

**Report On Audit**

**HOUSING AUTHORITY OF THE  
BOROUGH OF EDGEWATER**

**For the Year Ended  
December 31, 2020**

**Housing Authority of the Borough of Edgewater**  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the Borough of Edgewater  
300 Undercliff Avenue  
Edgewater, New Jersey 07020

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the blended present component unit of the Housing Authority of the Borough of Edgewater (a governmental public corporation) in the Borough of Edgewater, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of December 31, 2020, and the related statement of revenue, expenses and changes in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the Borough of Edgewater preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Borough of Edgewater 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the blended present component unit of the of the Housing Authority of the Borough of Edgewater as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 17 and pages 61-65 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 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 method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the Borough of Edgewater. The accompanying supplemental information on pages 66-75 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Capital Fund cost certifications are also not required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Capital Fund cost certifications and the Financial Data Schedule, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, Capital Fund cost certifications and the Financial Data Schedule, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued reports dated October 29, 2021, on our consideration of the Housing Authority of the Borough of Edgewater's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is 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 Housing Authority of the Borough of Edgewater 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 Housing Authority of the Borough of Edgewater's internal control over financial reporting and compliance.

**Hymanson Parnes & Giampaolo**

Lincroft, New Jersey

Date: October 29, 2021

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

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

**FINANCIAL HIGHLIGHTS**

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$985,162 an increase in the financial position of \$625,502 or 174% as compared to the prior year.

As noted above, the net position of the Authority was \$985,162 as of December 31, 2020. Of this amount, the unrestricted net position is \$107,700 representing an increase of \$533,830 or 125% percent from the previous year. Additional information on the Authority's unrestricted net position can be found in Note 20 the financial statements, which is included in this report.

The net investment in capital assets increased \$113,530 or 16% percent for an ending balance of \$825,346.

The restricted net position decreased \$21,858 or 30% percent from the prior year for an ending balance of \$52,116. Additional information on the Authority's restricted net position can be found in Notes 19 to the financial statements, which is included in this report.

The Authority's total cash, and cash equivalent on December 31, 2020, is \$1,837,008 representing an increase of \$690,833 or 60% percent from the prior year. Total restricted deposits and funded reserves increased \$141,462 for an ending balance of \$263,884. The Authority purchased investments in the amount of \$994 during the year for an ending balance of \$53,257. The full detail of these amounts can be found in the Statement of Cash Flows on pages 21-22 of this report.

The Authority's total assets and deferred outflows are \$5,328,070 of which capital assets net book value is \$2,729,366, other assets are \$258,345, and deferred outflow amount is \$331,761, leaving total current assets at \$2,008,598.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current assets increased from the previous year by \$504,853 or 34% percent. Unrestricted cash and cash equivalents increased by \$549,371, investments increased \$994, accounts receivables decreased by \$521, and prepaid expenses decreased \$186,453.

Total restricted deposits and funded reserves increased \$141,462 for an ending balance of \$263,884.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$90,731. The major factor that contributed towards the increase was purchase of fixed assets in the amount of \$214,689, less the recording of depreciation expense in the amount of \$123,958. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority's total other assets are reported at \$258,345 which consisted of capital contributions and there were no changes to report. Additional information on the Authority's other assets can be found in Note 9 to the financial statements, which is included in this report.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$12,740 for an ending balance of \$331,761. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$82,810 for an ending balance of \$908,866. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 10 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$3,434,042 of which noncurrent liabilities are stated at \$2,660,269. Total liabilities increased during the year as compared to the prior year in the amount of \$40,152. Total current liabilities increased during the year by \$85,664, leaving non-current liabilities for a decrease of \$45,512 as compared to the previous year.

Total current liabilities increased from the previous year by \$85,664 or 12% percent. Accounts payables decreased by \$85,791, accrued liabilities increased by \$5,521, tenant security deposit payable decreased by \$90, unearned revenue increased \$165,086 and current portion of long-term debt increased by \$938.

Total noncurrent liabilities decreased by \$45,512 or 2% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$29,064, with no offsetting assets, remained unchanged from the previous year and long-term debt (mortgage payable) decreased \$23,737 for an ending balance of \$1,879,665.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Accrued pension and OPEB liabilities decreased \$21,775 or 3% percent for an ending balance of \$751,540. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at December 31, 2020 can be found in Notes 16-17 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$5,719,242 as compared to \$5,311,971 from the prior year for an increase of \$407,271 or 8% percent. The Authority had total operating expenses of \$5,202,255 as compared to \$5,794,693 from the previous year for a decrease of \$592,438 or 10% percent, resulting in excess revenue from operations in the amount of \$516,987 for the current year as compared to excess expenses from operations in the amount of \$482,722 for an increase in revenue over expenses in the amount of \$999,709 or 207% percent from the previous year.

The Authority had capital outlays in the amount of \$214,689 for the fiscal year. These expenditures were funded from the Authority's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$4,965,959 for the year 2020 as compared to \$4,392,959 for the previous year 2019 for an increase of \$573,000 or 13% percent.

**USING THIS ANNUAL REPORT**

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

1. Section 8 Housing Choice Vouchers

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

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

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

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



**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED**

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 22.

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

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 60.

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

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED**

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 66-67 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations, and other assistance.
  
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Borough of Edgewater are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended December 31, 2020. Type B programs for the Housing Authority of the Borough of Edgewater are those which are less than \$750,000 in expenditures for the fiscal year ended December 31, 2020.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Position between December 31, 2020 and December 31, 2019:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase
	December-20	December-19	(Decrease)
Cash	\$ 1,837,008	\$ 1,146,175	\$ 690,833
Other Current Assets	171,590	357,570	(185,980)
Capital Assets - Net	2,729,366	2,638,635	90,731
Other Assets	258,345	258,345	-
Deferred Outflows	331,761	344,501	(12,740)
Total Assets	5,328,070	4,745,226	582,844
Less: Current Liabilities	(773,773)	(688,109)	(85,664)
Less: Non Current Liabilities	(2,660,269)	(2,705,781)	45,512
Less: Deferred Inflows	(908,866)	(991,676)	82,810
Net Position	<u>\$ 985,162</u>	<u>\$ 359,660</u>	<u>\$ 625,502</u>
Net Investment in Capital Assets	\$ 825,346	\$ 711,816	\$ 113,530
Restricted Net Position	52,116	73,974	(21,858)
Unrestricted Net Position	107,700	(426,130)	533,830
Net Position	<u>\$ 985,162</u>	<u>\$ 359,660</u>	<u>\$ 625,502</u>

Cash increased by \$690,833 or 60% percent. Net cash provided by operating activities was \$912,645, net cash used by capital and related financing activities was \$(234,723), and net cash provided by investing activities was \$12,911. The full detail of this amount can be found in the Statement of Cash Flows on page 21-22 of this audit report.

Total other current assets decreased from the previous year by \$185,980. Purchase of investments was \$994, account's receivables decreased by \$521, and prepaid expenses decreased \$186,453.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$90,731. The major factor that contributed towards the increase was purchase of fixed assets in the amount of \$214,689, less the recording of depreciation expense in the amount of \$123,958.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The Authority's total other assets are reported at \$258,345 which consisted of capital contributions and there was no change to report. Additional information on the Authority's other assets can be found in Note 9 to the financial statements, which is included in this report.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$12,740 for an ending balance of \$331,761. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$82,810 for an ending balance of \$908,866.

Total current liabilities increased from the previous year by \$85,664 or 12% percent. Accounts payables decreased by \$85,791, accrued liabilities increased by \$5,521, tenant security deposit payable decreased by \$90, unearned revenue increased \$165,086 and current portion of long-term debt increased by \$938.

Total noncurrent liabilities decreased by \$45,512 or 2% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$29,064, with no offsetting assets, remained unchanged from the previous year and long-term debt (mortgage payable) decreased \$23,737 for an ending balance of \$1,879,665.

Accrued pension and OPEB liabilities decreased \$21,775 or 3% percent for an ending balance of \$751,540. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at December 31, 2020 can be found in Notes 16-17 to the financial statements, which is included in this report.

The Authority's reported net position of \$985,162 is made up of three categories. The net investment in capital assets in the amount of \$825,346 represents the majority of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current year:

Balance December 31, 2019	\$ 711,816
Payment of Debt	22,799
Capital Additions	214,689
Depreciation Expense	(123,958)
Balance December 31, 2020	<u>\$ 825,346</u>

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The Authority reported a restricted net position of \$52,116, representing a decrease of \$21,858 or 30% percent from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The account balance consists of the amount of cash that is restricted for the Housing Choice Voucher program, and the business activities program. Additional information on these funds can be found in Note 4 Restricted Cash and Note 19 Restricted Net Position.

The Housing Authority of the Borough of Edgewater operating results for December 31, 2020, reported an increase in unrestricted position of \$533,830 for an ending balance of \$107,700. During the year, the Authority had no prior period adjustment. A full detail of these accounts can be found in the Notes to the Financial Statements Section Note – 20 Unrestricted Net Position.

The following summarizes the changes in Net Position between December 31, 2020, and December 31, 2019:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase
	December-20	December-19	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 613,389	\$ 593,915	\$ 19,474
HUD Subsidies	4,871,349	4,392,959	478,390
Other Revenues	234,504	325,097	(90,593)
Total Operating Income	5,719,242	5,311,971	407,271
<u>Expenses</u>			
Operating Expenses	5,078,297	5,680,117	(601,820)
Depreciation Expense	123,958	114,576	9,382
Total Operating Expenses	5,202,255	5,794,693	(592,438)
Operating (Loss)			
Before Non Operating Income	516,987	(482,722)	999,709
Interest Income	13,905	13,648	257
Change in Net Position	530,892	(469,074)	999,966
Capital Grant Contributions	94,610	-	94,610
Net Position Prior Year	359,660	510,387	(150,727)
Prior Period Adjustment	-	318,347	(318,347)
Total Net Position	\$ 985,162	\$ 359,660	\$ 625,502

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Approximately 85% percent of the Authority's total revenue was provided by HUD operating subsidy, while 11% percent resulted from tenant revenue. Charges for various services, and other income provided for the remaining 4% percent of the total operating income.

The Authority had capital expenditures of \$214,689. The current year additions included electrical panel breaker replacement, installation of an accessibility ramp, flooring and hand railing renovation, bathroom rehabilitation, and replacement of the community room furniture.

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 81% percent of total operating expenses. Administrative expenses accounted for 4% percent, tenant services expense accounted for 3% percent, utilities expense accounted for 2% percent, maintenance expense accounted for 4% percent, other operating expenses accounted for 3% percent, interest expense accounted for 1% percent, and depreciation accounted for the remaining 2% of the total operating expenses.

The Authority's operating revenue exceeded its operating expenses resulting in excess revenue from operations in the amount of \$516,987 as compared to excess expenses from operations of \$482,722 for the previous year. The key elements for the increase in comparison to the prior year are as follows:

- The Authority experienced an increase in HUD operating grants in the amount of \$478,390, or 11% percent due to the administration of additional Housing Choice Voucher.
- Tenant rental income increased \$19,474 or 3% percent as compared to the prior year.
- The Authority experienced decreases in several expense accounts as listed below:
  - Administrative expenses decreased \$141,354 or 40% percent.
  - Utilities expenses decreased \$3,369 or 4%.
  - Other operating expenses decreased \$399,167 or 71% percent.
  - Housing Assistance Payments decreased \$192,429 or 4% percent.
  - Interest expense decreased \$6,459 or 11% percent.
- The Authority experienced an increase in the expense accounts as listed below:
  - Tenant services expenses increased \$137,785.
  - Maintenance expenses increased \$3,173 or 2% percent.

Total net cash provided by operating activities during the year was \$912,645. A full detail of this amount can be found on the Statement of Cash Flows on page 21-22 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Overall, the Authority reported an increase in unrestricted net position of \$533,830 or a decrease of 125% percent for an ending balance \$107,700. Additional information on the Authority's unrestricted net position can be found in Note 20 to the financial statements, which is included in this report.

The following are financial highlights of significant items for a four-year period ending on December 31, 2020:

	December-20	December-19	December-18	December-17
<b>Significant Income</b>				
Total Tenant Revenue	\$ 613,389	\$ 593,915	\$ 469,268	\$ 459,892
HUD Operating Grants	4,871,349	4,392,959	4,717,552	1,580,992
Investment Income	13,905	13,648	6,101	3,292
Other Income	234,504	325,097	141,634	142,828
Capital Grants	94,610	-	-	-
<b>Total</b>	<b>\$ 5,827,757</b>	<b>\$ 5,325,619</b>	<b>\$ 5,334,555</b>	<b>\$ 2,187,004</b>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 40,487	\$ 33,474	\$ 32,225	\$ 59,847
Utilities Labor	13,750	13,500	16,750	12,000
Maintenance Labor	47,075	39,334	28,170	46,723
Employee Benefits Expense	39,417	42,510	124,699	146,284
<b>Total Payroll Expense</b>	<b>\$ 140,729</b>	<b>\$ 128,818</b>	<b>\$ 201,844</b>	<b>\$ 264,854</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 140,198	\$ 282,711	\$ 210,896	\$ 190,887
Utilities Expense	62,907	63,985	65,078	69,044
Maintenance Supplies	24,666	33,086	32,525	35,492
Maintenance Contract Cost	116,275	114,592	102,916	108,022
Insurance Premiums	30,514	30,332	27,402	23,355
Housing Assistance Payments	4,222,269	4,412,811	3,555,184	1,454,280
<b>Total</b>	<b>\$ 4,596,829</b>	<b>\$ 4,937,517</b>	<b>\$ 3,994,001</b>	<b>\$ 1,881,080</b>
<b>Total Operating Expenses</b>	<b>\$ 5,202,255</b>	<b>\$ 5,794,693</b>	<b>\$ 4,522,316</b>	<b>\$ 2,309,026</b>
<b>Total of Federal Awards</b>	<b>\$ 4,965,959</b>	<b>\$ 4,392,959</b>	<b>\$ 4,717,552</b>	<b>\$ 1,580,992</b>

**THE AUTHORITY AS A WHOLE**

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**THE AUTHORITY AS A WHOLE - CONTINUED**

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

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER PROGRAMS**

Section 8 Housing Choice Voucher Program

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

Rental Assistance Demonstration Program

The Rental Assistance Demonstration was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties. RAD allows public housing agencies to leverage public and private debt and equity in order to reinvest in the public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.

Housing Choice Voucher CARES Act Program

The CARES Act requires that recipients use of CARES grants be tied to preventing, preparing for, and responding to COVID-19, including maintaining normal operations and funding eligible affordable housing activities under NAHASDA during the period the program is impacted by COVID-19. These funds may also be used to maintain normal operations and fund eligible activities during the period that a recipient's program is impacted by COVID-19. HUD expects and encourages recipients to expend funds expeditiously given the ongoing COVID-19 National Emergency.

Business Activities Program

Under the Business Activities program the Authority used this program for the transition of the public housing units to the RAD conversion.



**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER PROGRAMS -  
CONTINUED**

Blended Component Unit

The Authority has identified one Component Unit which is included in the Authority financial statements.

A. Edgewater Housing Finance Corporation – 31 rental units

The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The financial data included in this report is based on the information for the entity at the end of its year, which was December 31, 2020.

**BUDGETARY HIGHLIGHTS**

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

**NEW INITIATIVES**

For the year 2020 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 86% percent of its revenue from the Department of Housing and Urban Development, (2019 was 82% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority completed the process of converting the Public and Indian Housing Program rental units into RAD subsidy units.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the Borough of Edgewater all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 - Capital Assets

The Authority's investment in capital assets as of December 31, 2020, was \$2,729,366 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$214,689 less the recording of depreciation expense in the amount of \$123,958. Major capital assets events during the year included the following:

- Installation of Accessibility Ramp
- Installation of Accessibility Handles
- Bathroom Renovation
- Electrical Panel Breaker Replacement
- Community Room Furniture Replacement
- Building Improvements

	December-20	December-19	Increase (Decrease)
Land	\$ 483,400	\$ 483,400	\$ -
Building	6,231,861	6,144,868	86,993
Furniture, Equipment - Dwelling	283,395	267,097	16,298
Furniture, Equipment - Administration	201,754	184,966	16,788
Construction in Process	122,089	27,479	94,610
Total Fixed Assets	\$ 7,322,499	\$ 7,107,810	\$ 214,689
Accumulated Depreciation	(4,593,133)	(4,469,175)	(123,958)
Net Book Value	\$ 2,729,366	\$ 2,638,635	\$ 90,731

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

2 - Debt Administration

As of December 31, 2020, the Authority, had debt outstanding in the amount of \$1,904,020 of which \$1,879,665 is stated as long term. Interest is payable at various rates. Additional information on the Authority's debt can be found in Note 15 of the notes to the financial statements, which is included in this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority of Borough of Edgewater is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following factors were considered in preparing the Authority's budget for the year ending December 31, 2021.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Joseph Capano, Executive Director, Housing Authority of the Borough of Edgewater, 300 Undercliff Avenue, Edgewater, N.J. 07020, or call (201) 943-6000.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**  
**STATEMENT OF NET POSITION - 1**  
**AS OF DECEMBER 31, 2020**

	2020
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	
Operating	\$ 1,573,124
Restricted	263,884
Total cash and equivalents	1,837,008
Investments	53,257
Accounts Receivables, Net of Allowances	114,353
Prepaid Expenses	3,980
Total Current Assets	2,008,598
<b>Noncurrent Assets</b>	
Capital Assets	
Land	483,400
Building	6,231,861
Furniture, Equipment - Dwelling	283,395
Furniture, Equipment - Administration	201,754
Construction In Process	122,089
Total Capital Assets	7,322,499
Less: Accumulated Depreciation	(4,593,133)
Net Book Value	2,729,366
<b>Other Assets</b>	
Investment in Joint Ventures	258,345
Total Noncurrent Assets	2,987,711
Total Assets	4,996,309
<b>Deferred Outflow of Resources</b>	
NJ Pension and OPEB	331,761
Total Assets and Deferred Outflow of Resources	\$ 5,328,070

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**  
**STATEMENT OF NET POSITION - 2**  
**AS OF DECEMBER 31, 2020**

	2020
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$ 192,648
Accrued Liabilities	344,918
Tenant Security Deposit Payable	46,470
Unearned Revenue	165,382
Long Term Debt - Current	24,355
Total Current Liabilities	773,773
<b>Noncurrent Liabilities</b>	
Long Term Debt - Non Current	1,879,665
Accrued Compensated Absences - Long-Term	29,064
Accrued Other Post-Employment Benefits Liabilities	751,540
Total Noncurrent Liabilities	2,660,269
Total Liabilities	3,434,042
<b>Deferred Inflow of Resources</b>	
NJ Pension and OPEB	908,866
<b>Net Position:</b>	
Net Investment in Capital Assets	825,346
Restricted	52,116
Unrestricted	107,700
Total Net Position	985,162
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 5,328,070

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

	2020
<b>Revenue:</b>	
Tenant Rental Revenue	\$ 613,389
HUD PHA Operating Grants	4,871,349
Fraud Recovery	13,280
Other Revenue	221,224
Total Revenue	5,719,242
 <b>Operating Expenses:</b>	
Administrative Expenses	208,581
Tenant Services	137,785
Utilities Expense	82,876
Maintenance Expense	213,768
Other Operating Expenses	162,969
Housing Assistance Payments	4,222,269
Interest Expense	50,049
Depreciation Expense	123,958
Total Operating Expenses	5,202,255
 Excess Revenue From Operations	 516,987
 <b>Nonoperating Revenue</b>	
Investment Income	13,905
 Excess Revenue Before Capital Contributions	 530,892
Capital Grant Contributions	94,610
<b>Change in Net Position</b>	<b>625,502</b>
 Beginning Net Position	 359,660
 Ending Net Position	 \$ 985,162

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**  
**STATEMENT OF CASH FLOWS - 1**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

	2020
<b>Cash Flow From Operating Activities</b>	
Receipts from Tenants	\$ 605,006
Receipts from Federal Grants	4,871,349
Receipts from Misc. Sources	13,280
Payments to Vendors and Suppliers	(222,118)
Payments for Housing Assistance Payments	(4,222,269)
Payments to Employees	(93,186)
Payment of Employee Benefits	(39,417)
Net Cash Provided by Operating Activities	912,645
<b>Cash Flow From Capital and Related Financing Activities</b>	
Receipts from Capital Grants	94,610
Acquisitions and Construction of Capital Assets	(214,689)
Principal Payment on Debt	(22,799)
Change in Pension and OPEB Liabilities	(21,775)
Net Effect of Deferred Inflows and Outflows	(70,070)
Net Cash (Used) by Capital and Related Financing Activities	(234,723)
<b>Cash Flow From Investing Activities</b>	
Interest Income	13,905
Purchase of Investments	(994)
Net Cash Provided by Investing Activities	12,911
Net Increase in Cash and Cash Equivalents	690,833
<b>Beginning Cash, Cash Equivalents and Restricted Cash</b>	1,146,175
<b>Ending Cash, Cash Equivalents and Restricted Cash</b>	\$ 1,837,008
<b>Reconciliation of Cash Balances:</b>	
Cash and Cash Equivalents - Unrestricted	1,573,124
Cash and Cash Equivalents - Restricted	263,884
Total Ending Cash	\$ 1,837,008

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**  
**STATEMENT OF CASH FLOWS- 2**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

	2020
<b>Reconciliation of Operating Income to Net Cash</b>	
Provided by Operating Activities	
Excess Revenue	\$ 516,987
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	123,958
(Increase) Decrease in:	
Accounts Receivables	521
Prepaid Expenses	186,453
Increase (Decrease) in:	
Accounts Payable	(85,791)
Accrued Liabilities	5,521
Tenant Security Deposit Payable	(90)
Unearned Revenues	165,086
Net Cash Provided by Operating Activities	\$ 912,645
Interest expense paid during the year	\$ 41,004

See accompanying notes to the financial statements.



# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2020

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

**1. Organization** - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 40A:12A-1 et al the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Borough of Edgewater in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

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

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

Based on the following criteria, the Authority has identified one entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

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

The Authority manages the financial affair of Edgewater Housing Finance Corporation.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2020

### **2. Significant Accounting Policies**

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

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

### **Basis of Accounting –**

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

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue composed primarily of miscellaneous fees, portability income for the Housing Choice Voucher program, and resident's charges and late fees. The revenue is recorded as earned since it is measurable and available. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing for extremely low and very low-income families. Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2020

### **Basis of Accounting – Continued**

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

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

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

### Blended Component Unit

The Authority has identified the Edgewater Housing Finance Corporation as a component unit. The Authority has 95% ownership thru the Edgewater Housing Finance Corporation. Edgewater Housing Finance Corporation is reported as if it were part of the Authority because of the 95% ownership in the Corporation. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The financial data included in this report is based on the information for the Corporation at the end of its year, which was December 31, 2020.

### **Report Presentation –**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **Report Presentation – continued**

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges, designated to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

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

#### **Other accounting policies are as follows:**

- 1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- 2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.
- 3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight-line basis.
- 4 – Repairs funded out of operations, such as painting, roofing, and plumbing, are charged against income for all programs.
- 5 – Operating subsidies received from HUD are recorded as income when earned.
- 6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.
- 7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.
- 8 – The Authority does not have any infrastructure assets for its Enterprise Fund.
- 9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.
- 10- Advertising cost is charged to expense when incurred.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements December 31, 2020

### **Other accounting policies - Continued**

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

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

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

### 14 - Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

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

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements December 31, 2020

### **Other accounting policies - Continued**

#### 15 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

*Net Investment in Capital Assets* - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

#### 16 - Operating and non-operating revenues and expenses

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue composed primarily of miscellaneous fees, portability income for the Housing Choice Voucher program, and resident's charges and late fees.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**Other accounting policies - Continued**

17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2020.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

**Budgetary and Policy Control –**

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

**Activities** - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Available
<u>Public Housing</u>			
RAD			32
Community Development Block Grant	14.218		
<u>Section 8 Housing</u>			
Section 8 Housing Choice Vouchers Program	14.871	NJ39-75	686
HCV CARES Act Funding	14.HCC		

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2020

### **Activities - Continued**

#### Rental Assistance Demonstration Program

The Rental Assistance Demonstration was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties. RAD allows public housing agencies to leverage public and private debt and equity in order to reinvest in the public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.

#### Section 8 Housing Choice Voucher Program

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

#### Housing Choice Voucher CARES Act Program

The CARES Act requires that recipients use of CARES grants be tied to preventing, preparing for, and responding to COVID-19, including maintaining normal operations and funding eligible affordable housing activities under NAHASDA during the period the program is impacted by COVID-19. These funds may also be used to maintain normal operations and fund eligible activities during the period that a recipient's program is impacted by COVID-19. HUD expects and encourages recipients to expend funds expeditiously given the ongoing COVID-19 National Emergency.

#### Community Development Block Grant

CDBG funds may be used to undertake certain economic development activities. These activities include acquiring, constructing, reconstructing, rehabilitating, or installing structures, and other real property equipment and improvements. These are economic development projects undertaken by nonprofit entities. Assistance may include grants, loans, loan guarantees, and technical assistance; and providing economic development services in connection with otherwise eligible CDBG economic development activities. In addition to meeting one of the organizational types listed above, the entity must be carrying out neighborhood revitalization, community economic development or energy conservation projects.

#### Business Activities Program

Under the Business Activities program the Authority used this program for the transition of the public housing units to the RAD conversion.



# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements December 31, 2020

### **Activities - Continued**

#### Blended Component Unit

The Authority has identified one Component Unit which should be included in the Authority financial statements.

The Authority has identified the Edgewater Housing Finance Corporation as a component unit. The Authority has 95% ownership in the Housing Finance Corporation. The Authority also manages the financial affair of Edgewater Housing Finance Corporation. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The financial data included in this report is based on the information for the Housing Finance Corporation at the end of its fiscal year, which was December 31, 2020. The Housing Finance Corporation was created to expand housing opportunities for low- and moderate-income persons by increasing the supply of decent affordable housing in the Borough of Edgewater. Edgewater Housing Finance Corporation owns and operate 31 rental units.

### **Revenue from Rental Contracts**

The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit the tenant(s) may also income qualify for a Housing Assistance Payment (HAP). HAP payments are used to subsidize the tenants(s) rental payment to allow them the ability to afford a unit in the development.

The lease agreement has similar terms therefore, all lease contract revenue has been aggregated in the caption rental income in the statement of income. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the buildings(s). Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments, including the HAP payment, are due the first day of each month of the lease term. The monthly unit rental charge is determined based on local market conditions but cannot exceed the monthly rental amount set annually by HUD. Any tenant(s) rental payment not received by the fifth day of each month. Will be charged a late fee. HAP payments received directly from a sponsoring governmental agency are not subject to late fees. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements December 31, 2020

### **Rent Increases**

Under the regulatory agreement, the Authority may not increase rents charged to tenants without HUD approval.

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

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

### **NOTE 2 – ESTIMATES**

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

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements December 31, 2020

#### **NOTE 3 - PENSION PLAN**

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

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

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2020divisioncombined.pdf>

#### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2020 is \$17,911.

#### Post Employment Retirement Benefits

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

Further information on the Pension Plan and its effects due to the adoption of GASB 68 can be found in Note 17- Accrued Pension Liability.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements December 31, 2020

#### **NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

#### **Concentration of Credit Risk**

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit, or any other federally insured investment. HUD also requires that deposits be fully always collateralized. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

#### **Risk Disclosures**

##### Collateral for Deposits

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

##### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. On December 31, 2020, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED**

##### Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

The Authority's checking accounts and investments are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows:

Depository Accounts	Primary Government	Component Unit
Insured	\$ 250,250	\$ 275,766
Collateralized held by pledging bank's trust department in the Authority's name	1,083,205	-
Uninsured	-	227,787
Total Cash and Cash Equivalents	\$ 1,333,455	\$ 503,553

The Edgewater Housing Finance Corporation maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Edgewater Housing Finance Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.

#### **Restricted Deposits and Funded Reserves**

The Authority restricted deposits and funded Reserves is as follows on December 31, 2020:

	Primary Government	Component Unit
Tenant Security Deposit	\$ 20,653	\$ 25,766
Replacement Reserve	45,031	-
Capital Repairs Escrow Reserve	7,085	-
HCV CARES Reserves	165,349	-
Total Restricted Deposits and Funded Reserves	\$ 238,118	\$ 25,766

The Authority has total restricted deposits on December 31, 2020 in the amount of \$46,419 for the tenant security deposit.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements

December 31, 2020

**NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED**

**Restricted Deposits and Funded Reserves**

In connection with the RAD conversion, the Authority is Authority is required to maintain certain escrow accounts and reserves by HUD and Mariner’s Bank. The detail of the required reserve accounts are as follows:

	Replacement Reserves	Capital Repairs Reserves	Total
Beginning Balance	\$ 26,822	\$ 47,152	\$ 73,974
Deposit Made	18,000	34,000	52,000
Interest Earned	209	144	353
Withdrawals Made	-	(74,211)	(74,211)
Ending Balance	<u>\$ 45,031</u>	<u>\$ 7,085</u>	<u>\$ 52,116</u>

**Investments**

The Authority’s primary government investments on December 31, 2020, included the following:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	12-Feb-21	\$ 53,257

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts Receivable on December 31, 2020, consisted of the following:

	Primary Government	Component Unit
Tenants Accounts Receivable - Present	\$ 297	\$ 8,086
Less: Allowance for Doubtful Accounts	-	(8,086)
Net Tenants Accounts Receivable	297	-
Accounts Receivable - Fraud Recovery	1,494	-
Accounts Receivable - Developer Fee	-	61,281
Accounts Receivable - A-HOME Funds	-	21,281
Neighborhood Affordable Receivable	-	30,000
Total Accounts Receivable	\$ 1,791	112,562

Tenants' rents are due the first of each month. Management considers rents outstanding after the 5<sup>th</sup> day of the month as past due and late charges are applied accordingly. The Housing Authority of the Borough of Edgewater carries its accounts receivable at cost less an allowance for doubtful accounts. Accounts are written off as uncollectible when management determines that a sufficient period has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change.

#### **NOTE 6 - INTERFUND ACTIVITY**

Interfund activity is reported as short-term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at December 31, 2020 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

#### **NOTE 7 - PREPAID EXPENSES**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off monthly. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses on December 31, 2020, were in the amount of \$3,980 which consisted of prepaid insurance amounts.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 8 - FIXED ASSETS**

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

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

Expenditures are capitalized when they meet the Capitalization Policy requirements.

Under the policy, assets purchased or constructed at a cost not exceeding \$5,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

#### Depreciation Expense

Depreciation expense for December 31, 2020, was \$123,958. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

1.) Building and Structure	40 Years
2.) Site Improvements	15 Years
3.) Furniture & Equipment	15 Years
4.) Vehicles	5 Years
5.) Computer Equipment	5 years

The Housing Authority of the Borough of Edgewater reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2020.



## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements December 31, 2020

#### **NOTE 8 - FIXED ASSETS – CONTINUED**

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2020:

	December-19	Additions	December-20
Land	\$ 483,400	\$ -	\$ 483,400
Building	6,144,868	86,993	6,231,861
Furniture, Equipment - Dwelling	267,097	16,298	283,395
Furniture, Equipment - Administration	184,966	16,788	201,754
Construction in Process	27,479	94,610	122,089
Total Fixed Assets	7,107,810	214,689	7,322,499
Accumulated Depreciation	(4,469,175)	(123,958)	(4,593,133)
Net Book Value	\$ 2,638,635	\$ 90,731	\$ 2,729,366

Below is a schedule of the net book value of the fixed assets for the Authority as of December 31, 2020:

<u>Net Book Value of Fixed Assets</u>	<u>December-20</u>
Land	\$ 483,400
Building	2,061,174
Furniture, Equipment - Dwelling	53,645
Furniture, Equipment - Administration	9,058
Construction in Process	122,089
Net Book Value	\$ 2,729,366

#### **NOTE 9 – OTHER ASSETS – CAPITAL CONTRIBUTIONS**

The Authority reported other assets in the form of capital contributions on its Statement of Net Position on December 31, 2020, in the amounts of \$258,345 which is detailed in the below paragraphs.

On January 1, 2009, the Edgewater Housing Finance Corporation was required to make a capital contribution in the amount of \$215,282 in accordance with a partnership agreement. This capital contribution was made to offset \$149,406 of the development note and \$65,876 of accrued interest receivable on that note. The capital contribution is recorded as other assets on the books of the component unit as it represents an investment in the limited partnership.

During the fiscal year ended December 31, 2013, Edgewater Housing Finance Corporation made another capital contribution of \$35,000 to Lehman Brothers for their partnership interest in accordance with the Partnership agreement. Along with the capital contributions there were organization costs in the amount of \$8,063. The capital contribution and organization costs are recorded as other assets on the books of the component unit as it represents an investment in the limited partnership.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

The OPEB and Pension Liability discussed in Note 16 and 17 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows are as follows:

<b>Deferred Outflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 4,862	\$ 4,862
Changes in Assumptions	-	8,662	8,662
Net Difference Between Projected and Actual Earning on Pension Plan Investments	698	9,126	9,824
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	296,511	11,902	308,413
Total	\$ 297,209	\$ 34,552	\$ 331,761
 <b>Deferred Inflows of Resources</b>	 OPEB	 Pension	 Total
Differences Between Expected and Actual Experiences	\$ 247,944	\$ 944	\$ 248,888
Changes in Assumptions	300,459	111,794	412,253
Net Difference Between Projected and Actual Earning on Pension Plan Investments	68,206	-	68,206
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	179,519	179,519
Total	\$ 616,609	\$ 292,257	\$ 908,866

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED**

##### Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$4,862 and \$248,888.

##### Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$8,662 and \$412,253.

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

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB #68 and #75. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$9,824 and \$68,206.

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

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS and OPEB, reflecting the average remaining service life of ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$308,413 and \$179,519.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 11 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of December 31, 2020. Accounts payable vendors are amount owing to creditors because of delivered goods and completed services. The Authority accounts payable on December 31, 2020, in the amount of \$192,648 consist of the following:

	Primary Government	Component Unit
Accounts Payable Vendors	\$ 160,271	\$ 8,558
Accounts Payable - Other Government	6,498	15,390
Accounts Payable HUD Programs	1,931	-
Total Accounts Payable	\$ 168,700	\$ 23,948

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

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Borough of Edgewater. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes.

Edgewater Housing Associates Urban Renewal, L.P. (Component Unit) has entered into an agreement with the Borough of Edgewater which exempts the development from real estate taxes during the entire term of the mortgage. Under the agreement, Edgewater Housing Associates Urban Renewal, L.P. must pay the municipality an annual service charge, or payment in lieu of taxes (P.I.L.O.T.), for municipal service to 3%, of the annual gross revenue of the development generated from affordable housing rental income.

PILOT payable on December 31, 2020, consist of the following:

	December-20
Balance Beginning of Year	\$ 18,446
P.I.L.O.T. Accrued -Authority	6,498
P.I.L.O.T. Accrued -Component Unit	11,150
Less: Payments Made	(14,206)
Total P.I.L.O.T. Payable	\$ 21,888
P.I.L.O.T. Payable -Authority	\$ 6,498
P.I.L.O.T. Payable -Component Unit	15,390
Total P.I.L.O.T. Payable	\$ 21,888

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**NOTE 13 – ACCRUED EXPENSES**

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before December 31. Accrued expenses on December 31, 2020 consisted of the following:

	Primary Government	Component Unit
Compensated Absences - Current Portion	\$ 3,230	\$ -
Accrued Liabilities - Utilities	3,122	1,107
Accrued Interest Payable	849	336,610
Total Accrued Liabilities	<u>\$ 7,201</u>	<u>\$ 337,717</u>

**NOTE 14 – ACCRUED COMPENSATED ABSENCES**

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

An employee may not carry over unused vacation days in which the vacation days are earned. When an employee’s employment terminated, the employee will be entitled to receive payment for any unused accumulated vacation time.

Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of voluntary resignation of employment, an employee shall be entitled to be paid for fifty (50%) percent of unused sick time not to exceed \$15,000.

The Authority has determined that the potential liability for accumulated vacation and sick time is as follows:

Balance December-19	Payments	Increase	Balance March-21	Current Portion
\$ 32,294	\$ -	\$ -	\$ 32,294	\$ 3,230

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 15 - LONG TERM DEBT**

The Authority and the Component Unit as of December 31, 2020, has the following notes payable:

<u>Notes Payable</u>	Balance December-19	Payments	Balance December-20
Connect One -Component Unit	\$ 763,423	\$ (18,338)	\$ 745,085
Balance Home Loan - Component Unit	274,850	-	274,850
CDBG Funds -Component Unit	644,236	-	644,236
Mariners Bank - Business Activities	244,310	(4,461)	239,849
Total Note Payable	<u>\$ 1,926,819</u>	<u>\$ (22,799)</u>	<u>\$ 1,904,020</u>

<u>Notes Payable</u>	December-20	Current	Non-Current
Connect One -Component Unit	\$ 745,085	\$ 19,669	\$ 725,416
Balance Home Loan - Component Unit	274,850	-	274,850
CDBG Funds -Component Unit	644,236	-	644,236
Mariners Bank - Business Activities	239,849	4,686	235,163
Total Note Payable	<u>\$ 1,904,020</u>	<u>\$ 24,355</u>	<u>\$ 1,879,665</u>

#### **First Mortgage Loan**

Edgewater Housing Associates Urban Renewal, L.P. obtained its permanent financing from Connect One formally called Bank of New Jersey in the form of a 30 year \$850,000 first mortgage. The note bears an interest at a fixed rate of 4% per annum and it is secured by a first deed of trust on the rental property. Principal and interest payments of \$4,087 are payable in monthly installments thru July 29, 2044. The balance on December 31, 2020, was \$745,085.

#### **Second Mortgage Loan**

Edgewater Housing Associates Urban Renewal, L.P. have obtained a second mortgage loan from the Neighborhood Preservation Balanced Housing Program, Division of Housing and Community Resources, NJ, Department of Community Affairs, in the form of a thirty (30) year, \$275,900 note. The note accrues interest at the rate of 3.0% (simple interest) per annum and is secured by a lien on the rental property. Principal and accrued interests are due at maturity. During 2020, interest of \$2,748 was accrued and the balance of interest in the amount of \$179,568 remains payable on December 31, 2020.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements

December 31, 2020

**NOTE 15 – LONG TERM DEBT -CONTINUED**

**Third Mortgage Loan**

Edgewater Housing Associates Urban Renewal, L.P. has obtained a third mortgage loan from the Community Development Block Grant Funds to the Partnership in the form of a thirty (30) year, \$644,236 note. The note accrues interest at the rate of 1.0% per annum and is secured by a lien on the rental property. Principal and accrued interests shall be due on the earliest of A) September 1, 2027, of B) the sale of the Apartment Complex as defined in the loan agreement. During 2020, interest of \$6,443 was accrued and the balance of interest in the amount of \$154,481 remains payable on December 31, 2020.

**RAD Note Payable**

The Authority obtained a loan note on July 30, 2018, in connection with the RAD conversion of the units located at 300 Undercliff Avenue, Edgewater, NJ. From Mariner's Bank. The loan amount was \$250,000 which matures August 1, 2036 (18 years). The term of the note is fixed at 4.25% per annum. The note will be based on a thirty (30) year amortization until the Maturity date of August 1, 2036. The monthly payment of principal and interest shall be \$1,229.85 commencing on September 1, 2018. The note is secured with the real property located at 300 Undercliff Avenue, Edgewater, NJ.

The annual debt service requirements to maturity are as follows:

Year	Connect One Principle	Home Loans Principle	CDBG Principle	Mariners Principle	Total
2021	\$ 19,669	\$ -	\$ -	\$ 4,686	\$ 24,355
2022	20,538			4,872	25,410
2023	21,375			5,083	26,458
2024	22,325			5,304	27,629
2025	23,395			5,533	28,928
Subtotal	107,302	-	-	25,478	132,780
Thereafter	637,783	274,850	644,236	214,371	1,771,240
Total	\$ 745,085	\$ 274,850	\$ 644,236	\$ 239,849	\$ 1,904,020

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Authority as of December 31, 2020, reported accrued pension and OPEB liability amounts as follows:

	<u>December-20</u>
Accrued OPEB Liability	\$ 484,543
Accrued Pension Liability	266,997
Total OPEB and Pension Liability	<u>\$ 751,540</u>

These amounts arose due to adoption of GASB #75 (OPEB) in 2018 year as well as GASB #68 (Pension) which was adopted in 2014 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 17 will discuss the effect of GASB #68 pension liability which arose from that.

#### **OPEB Liability**

The Authority as of December 31, 2020, reported a net OPEB liability in the amount of \$484,543 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

Employer OPEB Liability	\$ 494,314
Plan Net Position	<u>(9,771)</u>
Employer Net OPEB Liability	<u>\$ 484,543</u>

The Authority allocation percentage is 0.003577% as of June 30, 2019.

#### **OPEB Liability – Plan Description and Benefits Provided**

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

*Benefits Provided:* The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.



# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2020

### **NOTE 16 – OPEB LIABILITIES - CONTINUED**

#### **OPEB Liability – Plan Description and Benefits Provided**

##### *Benefits Provided – continued*

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who:

- 1) retired on a disability pension; or
- 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

##### Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended June 30, 2019, were \$484,543.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements

December 31, 2020

**NOTE 16 – OPEB LIABILITIES - CONTINUED**

*Employees covered by benefits terms:* On June 30, 2019 (the census date), the following employees were covered by the benefits terms:

Retired Employees Receiving Benefits	2
Actives Eligible for Benefits	0
Active Employees	2
Total Employees	<u>4</u>

Net OPEB Liability

The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

*Actuarial Assumptions:* The total OPEB Liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.5%
Salary Increases
Through 2026 = 2.00% to 6.00%
Thereafter = 3.00% to 7.00%

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2019 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2019 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2019 scale.

Certain actuarial assumptions used in the June 30, 2018, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013, to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**NOTE 16 – OPEB LIABILITIES - CONTINUED**

Health Care Trend Assumptions

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

Discount Rate

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

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority’s OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 560,255	\$ 484,543	\$ 423,017

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority’s OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 408,895	\$ 484,543	\$ 581,045

Change in Assumptions: Effective June 30, 2019.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**NOTE 16 – OPEB LIABILITIES - CONTINUED**

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for the 2020, 2018 and 2017 amounts, respectively.

*Changes in Net OPEB Liability:*

<u><b>Total OPEB Liability</b></u>	<u><b>2019</b></u>
Service Cost	\$ 23,843
Interest on Total OPEB liability	22,753
Expected Investment Return	(404)
 Administrative Expenses	 339
 Changes in Benefits Term	 (68)
Current Period Deferred	
Inflows/Outflows of Resources	(22,156)
Changes in Assumptions or Other	
Inputs	(28,951)
Net Difference Between Projected and	
Actual Investments Earning on OPEB	128
Plan Investments	
Benefit Payments	-
Change in Plan	(434,333)
Net Change in Total OPEB Liability	<u>(438,849)</u>
Total OPEB Liability, Beginning	<u>923,392</u>
 Total OPEB Liability, Ending	 <u>\$ 484,543</u>

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**NOTE 16 – OPEB LIABILITIES - CONTINUED**

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

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

Year Ending June 30, 2020	\$	(50,979)
Year Ending June 30, 2021		(50,979)
Year Ending June 30, 2022		(51,011)
Year Ending June 30, 2023		(51,061)
Year Ending June 30, 2024		(51,108)
Thereafter		(57,873)
Total	\$	<u>(313,011)</u>

**NOTE 17 – ACCRUED PENSION LIABILITY**

Net Pension Liability Information

The Authority as of December 31, 2020, reported a net pension liability in the amount of \$266,997 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2020, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 1,108,519
Plan Net Position	(841,522)
Employer Net Pension Liability	<u>\$ 266,997</u>

The Authority allocation percentage is 0.00163728% as of June 30, 2020.

Plan Description

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.gov/treasury/pensions/financial-reports.shtml](http://www.state.nj.gov/treasury/pensions/financial-reports.shtml).

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

##### Net Pension Liability Information

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

The following represents the membership tiers for PERS:

- 1) Tier 1 – Members who enrolled prior to July 1, 2007
- 2) Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3) Tier 3 – Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
- 4) Tier 4 – Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 5) Tier 5 – Members who were eligible to enroll on or after June 28, 2011.

##### Allocation Percentage Methodology

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer.

The allocation percentages for each group as of June 30, 2020, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2020.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED**

Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020 the State’s pension contribution was less than the actuarial determined amount.

Net Pension Liability Information

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Actuarial Assumptions

The total pension liability for June 30, 2020, measurement dates were determined by using an actuarial valuation as of July 1, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females.

In addition, the tables provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary’s modified MP-2020 projection scale. Post-mortality rates were based on the Pub-2010 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary’s modified MP-2020 projection scale.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

Actuarial Assumptions – Continued

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2019, evaluation was based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2020. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% on June 30, 2020, is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2020, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.00%	10.23%
Private Equity	13.00%	11.42%
	100%	



# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements December 31, 2020

### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 2.21% as of June 30, 2020, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal year.

The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057.

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

#### Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.00% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00% percent) or 1 percentage-point higher (8.00% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 376,930	\$ 266,997	\$ 212,206

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2021	\$	(56,633)
Year Ending June 30, 2022		(5,272)
Year Ending June 30, 2023		(30,297)
Year Ending June 30, 2024		(12,134)
Year Ending June 30, 2025		(2,392)
Total	\$	<u>(106,728)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2020, are as follows:

Service Cost	\$	21,253
Interest on the Total Pension Liability		72,182
Benefits Changes		(448)
Member Contributions		(14,882)
Administrative Expenses		317
Expected Investment Return Net of Investment Expenses		(31,931)
Pension Expense Related to Specific Liabilities of Individual Employers		(325)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		6,760
Changes of Assumptions		(38,832)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		6,913
Total	\$	<u>21,007</u>

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**NOTE 18 – NET INVESTMENT IN CAPITAL ASSETS**

This component consists of land, construction in process and depreciable assets, net of accumulation and net of related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of investment in Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Balance December 31, 2019	\$	711,816
Fixed Assets Additions		214,689
Payment of Debt		22,799
Depreciation Expense		(123,958)
Balance December 31, 2020	\$	<u>825,346</u>

**NOTE 19 – RESTRICTED NET POSITION**

The Authority restricted net position account balance on December 31, 2020, is \$52,116.

In connection with the Mariner's Bank loan (Note 15), the RAD units of the Authority are required to maintain certain replacement and capital repairs escrow accounts. In accordance with the bank loan, the restricted deposited and funded reserves are held by Mariner's Bank.

		<u>December-20</u>
Replacement Reserve	\$	45,031
Capital Repairs Escrow Reserve		<u>7,085</u>
Total Restricted Net Positions	\$	<u>52,116</u>

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on December 31, 2020, was \$398,319.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2020

**NOTE 20 – UNRESTRICTED NET POSITION**

The Authority’s unrestricted net position account balance on December 31, 2020, is a \$107,700. The detail of the account balance is as follows:

	RAD Business	HCV	Component Unit	Total
Balance December 31, 2019	\$ (520,739)	\$ (324,536)	\$ 419,145	\$ (426,130)
Increase During the Year	-	473,805	67,871	541,676
Decrease During the Year	(7,846)	-	-	(7,846)
Balance December 31, 2020	<u>\$ (528,585)</u>	<u>\$ 149,269</u>	<u>\$ 487,016</u>	<u>\$ 107,700</u>

**NOTE 21 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The programs provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for December 31, 2020, were in the amount of \$4,716,776.

**NOTE 22 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

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

Total financial support by HUD was \$4,965,959 to the Authority which represents approximately 86% percent of the Authority's total revenue for the year ended December 31, 2020.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements December 31, 2020

#### **NOTE 23 – CONTINGENCIES AND COMMITMENTS**

Litigation – On December 31, 2020, the Authority was not involved in any threatened litigation.

#### Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the years ended December 31, 2020.

#### Other Insurance

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

#### Unemployment Insurance

The Authority provides unemployment insurance through direct billings from the New Jersey Unemployment Insurance Fund. For the year ended December 31, 2020, the Authority paid no benefits from the unemployment reserve. On December 31, 2020, the Authority did not recognize a liability for unpaid, unasserted claims, if any, as these would be deemed immaterial.

#### National Health Emergency

The United States is presently during a national health emergency related to the COVID-19 virus (coronavirus). The overall consequences of coronavirus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law to provide additional funding to Public Housing Authority's to prevent, prepare for and respond to coronavirus, including to maintain normal operations during the period the program was impacted. During the year ended December 31, 2020, the Authority received a \$319,922 in total CARES Act funding of which \$165,349 was unspent. The overall impact of this situation on the Authority and its future results and financial position is not presently determinable.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2020

#### **NOTE 24 – SUBSEQUENT EVENTS**

##### Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification's and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown. The Authority already received additional operating subsidy from HUD to offset these expenses.

Events that occur after the statement of net position date but before the financial statements were available to be issued, must be evaluated for recognition, or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru October 29, 2021; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Required Supplementary Information  
December 31, 2020

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS**

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

<b><u>Total OPEB Liability</u></b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 23,843	\$ 6,885
Interest on Total OPEB liability	22,753	33,900
Expected Investment Return	(404)	-
Administrative Expenses	339	-
Changes in Benefits Term	(68)	-
Current Period Deferred		
Inflows/Outflows of Resources	(22,156)	
Changes in Assumptions or Other		
Inputs	(28,951)	-
Net Difference Between Projected and		
Actual Investments Earning on OPEB	128	
Plan Investments		
Benefit Payments	-	(18,983)
Change in Plan	(434,333)	-
Net Change in Total OPEB Liability	(438,849)	21,802
Total OPEB Liability, Beginning	923,392	901,590
Total OPEB Liability, Ending	\$ 484,543	\$ 923,392
Covered, Employee Payroll	\$ 120,633	\$ 77,145
Total OPEB Liability as a percentage	401.67%	1196.96%
of covered employee payroll		

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

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.*

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Required Supplementary Information  
December 31, 2020

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM**

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2020	2019	2018	2017
Housing Authority's proportion of the net pension liability	0.00163728%	0.00160264%	0.00162163%	0.00330033%
Housing Authority's proportionate share of the net pension liability	\$ 266,997	\$ 288,772	\$ 319,291	\$ 768,263
Housing Authority's covered employee payroll	\$ 130,177	\$ 120,633	\$ 77,145	\$ 118,570
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.10%	239.38%	413.88%	647.94%
Plan fiduciary net position as a percentage of the total pension liability	75.91%	43.42%	46.40%	48.01%

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

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.



**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Required Supplementary Information  
December 31, 2020

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Housing Authority's proportion of the net pension liability	0.00323801%	0.00314249%	0.00402591%
Housing Authority's proportionate share of the net pension liability	\$ 959,005	\$ 705,426	\$ 753,760
Housing Authority's covered employee payroll	\$ 170,062	\$ 156,729	\$ 184,434
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	563.91%	450.09%	205.97%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

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

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Required Supplementary Information  
December 31, 2020

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 17,911	\$ 15,589	\$ 16,130	\$ 30,574
Contribution in relation to the contractually required contribution	(17,911)	(15,589)	(16,130)	(30,574)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 130,177	\$ 120,633	\$ 77,145	\$ 118,570
Contribution as a percentage of covered employee payroll	13.76%	12.92%	20.91%	25.79%

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

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.*

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Required Supplementary Information  
December 31, 2020

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 28,766	\$ 27,017	\$ 33,189
Contribution in relation to the contractually required contribution	(28,766)	(27,017)	(33,189)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 170,062	\$ 156,729	\$ 184,434
Contribution as a percentage of covered employee payroll	16.92%	17.24%	18.00%

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

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

Programs funded by:  
U.S. Department of Housing and Urban Development

	<u>CFDA #'s</u>	Beginning Balance	Revenue Recognized	Fiscal Year Expenditures	Ending Balance
<u>Section 8 Housing Choice Voucher Program</u>					
NJ075	14.871	-	4,716,776	4,716,776	-
<u>HCV CARES Act Funding 14.HCC</u>					
		-	154,573	154,573	-
Grant Total 14.871		-	4,871,349	4,871,349	-
<u>Community Development Block Grants</u>					
NJ075	14.218	-	94,610	94,610	-
Grant Total 14.218		-	94,610	94,610	-
Total Expenditures of Federal Awards		\$ -	\$ 4,965,959	\$ 4,965,959	\$ -

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the Borough of Edgewater is under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the Borough of Edgewater, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the Borough of Edgewater.

**Note 2. Summary of Significant Accounting Policies:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Indirect Cost Rate**

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

**Note 4. Loans Outstanding:**

Housing Authority of the Borough of Edgewater has mortgage payable in the amount of \$1,904,020 outstanding on December 31, 2020. See Note 15 on pages 44-45 of this report for full detail.

**Note 5. Non- Cash Federal Assistance:**

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2020.

**Note 6. Sub recipients:**

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

Edgewater Housing Authority (NJ075)  
EDGEWATER, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
111 Cash - Unrestricted		\$477,787	\$383,757	\$711,580		\$1,573,124	\$1,573,124
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted			\$52,116		\$165,349	\$217,465	\$217,465
114 Cash - Tenant Security Deposits		\$25,766	\$20,653			\$46,419	\$46,419
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$0	\$503,553	\$456,526	\$711,580	\$165,349	\$1,837,008	\$1,837,008
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous		\$112,562				\$112,562	\$112,562
126 Accounts Receivable - Tenants		\$8,086	\$297			\$8,383	\$8,383
126.1 Allowance for Doubtful Accounts - Tenants		-\$8,086	\$0			-\$8,086	-\$8,086
126.2 Allowance for Doubtful Accounts - Other		\$0				\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery			\$1,494			\$1,494	\$1,494
128.1 Allowance for Doubtful Accounts - Fraud			\$0			\$0	\$0
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$112,562	\$1,791	\$0	\$0	\$114,353	\$114,353
131 Investments - Unrestricted			\$53,257			\$53,257	\$53,257
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets							
143 Inventories			\$3,980			\$3,980	\$3,980
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$0	\$616,115	\$515,554	\$711,580	\$165,349	\$2,008,598	\$2,008,598
161 Land							
162 Buildings		\$273,400	\$210,000			\$483,400	\$483,400
163 Furniture, Equipment & Machinery - Dwellings		\$3,555,236	\$2,676,625			\$6,231,861	\$6,231,861
164 Furniture, Equipment & Machinery - Administration		\$199,407	\$83,988			\$283,395	\$283,395
165 Leasehold Improvements			\$184,966	\$16,788		\$201,754	\$201,754
166 Accumulated Depreciation							
167 Construction in Progress		-\$2,242,953	-\$2,346,822	-\$3,358		-\$4,593,133	-\$4,593,133
168 Infrastructure	\$122,089					\$122,089	\$122,089

Edgewater Housing Authority (NJ075)  
EDGEWATER, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$1,785,090	\$808,757	\$13,430	\$0	\$2,729,366	\$2,729,366
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures		\$258,345				\$258,345	\$258,345
180 Total Non-Current Assets	\$0	\$2,043,435	\$808,757	\$13,430	\$0	\$2,987,711	\$2,987,711
200 Deferred Outflow of Resources			\$43,223	\$288,538		\$331,761	\$331,761
290 Total Assets and Deferred Outflow of Resources	\$0	\$2,659,550	\$1,367,534	\$1,013,548	\$165,349	\$5,328,070	\$5,328,070
311 Bank Overdraft							
312 Accounts Payable <= 90 Days							
313 Accounts Payable >90 Days Past Due		\$8,558	\$160,271			\$168,829	\$168,829
321 Accrued Wage/Payroll Taxes Payable							
322 Accrued Compensated Absences - Current Portion			\$2,826	\$404		\$3,230	\$3,230
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs		\$336,610	\$849	\$1,931		\$337,459	\$337,459
332 Accounts Payable - PHA Projects						\$1,931	\$1,931
333 Accounts Payable - Other Government		\$15,390	\$6,498			\$21,888	\$21,888
341 Tenant Security Deposits		\$25,766	\$20,704			\$46,470	\$46,470
342 Unearned Revenue		\$13	\$20		\$165,349	\$165,382	\$165,382
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$19,669	\$4,686			\$24,355	\$24,355
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities							
346 Accrued Liabilities - Other		\$1,107	\$3,122			\$4,229	\$4,229
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$0	\$407,113	\$198,976	\$2,335	\$165,349	\$773,773	\$773,773
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$1,644,502	\$235,163			\$1,879,665	\$1,879,665
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							

Edgewater Housing Authority (NJ075)  
EDGEWATER, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
354 Accrued Compensated Absences - Non Current			\$25,432	\$3,632		\$29,064	\$29,064
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities			\$434,438	\$317,102		\$751,540	\$751,540
350 Total Non-Current Liabilities	\$0	\$1,644,502	\$695,033	\$320,734	\$0	\$2,660,269	\$2,660,269
300 Total Liabilities	\$0	\$2,051,615	\$894,009	\$323,069	\$165,349	\$3,434,042	\$3,434,042
400 Deferred Inflow of Resources			\$381,086	\$527,780		\$908,866	\$908,866
508.4 Net Investment in Capital Assets			\$568,908	\$13,430		\$825,346	\$825,346
511.4 Restricted Net Position	\$122,089	\$120,919	\$52,116			\$52,116	\$52,116
512.4 Unrestricted Net Position	\$0	\$487,016	-\$528,585	\$149,269	\$0	\$107,700	\$107,700
513 Total Equity - Net Assets / Position	\$0	\$607,935	\$92,439	\$162,699	\$0	\$985,162	\$985,162
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$2,659,550	\$1,367,534	\$1,013,548	\$165,349	\$5,328,070	\$5,328,070



Edgewater Housing Authority (NJ075)  
EDGEWATER, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	Project Total	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
70300 Net Tenant Rental Revenue			\$375,388	\$238,001			\$613,389	\$613,389
70400 Tenant Revenue - Other								
70500 Total Tenant Revenue	\$0	\$0	\$375,388	\$238,001	\$0	\$0	\$613,389	\$613,389
70600 HUD PHA Operating Grants								
70610 Capital Grants					\$4,716,776	\$154,573	\$4,871,349	\$4,871,349
70710 Management Fee		\$94,610					\$94,610	\$94,610
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue								
70800 Other Government Grants								
71100 Investment Income - Unrestricted			\$5,126	\$3,212	\$5,567		\$13,905	\$13,905
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery					\$13,280		\$13,280	\$13,280
71500 Other Revenue			\$2,312	\$13,445	\$205,467		\$221,224	\$221,224
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted			\$382,826	\$254,658	\$4,941,090	\$154,573	\$5,827,757	\$5,827,757
70000 Total Revenue	\$0	\$94,610	\$382,826	\$254,658	\$4,941,090	\$154,573	\$5,827,757	\$5,827,757
91100 Administrative Salaries			\$11,858	\$5,057	\$23,572		\$40,487	\$40,487
91200 Auditing Fees								
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative			\$7,599	\$2,332	\$17,965		\$27,896	\$27,896
91600 Office Expenses			\$23,378	\$12,285	\$83,334		\$118,997	\$118,997
91700 Legal Expense			\$8,207	\$1,367	\$11,626		\$21,200	\$21,200
91800 Travel								
91810 Allocated Overhead								
91900 Other					\$1		\$1	\$1
91000 Total Operating - Administrative	\$0	\$0	\$51,042	\$21,041	\$136,498	\$0	\$208,581	\$208,581
92000 Asset Management Fee								
92100 Tenant Services - Salaries						\$1,010	\$1,010	\$1,010

Edgewater Housing Authority (NJ075)  
EDGEWATER, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other							
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$136,775 \$137,785	\$136,775 \$137,785	\$136,775 \$137,785
93100 Water		\$14,582	\$14,185			\$28,767	\$28,767
93200 Electricity		\$7,446	\$7,993			\$15,439	\$15,439
93300 Gas		\$8,258	\$10,443			\$18,701	\$18,701
93400 Fuel							
93500 Labor			\$13,750			\$13,750	\$13,750
93600 Sewer							
93700 Employee Benefit Contributions - Utilities			\$6,219			\$6,219	\$6,219
93800 Other Utilities Expense							
93000 Total Utilities	\$0	\$30,286	\$52,590	\$0	\$0	\$82,876	\$82,876
94100 Ordinary Maintenance and Operations - Labor		\$30,440	\$16,635			\$47,075	\$47,075
94200 Ordinary Maintenance and Operations - Materials and Other		\$10,918	\$13,748			\$24,666	\$24,666
94300 Ordinary Maintenance and Operations Contracts		\$48,173	\$68,102			\$116,275	\$116,275
94500 Employee Benefit Contributions - Ordinary Maintenance		\$19,051	\$6,701			\$25,752	\$25,752
94000 Total Maintenance	\$0	\$108,582	\$105,186	\$0	\$0	\$213,768	\$213,768
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance		\$6,539	\$7,820			\$14,359	\$14,359
96120 Liability Insurance		\$3,269	\$3,910			\$7,179	\$7,179
96130 Workmen's Compensation		\$3,269	\$3,910	\$1,797		\$8,976	\$8,976
96140 All Other Insurance							
96100 Total Insurance Premiums	\$0	\$13,077	\$15,640	\$1,797	\$0	\$30,514	\$30,514
96200 Other General Expenses				\$106,721		\$106,721	\$106,721
96210 Compensated Absences							
96300 Payments in Lieu of Taxes		\$11,150	\$6,498			\$17,648	\$17,648
96400 Bad debt - Tenant Rents		\$8,086				\$8,086	\$8,086

Edgewater Housing Authority (NJ075)  
EDGEWATER, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	14. HCC HCV CARES Act Funding	Subtotal	Total
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$0	\$19,236	\$6,498	\$106,721	\$0	\$132,455	\$132,455
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)		\$39,768	\$10,281			\$50,049	\$50,049
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$39,768	\$10,281	\$0	\$0	\$50,049	\$50,049
96900 Total Operating Expenses	\$0	\$261,991	\$211,236	\$245,016	\$137,785	\$856,028	\$856,028
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$94,610	\$43,422	\$4,696,074	\$16,788	\$4,971,729	\$4,971,729
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments							
97350 HAP Portability-In				\$4,027,095		\$4,027,095	\$4,027,095
97400 Depreciation Expense				\$195,174		\$195,174	\$195,174
97500 Fraud Losses		\$91,182	\$29,418	\$3,358		\$123,958	\$123,958
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$0	\$353,173	\$240,654	\$4,470,643	\$137,785	\$5,202,255	\$5,202,255
10010 Operating Transfer In				\$16,788		\$16,788	\$16,788
10020 Operating transfer Out					-\$16,788	-\$16,788	-\$16,788
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$16,788	-\$16,788	\$0	\$0

Edgewater Housing Authority (NJ075)  
EDGEWATER, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	14,218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14,871 Housing Choice Vouchers	14, HCC HCV CARES Act Funding	Subtotal	Total
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$0	\$29,653	\$14,004	\$487,235	\$0	\$625,502	\$625,502
Total Expenses							
11020 Required Annual Debt Principal Payments	\$0	\$18,957	\$4,460	\$0	\$0	\$23,417	\$23,417
11030 Beginning Equity	\$0	\$578,282	\$78,435	-\$324,536	\$0	\$359,660	\$359,660
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors							
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity				\$529,365		\$529,365	\$529,365
11180 Housing Assistance Payments Equity				-\$366,666		-\$366,666	-\$366,666
11190 Unit Months Available	0	372	360	8232	0	8964	8964
11210 Number of Unit Months Leased	0	372	357	7983	0	8712	8712
11270 Excess Cash	\$0					\$0	\$0
11610 Land Purchases	\$0					\$0	\$0
11620 Building Purchases	\$0					\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0	\$0
11650 Leasehold Improvements Purchases	\$0					\$0	\$0
11660 Infrastructure Purchases	\$0					\$0	\$0
13510 CFFP Debt Service Payments	\$0					\$0	\$0
13901 Replacement Housing Factor Funds	\$0					\$0	\$0

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND GRANT COST  
AS OF DECEMBER 31, 2020**

	NJ39P075501-16		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 27,593	\$ 27,593	\$ -
Total	\$ 27,593	\$ 27,593	\$ -
Funds Advanced	\$ 27,593		
Funds Expended	27,593		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-16 was completed by December 4, 2017
4. There were no budget overruns noted.



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*Certified Public Accountants*

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

Board of Commissioners  
Housing Authority of the Borough of Edgewater  
300 Undercliff Avenue  
Edgewater, New Jersey 07020

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Borough of Edgewater as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Housing Authority of the Borough of Edgewater's basic financial statements, and have issued our report thereon dated October 29, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Housing Authority of the Borough of Edgewater'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 Housing Authority of the Borough of Edgewater's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the Borough of Edgewater'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 Housing Authority of the Borough of Edgewater's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

**Hymanson Parnes & Giampaolo**

Lincroft, New Jersey

Date: October 29, 2021



*Hymanson, Parnes & Giampaolo*

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

Board of Commissioners  
Housing Authority of the Borough of Edgewater  
300 Undercliff Avenue  
Edgewater, New Jersey 07020

**Report on Compliance for Each Major Federal Program**

We have audited Housing Authority of the Borough of Edgewater compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the Borough of Edgewater major federal programs for the year ended December 31, 2020. Housing Authority of the Borough of Edgewater major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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



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

***Opinion on Each Major Federal Program***

In our opinion, Housing Authority of the Borough of Edgewater 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, 2020.

***Report on Internal Control Over Compliance***

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

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

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

**Purpose of This Report**

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

*Hymanson Parnes & Giampaolo*

Lincroft, New Jersey

Date: October 29, 2021

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Schedule of Findings and Questioned Cost

Year Ended December 31, 2020

**Prior Audit Findings**

None reported

**Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? \_\_\_\_\_ yes  X  no

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

Noncompliance Material to Financial Statements Noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal Control over Major Programs:

Material Weakness (es) Identified? \_\_\_\_\_ yes  X  no

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

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

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

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Voucher Program	\$ 4,871,349

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

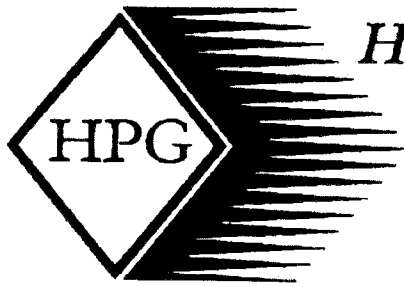
Auditee qualified as a low-risk auditee  X  yes \_\_\_\_\_ no

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported

**FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT**

None reported



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**Certified Public Accountants**

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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

Board of Commissioners  
 Housing Authority of the Borough of Edgewater  
 300 Undercliff Avenue  
 Edgewater, New Jersey 07020

We have performed the procedures enumerated below on whether the electronic submission of certain information agrees with the hard copy documents within the reporting package for the year ended December 31, 2020. The U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) is responsible for the Uniform Financial Reporting Standards (UFRS) procedures.

Housing Authority of the Borough of Edgewater has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the REAC's UFRS requirements for the submission of the PHA financial data for the year ended December 31, 2020. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Procedure	UFRS Rule Information	Hardcopy Documents	Agrees	Does Not Agree
1	Balance Sheet and Revenue and Expense (Data lines 111 to 13901)	Financial Data Schedule of all CFDA's, If Applicable	Yes	
2	Footnotes (data element G5000-010)	Footnotes to the audited basic financial statements	Yes	
3	Type of Opinion on FDS (data element G3100-040)	Auditors Report on Supplemental Data	Yes	
4	Audit findings narrative (date element G5200-010)	Schedule of Findings and Questioned Costs	Yes	

Procedure	UFRS Rule Information	Hardcopy Documents	Agrees	Does Not Agree
5	General Information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Yes	
6	Financial Statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	Yes	
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	Yes	
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Yes	
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Yes	

We were engaged by Housing Authority of the Borough of Edgewater to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on UFRS Rule Information. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of REAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Housing Authority of the Borough of Edgewater and REAC, and is not intended to be, and should not be, used by anyone other than these specified parties.

***Hymanson Parnes & Giampaolo***

Lincroft, New Jersey

October 29, 2021