

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**  
**STATEMENT OF CASH FLOWS- 2**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021**

	2021
<b>Reconciliation of Operating Income to Net Cash</b>	
Provided by Operating Activities	
Excess Revenue	\$ 559,622
Adjustments to reconcile excess revenue to net cash provided by operating activities:	
Depreciation Expense	131,176
(Increase) Decrease in:	
Accounts Receivables	(129,735)
Prepaid Expenses	(1,437)
Increase (Decrease) in:	
Accounts Payable	49,842
Accrued Liabilities	98,926
Tenant Security Deposit Payable	(5,564)
Unearned Revenues	(165,350)
Accrued Compensated Absences - Long-Term	1
Net Cash Provided by Operating Activities	\$ 537,481
Interest expense paid during the year	\$ 39,966

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2021

### **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.

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2021

### **1. Organization – Continued**

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 Authority manages the financial affair of Edgewater Housing Finance Corporation.

### **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.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2021

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

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue composed primarily of laundry income, 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.

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, 2021.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2021

### **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.

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.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2021

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

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.

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.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2021

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

##### 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 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.

##### 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."

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2021

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

#### 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 laundry income, 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.

#### 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 2021.

#### 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.



**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements

December 31, 2021

**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		

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.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2021

### **Activities - Continued**

#### 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.

#### 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, 2021. 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.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2021

### **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.

### **Rent Increases**

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

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements

December 31, 2021

**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, 2021

#### **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/2021divisioncombined.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 was \$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, 2021

#### **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, 2021, 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, 2021

#### **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	\$ 250,000	\$ 275,376
Collateralized held by pledging bank's trust department in the Authority's name	1,590,655	-
Uninsured	-	249,809
Total Cash and Cash Equivalents and Investments	\$ 1,840,655	\$ 525,185

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, 2021:

	Primary Government	Component Unit
Tenant Security Deposit	\$ 15,813	\$ 25,093
Replacement Reserve	57,347	-
Capital Repairs Escrow Reserve	3,460	-
Total Restricted Deposits and Funded Reserves	\$ 76,620	\$ 25,093

The Authority has total restricted deposits on December 31, 2021, in the amount of \$40,906 for the tenant security deposit.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements

December 31, 2021

**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	\$ 45,031	\$ 7,085	\$ 52,116
Deposit Made	18,000	-	18,000
Interest Earned	255	25	280
Withdrawals Made	(5,939)	(3,650)	(9,589)
Ending Balance	\$ 57,347	\$ 3,460	\$ 60,807

**Investments**

The Authority's primary government investments on December 31, 2021, included the following:

Investments	Maturity	Fair Value
Certificate of Deposit	February-22	\$ 53,520



## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2021

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

Accounts Receivable on December 31, 2021, consisted of the following:

	<u>Primary Government</u>	<u>Component Unit</u>
Tenants Accounts Receivable - Present	\$ 807	\$ 8,186
Less: Allowance for Doubtful Accounts	-	(7,896)
Net Tenants Accounts Receivable	807	290
Accounts Receivable - HUD	116,301	-
Accounts Receivable - HAP Portability	12,937	-
Accounts Receivable - Fraud Recovery	894	-
Accounts Receivable - Miscellaneous	297	-
Accounts Receivable - Developer Fee	-	61,281
Accounts Receivable - A-HOME Funds	-	21,281
Neighborhood Affordable Receivable	-	30,000
Total Accounts Receivable	\$ 131,236	112,852

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, 2021 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

# HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

## Notes to Financial Statements December 31, 2021

### **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, 2021, were in the amount of \$5,417 which consisted of prepaid insurance amounts.

### **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, 2021, was \$131,176. 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, 2021.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER**

Notes to Financial Statements  
December 31, 2021

**NOTE 8 - FIXED ASSETS - CONTINUED**

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2021:

	December-20	Additions	Transfer	December-21
Land	\$ 483,400	\$ -	\$ -	\$ 483,400
Building	6,231,861	53,419	122,089	6,407,369
Furniture, Equipment - Dwelling	283,395	15,836	-	299,231
Furniture, Equipment - Administration	201,754	15,551	-	217,305
Construction in Process	122,089	42,785	(122,089)	42,785
Total Fixed Assets	7,322,499	127,591	-	7,450,090
Accumulated Depreciation	(4,593,133)	(131,176)	-	(4,724,309)
Net Book Value	\$ 2,729,366	\$ (3,585)	\$ -	\$ 2,725,781

Below is a schedule of the net book value of the fixed assets for the Authority as of December 31, 2021:

<u>Net Book Value of Fixed Assets</u>	<u>December-21</u>
Land	\$ 483,400
Building	2,154,563
Furniture, Equipment - Dwelling	27,153
Furniture, Equipment - Administration	17,880
Construction in Process	42,785
Net Book Value	\$ 2,725,781

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2021

#### **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, 2021, 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.

#### **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.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2021

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

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	\$ 18,147	\$ 4,862	\$ 23,009
Changes in Assumptions	103,048	8,662	111,710
Net Difference Between Projected and Actual Earning on Pension Plan Investments	438	9,126	9,564
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	58,011	11,902	69,913
Total	<u>\$ 179,644</u>	<u>\$ 34,552</u>	<u>\$ 214,196</u>
 <b>Deferred Inflows of Resources</b>	 OPEB	 Pension	 Total
Differences Between Expected and Actual Experiences	\$ 128,299	\$ 944	\$ 129,243
Changes in Assumptions	153,216	111,794	265,010
Net Difference Between Projected and Actual Earning on Pension Plan Investments	92,514	-	92,514
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	179,519	179,519
Total	<u>\$ 374,029</u>	<u>\$ 292,257</u>	<u>\$ 666,286</u>

#### Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$23,009 and \$129,243.

## HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

### Notes to Financial Statements

December 31, 2021

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

##### Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$111,710 and \$265,010.

##### 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 \$9,564 and \$92,514.

##### 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 \$69,913 and \$179,519.