modernization Program – DHCD provides grant funds to authorities with State Consolidated units based on the Authority's application and determination of need. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the State Consolidated Housing Program.

Authority-Owned Section 8 New Construction – DHCD provides a direct mortgage to the Authority as owners of a residential rental building. As a condition of the mortgage on the building, the Authority has entered into a long-term contract to rent some or all of the dwelling units to low income individuals or families and receive project-based Section 8 rental assistance from DHCD through a contract between DHCD and HUD. Under the contract, the Authority receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations.

Business Activities / City of Newton's Ten Percent Zoning Ordinance – The Authority, through the City of Newton's Ten Percent Zoning Ordinance, is the recipient of monies or units of housing donated from developers of for-profit housing in Newton. This ordinance enables the Authority to broaden the scope of services it provides to the community by operating or buying additional affordable housing to lease to low and moderate income individuals and families.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The Authority's financial statements include the accounts of all of the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

BASIS OF PRESENTATION AND ACCOUNTING

The Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund utilizing the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods and services is incurred, regardless of the timing of the related cash flows.

The Authority's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB). The Authority follows GASB as applied to governmental entities.

The Authority's primary source of nonexchange revenue relates to grants and subsidies. Grants and subsidies revenue is recognized at the time eligible program expenses occur and/or the Authority has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Grants received in advance of expenses are recorded as a liability until earned.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Adopted

During 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*; addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. The provisions of this Statement are effective for periods beginning after June 15, 2017. The adoption of this accounting standard resulted in a net increase in the liability for Other Postemployment Benefits other than Pensions of \$79,362 Refer to Notes 13 and 16.

Also during 2018, the Authority adopted the following accounting standards that did not impact the Authority's financial statements.

GASB	
Statement Number	Name
81	Irrevocable Split-Interest Agreements
82	Pension Issues
85	Omnibus 2017
86	Certain Debt Extinguishment Issues

USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures. Actual amounts could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Authority considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased. Also included in cash equivalents are non-negotiable certificates of deposits, recorded at cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Accounts receivable from tenants are written off with board approval when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Allowances for other non-tenant receivables are reviewed annually. See Note 6 for details of accounts receivable and allowances at year end.

CAPITAL ASSETS

Capital assets include land, property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the time of acquisition. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land and Building Improvements	15 years
Furniture, Equipment and Machinery	3-10 years

IMPAIRMENT OF CAPITAL ASSETS

Governmental Accounting Standards Board's, Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires certain note disclosures regarding impairments of capital assets. The Authority did not recognize any impairments of capital assets in fiscal year 2018.

COMPENSATED ABSENCES

The Authority's policy allows employees to earn a maximum of 15 sick days per year, commensurate on experience. Any employee who has attained 55 years of age and 10 years of services may collect 20% of their accumulated sick leave if they leave the employ of the Authority and officially retire with the City retirement board. Employees are eligible to earn between 10 and 25 days of vacation based on years of service, employees may carryover a maximum of 5 days of vacation into the following year. Total accrued compensated absences at December 31, 2018 aggregated \$116,073

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING REVENUES AND EXPENSES

Operating revenue includes operating grants and subsidies, rental income, management services provided and all other revenue relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

NON-OPERATING REVENUES AND EXPENSE

The Authority's nonoperating revenues relate primarily to capital grants and contributions provided by HUD and the Commonwealth of Massachusetts, and interest income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

ECONOMIC DEPENDENCY

The Authority's state and federal programs are economically dependent on grants and annual contributions from DHCD and HUD, respectively. These programs operate at a loss prior to receiving these grants and contributions.

PENSIONS

The fiduciary net position of the retirement system has been determined using the flow of economic resources measurement focus and full accrual basis of accounting as reported by the retirement system. The same basis was applied for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and additions to/deductions from the retirement system's fiduciary net position.

OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined by an actuarial valuation conducted by the Authority and are accounted for in accordance with the requirements of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources are the consumption of net position by the Authority that is applicable to a future reporting period. Deferred inflows of resources are the acquisition of net position by the Authority that is applicable to a future reporting period. These consist of the deferral of the recognition of revenues and expenses until the future period to which the outflows and inflows are related. The Authority's deferred outflows and inflows of resources are either related to pension (See Note 12) or related to OPEB (See Note 13). The following is a summary of deferred outflows and inflows of resources at December 31, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	\$ 458,190	\$ 228,114
Related to OPEB	62,412	36,252
Total	<u>\$ 520,602</u>	<u>\$ 264,366</u>

APPLICATION OF RESOURCES

The Authority would first apply restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2019, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of December 31, 2018 have been incorporated into these financial statements.

NOTE 3 – NET POSITION

Net position represents the cumulative effect of revenue and expenses. It is also the difference between the sum of assets and deferred outflows less the sum of liabilities and deferred inflows. Net position is reported in three broad categories:

Net Investment in Capital Assets consists of all capital assets, reduced by accumulated depreciation, the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc. At December 31, 2018, restrictions of \$62,330, represent the net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments. Restrictions of \$2,160,016 represent the value of forgivable loans assumed by the Authority for which the Authority has agreed to the deed restrictions limiting the use of the property for affordable housing purposes (see Note 10).

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 3 – NET POSITION (CONTINUED)

Unrestricted Net Position is designed to represent the net available (non-capital) assets, for the entire Authority.

NOTE 4 – CASH AND CASH EQUIVALENTS

The Authority has adopted HUD's Investment Regulation PIH 1996-33 as its investment policy. HUD regulations require that all HUD deposits in financial institutions and investments be fully insured or collateralized, by U.S. Government obligations that have a fair value of not less than the principal amount of the deposits. The policy also requires that investments not have a maturity period longer than three years.

Custodial Credit Risk – Cash Deposits

In the case of cash deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk, except ensuring that it follows the HUD regulations for federal deposits as detailed in a prior paragraph. At December 31, 2018, the Authority's cash deposits of \$8,280,397 were fully insured or collateralized.

NOTE 5 – RESTRICTED CASH

The Authority's restricted cash balance consists of funds restricted for future HAP payments, funds held in escrow related to an organization leasing property from the Authority as well as funds designated for tenant security deposits. These amounts support either a corresponding liability or restricted net position. At December 31, 2018, restricted cash was categorized as follows:

<u>Category of Restriction</u>	<u>Amount</u>
Housing assistance payments	\$ 62,330
Leasing escrow	4,469
Tenant security deposits	<u>392</u>
Total	<u>\$ 67,191</u>

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a listing of receivables for the Authority including the applicable allowances for uncollectible accounts at December 31, 2018.

Category of Receivable	Amount
Other Government	\$ 111,324
PHA Projects	206
Tenants	<u>117,122</u>
	228,652
Allowance - Tenants	<u>(87,626)</u>
Net Receivables	<u>\$ 141,026</u>

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets and related accumulated depreciation.

	1/1/2018	Increases	Decreases	12/31/2018
Capital assets not being depreciated				
Land	\$ 5,961,657	\$ --	--	\$ 5,961,657
Construction in Progress	<u>1,454,288</u>	<u>596,108</u>	--	<u>2,050,396</u>
Total capital assets not being depreciated	<u>7,415,945</u>	<u>596,108</u>	--	<u>8,012,053</u>
Other Capital Assets				
Buildings	33,483,959	158,950	--	33,642,909
Furniture, equipment & machinery	<u>195,561</u>	<u>7,738</u>	<u>(89,238)</u>	<u>114,061</u>
Total other capital assets	<u>33,679,520</u>	<u>166,688</u>	<u>(89,238)</u>	<u>33,756,970</u>
Less accumulated depreciation				
Buildings	22,578,742	1,037,981	--	23,616,723
Furniture, equipment & machinery	<u>163,599</u>	<u>10,217</u>	<u>(89,238)</u>	<u>84,578</u>
Total accumulated depreciation	<u>22,742,341</u>	<u>1,048,198</u>	<u>(89,238)</u>	<u>23,701,301</u>
Capital Assets Net	<u>\$ 18,353,124</u>	<u>\$ (285,402)</u>	<u>\$ --</u>	<u>\$ 18,067,722</u>
Depreciation expense was charged to:				
Federal Public Housing		<u>\$ 470,682</u>		
State/Local Programs		<u>\$ 344,653</u>		
Business Activities		<u>\$ 232,863</u>		

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2018 is as follows:

	<u>1/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2018</u>	<u>Amount due within one year</u>
Compensated Absences	\$ 113,399	\$ 167,547	\$ (164,873)	\$ 116,073	\$ 23,537
Leasing Escrow	9,785	--	(5,316)	4,469	--
Net Pension Liability	3,320,190	--	(265,765)	3,054,425	--
Total OPEB Liability	<u>2,681,723</u>	<u>79,362</u>	<u>--</u>	<u>2,761,085</u>	<u>--</u>
Total	<u>\$ 6,125,097</u>	<u>\$ 246,909</u>	<u>\$ (435,954)</u>	<u>\$ 5,936,052</u>	<u>\$ 23,537</u>

NOTE 9 – LONG TERM DEBT

Long term debt activity for the year ended December 31, 2018 is as follows:

	<u>1/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2018</u>	<u>Amount due within one year</u>
Notes Payable	<u>\$ 2,301,721</u>	<u>\$ --</u>	<u>\$ (137,745)</u>	<u>\$ 2,163,976</u>	<u>\$ 141,889</u>

The Authority constructed an elderly housing project in 1981. Funds to construct the project were provided by the Commonwealth of Massachusetts through a State bond issue, the proceeds of which were granted to the Authority. The grant received by the Authority was \$1,176,000. The project is backed by a Federal Section 8 housing assistance payments contract held by the Commonwealth of Massachusetts. Under the terms of this contract the Authority receives a housing assistance payment so that the total rent received for each unit is equivalent to a published fair market rent. The Authority is making a payment to the Commonwealth for \$7,308 per month from the housing assistance payment that it receives. The purpose of this payment is to repay the original \$1,176,000 grant plus interest over a 40-year period. The payments to the Commonwealth will end in 2021. Accordingly, the grant has been treated as a debt instrument for financial reporting purposes. The interest rate implicit in the payments is 7.0% per annum. For the year ended December 31, 2018, interest expense incurred on this loan was \$18,391. The outstanding principal balance at December 31, 2018 was \$230,753.

Through debt financing and funding provided by the City of Newton's Ten Percent Zoning Ordinance, as described in Note 1, the Authority has acquired various rental properties in the City of Newton. All mortgage notes used to finance the acquisition of these properties are held with local lending institutions and are collateralized by deeds of trust on real property. These notes have terms of 25 to 30 years, accrue interest at rates of 1.00% to 4.75% per annum, and are payable in equal monthly installments of principal and interest; aggregating \$16,302 per month.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 9 – LONG TERM DEBT (CONTINUED)

For the year ended December 31, 2018, interest expense incurred on these loans was \$86,380. The outstanding principal balance on the mortgage notes at December 31, 2018 was \$1,933,223.

The debt will be amortized as follows:

Year	Principal Payments	Interest Payments	Total
2019	\$ 141,889	\$ 114,833	\$ 256,722
2020	150,648	106,074	256,722
2021	148,343	96,737	245,080
2022	78,847	90,179	169,026
2023	82,875	86,151	169,026
2024 - 2028	483,248	361,882	845,130
2029 - 2033	624,357	220,773	845,130
2034 - 2038	420,114	67,211	487,325
2039	<u>33,655</u>	<u>3,216</u>	<u>36,871</u>
Total	<u>\$ 2,163,976</u>	<u>\$ 1,147,056</u>	<u>\$ 3,311,032</u>

NOTE 10 – CONTINGENT LIABILITIES

In 2008, the Authority acquired properties located at 45 Pelham Street and 390 Newtonville Avenue through a deal in which the Authority assumed the outstanding loans of the previous owner. The loans require the Authority to comply with affordability covenants throughout the terms of loans. Because the Authority has the intent and ability to maintain affordability throughout the terms of the loans, management does not expect that DHCD, CEDAC or the City of Newton will assert its right of repayment under these loan agreements; as such, these loans were accounted for as revenue in the year they were assumed and now classified as restricted net position on the Statement of Net Position. Additional terms of these loans are as follows:

Lender	Original Loan Amount	Principal Outstanding	Interest Rate	Maturity Date
Community Economic Development Assistance Corporation (CEDAC) Housing Innovation Fund	\$ 750,000	\$ 750,000	0%	2/10/2035
DHCD Affordable Housing Trust Fund	\$ 240,778	\$ 240,778	0%	2/10/2035
Newton Community Development Authority	\$ 550,000	\$ 550,000	0%	2/10/2055
Newton Community Development Authority	\$ 100,000	\$ 100,000	0%	2/10/2055
City of Newton: Community Preservation Funding	\$ 211,936	\$ 211,936	0%	3/5/2034
City of Newton: Community Preservation Funding	\$ 100,000	\$ 100,000	0%	2/10/2035
Newton Loan Program	<u>\$ 207,302</u>	<u>\$ 207,302</u>	0%	2/10/2035
	<u>\$ 2,160,016</u>	<u>\$ 2,160,016</u>		

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 11 – REAL ESTATE TAXES

Property owned by the Authority is exempt from local real estate taxes. The Authority has an agreement with the City of Newton under which it is exempt from any payment in lieu of taxes to the City.

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION

The Authority provides pension benefits to certain employees through the Newton Contributory Retirement System (NCRS), a cost-sharing, multiple-employer public employee retirement system regulated by Public Employee Retirement Administration Commission (PERAC). The plan is a defined benefit plan. Participation is mandatory for all full time employees of the Authority. The retirement plan is a pooled risk type of plan. Under this type of plan, funding is determined based on all employees covered for all employing units. The funding liabilities are shared by each employing unit pro-rata based on the number of employees in the employing unit. Since the Authority's share of the net pension liability is not based on their employees, pension expense is determined by the total required payment to be made to the retirement plan for the year. The NCRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to NCRS, 1000 Commonwealth Avenue, Newton Centre, MA 02459 or by calling (617) 796-1095.

PLAN MEMBERSHIP

At December 31, 2018, there are 22 active employees enrolled in the plan.

SIGNIFICANT PLAN PROVISIONS AND REQUIREMENTS

State law establishes benefit provisions and contribution requirements of the NCRS. Employees who have at least 10 years of longevity and have attained 55 years of age are eligible to receive retirement benefits. Retired employees receive an allowance based upon the average of their three highest consecutive salary years of service multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer payout period. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of creditable service, and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)

FUNDING POLICY

Depending on their employment date, active Plan members must contribute either 5%, 7%, 8%, or 9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted before July 1, 1998, which are reimbursed by the Commonwealth. The current and two preceding years' apportionment of the annual pension cost between the employers required the Authority to contribute approximately 0.99% of the total. The Authority's required and actual contributions to NCRS for the year ended December 31, 2018 were \$292,274. Employee contributions for the same period were \$159,458.

PENSION LIABILITIES

At December 31, 2018, the Authority reported a liability of \$3,054,425 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, 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 a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

PENSION EXPENSE AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

For the year ended December 31, 2018, the Authority recognized pension expense of \$332,709. The deferred outflows of resources resulting from contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)

PENSION EXPENSE AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES (CONTINUED)

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,943	\$ 44,324
Changes of assumptions	108,267	--
Net difference between projected and actual earnings on pension plan investments	--	147,179
Changes in proportion and differences between contributions and proportionate share of contributions	11,706	36,611
Contributions subsequent to the measurement date	292,274	-
 Total	 \$ 458,190	 \$ 228,114

These amounts will be recognized as expense, or as a reduction of expense, as follows:

Year	Deferred Outflows (Inflows) of Resources
2019	\$ 338,035
2020	(11,161)
2021	(41,367)
2022	(55,431)
2023	--
Thereafter	--
 Total	 \$ 230,076

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)

ACTUARIAL METHODS & ASSUMPTIONS

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2017
Actuarial cost method	Entry Age Normal Cost Method
Investment rate of return	7.25%
Discount rate	7.25%
Inflation	2.50%
Salary increases	Ranging from 3.50% to 8.00% per year based upon years of service
Cost of living adjustments	3.00% on the first \$12,000 in benefits
Mortality rates	Pre-Retirement - RP-2014 Employee Mortality Table projected generationally with Scale MP-2017. Healthy Retiree - RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Disabled Retiree - RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

The long-term expected rate of return on pension plan investments 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.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)

ACTUARIAL METHODS & ASSUMPTIONS (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return
Domestic Equity	17.50%	6.15%
International Equity - Developed Markets	15.50%	7.11%
International Equity - Emerging Markets	6.00%	9.41%
Core Fixed Income	12.00%	1.68%
High-Yield Fixed Income	10.00%	4.13%
Real Estate	10.00%	4.90%
Commodities	4.00%	4.71%
Hedge Funds	13.00%	3.94%
Private Equity	12.00%	10.28%

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount 7.25%	1% Increase 8.25%
Net pension liability	\$ 3,766,015	\$ 3,054,425	\$ 2,453,607

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued NCRS financial report.

PAYABLES TO THE PENSION PLAN

As of December 31, 2018, the Authority had no outstanding payables to NCRS.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

PLAN DESCRIPTION AND BENEFITS PROVIDED

The Authority's defined benefit OPEB plan provides OPEB for all permanent full-time employees of the Authority. The OPEB plan is a single employer defined benefit OPEB plan administered by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement 75.

The Authority provides comprehensive medical insurance, both with and without Medicare coordination, and life insurance to its employees who meet certain eligibility requirements. Employees are eligible for postretirement benefits if he/she has reached the age of 55 as an active employee and completed 10 years of service.

All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits. The duration of these benefits is for the employee's lifetime. Under this cost sharing plan, these benefits cover 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for both individuals and family members (percentages represent the employees' portion).

The face value of each life insurance policy is \$5,000. Life insurance benefits do not apply to family members, this benefit covers 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for individuals.

PLAN MEMBERSHIP

At December 31, 2018, there are 16 active employees and 11 retired employees enrolled in the plan.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

TOTAL OPEB LIABILITY

The Authority's total OPEB liability of \$2,761,085 was measured as of December 31, 2018 and was determined by an actuarial valuation as of December 31, 2017.

ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date: Actuarially Determined Contribution was calculated as of December 31, 2017.

Actuarial Cost Method: Individual Entry Age Normal

Investment Rate of Return: 6.50%, net of OPEB plan investment, including inflation

Municipal Bond Rate: 3.16% as of December 31, 2017 (Source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG)

Discount Rate: 3.25%, net of OPEB plan investment expense, including inflation.

Inflation: 2.75 % as of December 31, 2017 and for future periods

Salary Increase: 3.00% annually as of December 31, 2017 and for future periods

Cost of Living Adjustment: Not Applicable

Pre-Retirement Mortality: RP 2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

Post-Retirement Mortality: RP 2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

Disabled Mortality: RP 2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2012 for males and females.

Mortality Experience Study: The mortality assumptions reflect PERAC's recent experience analysis published in 2014 (based on the years 2006-2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Healthcare Trend: It is assumed that healthcare costs will increase at a rate of 5.0% per annum

Withdrawal Rates: Plan participants are expected to withdraw from the plan at a decreasing rate, based on years of service and age, from 27.0% at age 20 and 0-4 years of service to 3.50% at age 60 and 10+ years of service.

Retirement Rates: Plan participants are expected to retire at an increasing rate based on age and gender. Males are expected to retire at a rate of 1% for those aged 50 years, to 100% for those aged 70 years. Females are expected to retire at a rate of 1.5% for those aged 50 years, to 100% for those aged 70 years.

CHANGES IN THE TOTAL OPEB LIABILITY

Balance at beginning of year	\$	2,681,723
Changes for the year:		
Service cost		88,984
Interest		89,042
Changes of benefit terms		-
Difference between expected and actual experience		(36,252)
Changes of Assumptions		-
Benefit payments		(62,412)
Net Changes		<u>79,362</u>
Balance at end of year		<u>\$ 2,761,085</u>

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents the Plan's total OPEB liability, calculated using the discount rate of 3.25% as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.25%) or 1 percentage-point higher (4.25%) than the current rate.

	1% Decrease 2.25%	Current Discount 3.25%	1% Increase 4.25%
Total OPEB liability	<u>\$ 3,267,771</u>	<u>\$ 2,761,085</u>	<u>\$ 2,361,995</u>

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE TREND RATE

The following table presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1 percentage-point lower or 1 percentage-point higher than the current rate.

	1% Decrease 4.00%	Current Trend 5.00%	1% Increase 6.00%
Total OPEB liability	<u>\$ 2,223,239</u>	<u>\$ 2,761,085</u>	<u>\$ 3,464,620</u>

OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2018, the Authority recognized OPEB expenses of \$115,614. The deferred outflows of resources resulting from contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. At December 31, 2018, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 36,252
Changes of assumptions	--	--
Net difference between projected and actual earnings on plan investments	--	--
Contributions subsequent to the measurement date	<u>62,412</u>	<u>--</u>
Total	<u>\$ 62,412</u>	<u>\$ 36,252</u>

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

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

Year	Deferred Outflows (Inflows) of Resources
2019	\$ 26,160
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	\$ 26,160

NOTE 14 – OTHER RETIREMENT PLANS

The Authority provides to employees a separate deferred compensation plan in accordance with IRC §457. The plan is open to all employees. Employee contributions for 2018 were \$97,209. There were no employer contributions.

NOTE 15 – RISK MANAGEMENT

Litigation

The Authority is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, other than the matter disclosed below, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the Authority.

In December 2018, the Authority settled litigation brought against the Authority by a former employee for discrimination and retaliation. The Authority settled with this employee for back wages and associated legal fees aggregating \$725,000. Per the agreement, \$467,500 was paid in 2018 and \$257,500 has been accrued as of December 31, 2018.

NEWTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 15 – RISK MANAGEMENT (CONTINUED)

Grants

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 16 – ADOPTION OF NEW ACCOUNTING STANDARD

In 2018, the Authority adopted Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for measuring and reporting other post-employment benefits (OPEB). GASB 75 requires the OPEB liability to be reported on the face of the financial statements rather than in the accompanying notes, as previously required by GASB 45. In addition, the net OPEB obligation previously stated by GASB 45 has been removed. As a result, the Authority has restated the net position as of January 1, 2018 to comply with the adoption requirement of GASB 75 as follows:

Beginning Net Position - As Previously Stated	\$ 18,795,632
Removal of net OPEB Obligation under GASB 45	902,852
Addition of OPEB Liability for adoption of GASB 75	<u>(2,621,577)</u>
Total Restatement	<u>(1,718,725)</u>
Beginning Net Position - Restated	<u>\$ 17,076,907</u>

NEWTON HOUSING AUTHORITY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 88,984
Interest	89,042
Changes of benefit terms	--
Difference between expected and actual experience	(36,252)
Changes of Assumptions	--
Benefit payments	<u>(62,412)</u>
Net Change in Total Pension Liability	<u>79,362</u>
Total OPEB Liability - Beginning	<u>2,681,723</u>
Total OPEB Liability - Ending	<u>\$ 2,761,085</u>
Covered Payroll	\$ 1,683,461
Net OPEB Liability as a Percentage of Covered Payroll	164.01%

The Schedule is intended to present information for 10 years, additional years will be displayed as they become available.

NEWTON HOUSING AUTHORITY

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NEWTON CONTRIBUTORY RETIREMENT SYSTEM**

LAST 4 FISCAL YEARS

For the Measurement Date ended December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.991%	1.006%	0.999%	0.974%
Proportionate share of the net pension liability	\$ 3,054,425	\$ 3,320,190	\$ 3,200,945	\$ 2,937,454
Covered payroll	\$ 1,377,533	\$ 1,164,687	\$ 1,311,668	\$ 1,375,540
Proportionate share of the net pension liability as a percentage of covered payroll	221.7%	285.1%	244.0%	213.5%
Plan fiduciary net position as a percentage of the total pension liability	53.26%	48.10%	47.51%	49.35%

The Schedule is intended to present information for 10 years, additional years will be displayed as they become available.

NEWTON HOUSING AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
NEWTON CONTRIBUTORY RETIREMENT SYSTEM

LAST 4 FISCAL YEARS

For the Measurement Date ended December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 255,988	\$ 237,117	\$ 216,585	\$ 194,483
Contributions in relation to the contractually required contribution	<u>255,988</u>	<u>237,117</u>	<u>216,585</u>	<u>194,483</u>
Contribution deficiency	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll	\$ 1,377,533	\$ 1,164,687	\$ 1,311,668	\$ 1,375,540
Contributions as a percentage of covered payroll	18.58%	20.36%	16.51%	14.14%

The Schedule is intended to present information for 10 years, additional years will be displayed as they become available.

NEWTON HOUSING AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

NOTE 1 – OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

DESCRIPTION OF REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Changes in the Total OPEB Liability and Related Ratios details the Plan's other postemployment benefit liability and the covered employee payroll. It demonstrates the Plan's total liability and the Plan's liability as a percentage of covered payroll.

10-YEAR TREND INFORMATION

The Schedule of Changes in the Total OPEB Liability and Related Ratios is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years in which information is available.

CHANGES IN ASSUMPTIONS

Effective December 31, 2018

- The mortality table was updated from the RP-2000 Mortality Table projected to 2017 to RP-2000 Healthy Annuitant mortality Table projected generationally with scale BB and a base year 2009 for males and females.
- Discount rate is 3.25%, previously 4.00%

CHANGES IN BENEFIT TERMS

There were no changes in benefit terms from the prior measurement report.

NOTE 2 – PENSION PLAN SCHEDULES

DESCRIPTION OF REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of the Proportionate Share of the Net Pension Liability presents multi-year trend information on the Authority's share of the Net Pension Liability and related ratios.

The Schedule of Contributions presents multiyear trend information for the Authority's required and actual contributions relating to the pension plan.

10-YEAR TREND INFORMATION

The Schedules of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions are intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years in which information is available.

CHANGES IN BENEFIT TERMS

There were no changes in benefit terms from the prior measurement report.

CHANGES IN ASSUMPTIONS

The Investment return assumption was decreased from 7.50% to 7.25% effective in the December 31, 2017 actuarial valuation. The mortality assumption tables were also updated from the RP-2000 mortality tables to the blue collar mortality tables projected generationally with scale MP-2017.

NEWTON HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE

DECEMBER 31, 2018

FDS Line Item	Description	MA036000001	MA036000002	MA036000003	AMPs	Housing Choice Vouchers
111	Cash - Unrestricted	2,401,098	142,916	310,793	2,854,807	461,290
113	Cash - Other Restricted	-	-	-	-	62,330
114	Cash - Tenant Security Deposits	-	-	-	-	-
100	Total Cash	2,401,098	142,916	310,793	2,854,807	523,620
121	Accounts Receivable - PHA Projects	-	-	-	-	206
124	Accounts Receivable - Other Government	-	-	-	-	-
126	Accounts Receivable - Tenants	30,504	6,041	2,481	39,026	-
126.1	Allowance for Doubtful Accounts - Tenants	(27,793)	(3,644)	(748)	(32,185)	-
128	Fraud Recovery	6,075	829	1,476	8,380	-
128.1	Allowance for Doubtful Accounts - Fraud	(6,075)	(829)	(1,476)	(8,380)	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	2,711	2,397	1,733	6,841	206
142	Prepaid Expenses and Other Assets	35,229	4,765	5,296	45,290	5,534
150	Total Current Assets	2,439,038	150,078	317,822	2,906,938	529,360
161	Land	386,918	432,000	241,800	1,060,718	-
162	Buildings	10,884,576	1,620,000	919,347	13,423,923	-
164	Furniture, Equipment & Machinery - Administration	56,896	12,107	12,106	81,109	-
166	Accumulated Depreciation	(8,908,742)	(1,519,843)	(922,366)	(11,350,951)	-
167	Construction in Progress	390,404	-	-	390,404	-
160	Total Capital Assets, Net of Accumulated Depreciation	2,810,052	544,264	250,887	3,605,203	-
180	Total Non-Current Assets	2,810,052	544,264	250,887	3,605,203	-
200	Deferred Outflow of Resources	202,986	29,728	28,392	261,106	67,813
290	Total Assets and Deferred Outflow of Resources	5,452,076	724,070	597,101	6,773,247	597,173
312	Accounts Payable <= 90 Days	79,265	9,996	12,180	101,441	15,351
321	Accrued Wage/Payroll Taxes Payable	15,976	2,090	2,128	20,194	5,836
322	Accrued Compensated Absences - Current Portion	8,851	1,220	1,230	11,301	3,363
325	Accrued Interest Payable	-	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-
333	Accounts Payable - Other Government	-	-	-	-	-
341	Tenant Security Deposits	-	-	-	-	-
342	Unearned Revenue	14,366	4,875	2,699	21,940	-
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-
345	Other Current Liabilities	-	-	-	-	-
310	Total Current Liabilities	118,458	18,181	18,237	154,876	24,550

NEWTON HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE
DECEMBER 31, 2018

FDS Line Item	Description	MA036000001	MA036000002	MA036000003	AMPs	Housing Choice Vouchers
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-
353	Non-current Liabilities - Other	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	30,217	4,728	4,728	39,673	19,805
357	Accrued Pension and OPEB Liabilities	2,304,229	301,180	299,133	2,904,542	785,969
350	Total Non-Current Liabilities	2,334,446	305,908	303,861	2,944,215	805,774
300	Total Liabilities	2,452,304	324,089	322,098	3,099,091	830,324
400	Deferred Inflow of Resources	108,019	14,363	14,333	136,715	38,123
508.4	Net Investment in Capital Assets	2,810,052	544,264	250,887	3,605,203	-
511.4	Restricted Net Position	-	-	-	-	62,330
512.4	Unrestricted Net Position	81,101	(158,646)	9,783	(67,762)	(333,604)
513	Total Equity - Net Assets / Position	2,891,153	385,618	260,670	3,537,441	(271,274)
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	5,452,076	724,070	597,101	6,773,247	597,173
70300	Net Tenant Rental Revenue	822,143	118,124	170,839	1,111,106	-
70500	Total Tenant Revenue	822,143	118,124	170,839	1,111,106	-
70600	HUD PHA Operating Grants	1,089,493	147,091	140,794	1,377,378	6,941,797
70610	Capital Grants	286,604	-	-	286,604	-
70700	Total Fee Revenue	-	-	-	-	-
70800	Other Government Grants	-	-	-	-	-
71100	Investment Income - Unrestricted	31,727	71	666	32,464	2,824
71400	Fraud Recovery	-	-	-	-	-
71500	Other Revenue	133,996	7,877	5,188	147,061	74,430
70000	Total Revenue	2,363,963	273,163	317,487	2,954,613	7,019,051
91100	Administrative Salaries	312,029	35,124	34,194	381,347	245,623
91200	Auditing Fees	2,434	562	562	3,558	2,527
91500	Employee Benefit contributions - Administrative	195,868	22,559	24,026	242,453	117,498
91600	Office Expenses	37,620	6,405	3,891	47,916	69,941
91700	Legal Expense	18,218	8,753	104	27,075	2,869
91800	Travel	2,772	628	628	4,028	7,692
91900	Other	7,166	1,079	1,204	9,449	37,892
91000	Total Operating - Administrative	576,107	75,110	64,609	715,826	484,042
92100	Tenant Services - Salaries	70,000	6,586	8,233	84,819	-
92300	Employee Benefit Contributions - Tenant Services	20,117	1,852	2,674	24,643	-

NEWTON HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE

DECEMBER 31, 2018

FDS Line Item	Description	MA036000001	MA036000002	MA036000003	AMPs	Housing Choice Vouchers
92500	Total Tenant Services	90,117	8,438	10,907	109,462	-
93100	Water	205,093	56,723	26,576	288,392	-
93200	Electricity	174,871	26,942	71,728	273,541	-
93300	Gas	199,815	18,713	-	218,528	-
93000	Total Utilities	579,779	102,378	98,304	780,461	-
94100	Ordinary Maintenance and Operations - Labor	319,368	50,904	50,642	420,914	-
94200	Ordinary Maintenance and Operations - Materials and Other	41,874	6,598	7,737	56,209	-
94300	Ordinary Maintenance and Operations Contracts	73,431	25,791	13,762	112,984	-
94500	Employee Benefit Contributions - Ordinary Maintenance	91,780	14,317	16,448	122,545	-
94000	Total Maintenance	526,453	97,610	88,589	712,652	-
95000	Total Protective Services	-	-	-	-	-
96110	Property Insurance	49,925	6,757	8,017	64,699	-
96120	Liability Insurance	3,975	1,650	1,125	6,750	18,385
96130	Workmen's Compensation	20,938	3,332	3,843	28,113	2,455
96140	All Other Insurance	6,640	-	-	6,640	-
96100	Total Insurance Premiums	81,478	11,739	12,985	106,202	20,840
96200	Other General Expenses	-	-	-	-	4,331
96210	Compensated Absences	950	884	1	1,835	88
96400	Bad debt - Tenant Rents	1	1	39	41	-
96000	Total Other General Expenses	951	885	40	1,876	4,419
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-
96900	Total Operating Expenses	1,854,885	296,160	275,434	2,426,479	509,301
97000	Excess of Operating Revenue over Operating Expenses	509,078	(22,997)	42,053	528,134	6,509,750
97100	Extraordinary Maintenance	28,423	20,201	1,940	50,564	-
97200	Casualty Losses - Non-capitalized	103,348	-	-	103,348	-
97300	Housing Assistance Payments	-	-	-	-	6,374,283
97350	HAP Portability-In	-	-	-	-	70,280
97400	Depreciation Expense	426,500	41,921	2,261	470,682	-
90000	Total Expenses	2,413,156	358,282	279,635	3,051,073	6,953,864
10100	Total Other financing Sources (Uses)	-	-	-	-	-

NEWTON HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE

DECEMBER 31, 2018

FDS Line Item	Description	MA036000001	MA036000002	MA036000003	AMPs	Housing Choice Vouchers
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(49,193)	(85,119)	37,852	(96,460)	65,187
11020	Required Annual Debt Principal Payments	-	-	-	-	-
11030	Beginning Equity	3,647,154	564,393	316,864	4,528,411	(89,713)
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	(706,808)	(93,656)	(94,046)	(894,510)	(246,748)
11170	Administrative Fee Equity	-	-	-	-	(333,604)
11180	Housing Assistance Payments Equity	-	-	-	-	62,330
11190	Unit Months Available	2,712	432	432	3,576	5,134
11210	Number of Unit Months Leased	2,643	401	426	3,470	5,084
11620	Building Purchases	286,604	-	-	286,604	-

NEWTON HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE

DECEMBER 31, 2018

FDS Line Item	Description	N/C S/R Section 8 Programs	Business Activities	State/Local	Eliminations	Total
111	Cash - Unrestricted	276,547	1,137,794	3,482,768	-	8,213,206
113	Cash - Other Restricted	-	-	4,469	-	66,799
114	Cash - Tenant Security Deposits	-	-	392	-	392
100	Total Cash	276,547	1,137,794	3,487,629	-	8,280,397
121	Accounts Receivable - PHA Projects	-	-	-	-	206
124	Accounts Receivable - Other Government	-	-	111,324	-	111,324
126	Accounts Receivable - Tenants	-	22,338	41,850	-	103,214
126.1	Allowance for Doubtful Accounts - Tenants	-	(17,490)	(24,043)	-	(73,718)
128	Fraud Recovery	-	-	5,528	-	13,908
128.1	Allowance for Doubtful Accounts - Fraud	-	-	(5,528)	-	(13,908)
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	4,848	129,131	-	141,026
142	Prepaid Expenses and Other Assets	-	14,784	27,796	-	93,404
150	Total Current Assets	276,547	1,157,426	3,644,556	-	8,514,827
161	Land	-	2,471,307	2,429,632	-	5,961,657
162	Buildings	-	8,141,593	12,077,393	-	33,642,909
164	Furniture, Equipment & Machinery - Administration	-	4,210	28,742	-	114,061
166	Accumulated Depreciation	-	(2,405,322)	(9,945,028)	-	(23,701,301)
167	Construction in Progress	-	415,520	1,244,472	-	2,050,396
160	Total Capital Assets, Net of Accumulated Depreciation	-	8,627,308	5,835,211	-	18,067,722
180	Total Non-Current Assets	-	8,627,308	5,835,211	-	18,067,722
200	Deferred Outflow of Resources	5,497	47,130	139,056	-	520,602
290	Total Assets and Deferred Outflow of Resources	282,044	9,831,864	9,618,823	-	27,103,151
312	Accounts Payable <= 90 Days	739	17,602	56,601	-	191,734
321	Accrued Wage/Payroll Taxes Payable	292	3,543	9,982	-	39,847
322	Accrued Compensated Absences - Current Portion	145	1,894	6,834	-	23,537
325	Accrued Interest Payable	-	1,174	1,346	-	2,520
331	Accounts Payable - HUD PHA Programs	30,249	-	-	-	30,249
333	Accounts Payable - Other Government	-	-	23,493	-	23,493
341	Tenant Security Deposits	-	-	392	-	392
342	Unearned Revenue	-	4,493	49,761	-	76,194
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	68,005	73,884	-	141,889
345	Other Current Liabilities	-	-	257,500	-	257,500
310	Total Current Liabilities	31,425	96,711	479,793	-	787,355

NEWTON HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE
DECEMBER 31, 2018

FDS Line Item	Description	N/C S/R Section 8 Programs	Business Activities	State/Local	Eliminations	Total
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	1,865,218	156,869	-	2,022,087
353	Non-current Liabilities - Other	-	-	4,469	-	4,469
354	Accrued Compensated Absences - Non Current	757	7,069	25,232	-	92,536
357	Accrued Pension and OPEB Liabilities	56,898	495,870	1,572,231	-	5,815,510
350	Total Non-Current Liabilities	57,655	2,368,157	1,758,801	-	7,934,602
300	Total Liabilities	89,080	2,464,868	2,238,594	-	8,721,957
400	Deferred Inflow of Resources	1,915	18,571	69,042	-	264,366
508.4	Net Investment in Capital Assets	-	4,534,069	5,604,458	-	13,743,730
511.4	Restricted Net Position	-	2,160,016	-	-	2,222,346
512.4	Unrestricted Net Position	191,049	654,340	1,706,729	-	2,150,752
513	Total Equity - Net Assets / Position	191,049	7,348,425	7,311,187	-	18,116,828
600	Total Liab., Def. Inflow of Res. and Equity - Net Assets / Position	282,044	9,831,864	9,618,823	-	27,103,151
70300	Net Tenant Rental Revenue	-	796,438	2,314,448	(390,153)	3,831,839
70500	Total Tenant Revenue	-	796,438	2,314,448	(390,153)	3,831,839
70600	HUD PHA Operating Grants	131,195	-	-	-	8,450,370
70610	Capital Grants	-	-	-	-	286,604
70700	Total Fee Revenue	-	-	-	-	-
70800	Other Government Grants	-	222,311	838,351	-	1,060,662
71100	Investment Income - Unrestricted	2,744	8,425	35,589	-	82,046
71400	Fraud Recovery	-	-	14,406	-	14,406
71500	Other Revenue	-	42,210	36,944	-	300,645
70000	Total Revenue	133,939	1,069,384	3,239,738	(390,153)	14,026,572
91100	Administrative Salaries	12,251	120,964	155,371	-	915,556
91200	Auditing Fees	749	1,310	4,817	-	12,961
91500	Employee Benefit contributions - Administrative	5,902	50,494	115,943	-	532,290
91600	Office Expenses	3,766	15,656	46,333	-	183,612
91700	Legal Expense	1,115	107,726	12,844	-	151,629
91800	Travel	437	955	3,645	-	16,757
91900	Other	792	1,744	7,883	-	57,760
91000	Total Operating - Administrative	25,012	298,849	346,836	-	1,870,565
92100	Tenant Services - Salaries	-	-	3,321	-	88,140
92300	Employee Benefit Contributions - Tenant Services	-	-	990	-	25,633

NEWTON HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE

DECEMBER 31, 2018

FDS Line Item	Description	N/C S/R Section 8 Programs	Business Activities	State/Local	Eliminations	Total
92500	Total Tenant Services	-	-	4,311	-	113,773
93100	Water	-	61,478	160,557	-	510,427
93200	Electricity	-	31,834	72,161	-	377,536
93300	Gas	-	20,536	36,466	-	275,530
93000	Total Utilities	-	113,848	269,184	-	1,163,493
94100	Ordinary Maintenance and Operations - Labor	-	52,986	283,741	-	757,641
94200	Ordinary Maintenance and Operations - Materials and Other	-	4,924	41,430	-	102,563
94300	Ordinary Maintenance and Operations Contracts	-	99,529	470,074	-	682,587
94500	Employee Benefit Contributions - Ordinary Maintenance	-	13,470	84,543	-	220,558
94000	Total Maintenance	-	170,909	879,788	-	1,763,349
95000	Total Protective Services	-	-	-	-	-
96110	Property Insurance	-	35,257	18,446	-	118,402
96120	Liability Insurance	-	1,498	-	-	26,633
96130	Workmen's Compensation	213	5,559	17,522	-	53,862
96140	All Other Insurance	-	-	-	-	6,640
96100	Total Insurance Premiums	213	42,314	35,968	-	205,537
96200	Other General Expenses	-	67,145	-	-	71,476
96210	Compensated Absences	2	220	749	-	2,894
96400	Bad debt - Tenant Rents	-	2,259	23,700	-	26,000
96000	Total Other General Expenses	2	69,624	24,449	-	100,370
96710	Interest of Mortgage (or Bonds) Payable	-	86,380	18,391	-	104,771
96700	Total Interest Expense and Amortization Cost	-	86,380	18,391	-	104,771
96900	Total Operating Expenses	25,227	781,924	1,578,927	-	5,321,858
97000	Excess of Operating Revenue over Operating Expenses	108,712	287,460	1,660,811	(390,153)	8,704,714
97100	Extraordinary Maintenance	-	1,075	48,434	-	100,073
97200	Casualty Losses - Non-capitalized	-	-	-	-	103,348
97300	Housing Assistance Payments	93,579	-	265,185	(390,153)	6,342,894
97350	HAP Portability-In	-	-	-	-	70,280
97400	Depreciation Expense	-	232,863	344,653	-	1,048,198
90000	Total Expenses	118,806	1,015,862	2,237,199	(390,153)	12,986,651
10100	Total Other financing Sources (Uses)	-	-	-	-	-

NEWTON HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE

DECEMBER 31, 2018

FDS Line Item	Description	N/C S/R Section 8 Programs	Business Activities	State/Local	Eliminations	Total
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	15,133	53,522	1,002,539	-	1,039,921
11020	Required Annual Debt Principal Payments	-	68,842	68,903	-	137,745
11030	Beginning Equity	188,197	7,414,750	6,753,987	-	18,795,632
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	(12,281)	(119,847)	(445,339)	-	(1,718,725)
11170	Administrative Fee Equity	-	-	-	-	(333,604)
11180	Housing Assistance Payments Equity	-	-	-	-	62,330
11190	Unit Months Available	300	672	2,712	-	12,394
11210	Number of Unit Months Leased	300	612	2,648	-	12,114
11620	Building Purchases	-	-	-	-	286,604

NEWTON HOUSING AUTHORITY

STATEMENT OF ACTUAL MODERNIZATION COSTS – UNCOMPLETED

FOR THE YEAR ENDED DECEMBER 31, 2018

Project:	MA01P036501-16	MA01P036501-17
Modernization Funds Approved	\$ 290,435	\$ 313,889
Modernization Funds Expended	<u>140,500</u>	<u>279,904</u>
Excess of Modernization Funds Approved	<u>\$ 149,935</u>	<u>\$ 33,985</u>
Modernization Funds Advanced	\$ 140,500	\$ 279,904
Modernization Funds Expended	<u>140,500</u>	<u>279,904</u>
Excess of Modernization Funds Advanced	<u>\$ -</u>	<u>\$ -</u>

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

	<u>CFDA Number</u>	<u>Pass- Through Award Number</u>	<u>Amounts Provided to Sub-recipients</u>	<u>Federal Financial Assistance Expenditures</u>
Department of Housing & Urban Development (HUD)				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	--	\$ -	\$ 6,883,584
Total Housing Voucher Cluster			-	<u>6,883,584</u>
Section 8 Project-Based Cluster				
Section 8 New Construction and Substantial Rehabilitation	14.182	--	-	131,195
Section 8 New Construction and Substantial Rehabilitation	14.182	MA06H052048	-	<u>1,476,990</u>
Total Section 8 Project-Based Cluster			-	<u>1,608,185</u>
Public and Indian Housing				
Public Housing Capital Fund (CFP)	14.850	--	-	1,377,378
	14.872	--	-	<u>286,604</u>
Total Department of Housing & Urban Development			-	<u>10,155,751</u>
Total Expenditures of Federal Awards			\$ -	<u>\$ 10,155,751</u>

NEWTON HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Newton Housing Authority, under programs of the federal government for the year ended December 31, 2018. The information in the schedule is presented in accordance with the requirements of the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Newton Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of Newton Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, 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. For performance-based awards, expenditures reported represent amounts earned.

NOTE 3 – INDIRECT COST RATE

The Newton Housing Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

To The Board of Commissioners
Newton Housing Authority

We have audited, 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, the financial statements of the Newton Housing Authority as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Newton Housing Authority's basic financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Newton Housing Authority's financial statements are free of 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.

Marcum LLP

Boston, Massachusetts
September 30, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To The Board of Commissioners
Newton Housing Authority

Report on Compliance for Each Major Federal Program

We have audited the Newton Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Newton Housing Authority's major federal programs for the year ended December 31, 2018. The Newton Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Newton Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Newton Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Marcum LLP

Boston, Massachusetts
September 30, 2019

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified Opinion*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditors' report issued on compliance for major federal programs: *Unmodified Opinion*

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

Identification of major federal programs:

CFDA #	Name of Federal Program or Cluster
14.872	Public Housing Capital Fund
14.871	Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENTS FINDINGS
 No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
 No matters were reported.

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 No prior year findings.