

Report On Audit

**HOUSING AUTHORITY OF THE
BOROUGH OF EDGEWATER**

**For the Year Ended
December 31, 2022**

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business type activities and blended component unit of the Housing Authority of the Borough of Edgewater, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Edgewater basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and blended component unit of the Housing Authority of the Borough of Edgewater as of December 31, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the Borough of Edgewater and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the Borough of Edgewater's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the Borough of Edgewater.
- Housing Authority of the Borough of Edgewater's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 5 through 18 and pages 64-68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the Borough of Edgewater's basic financial statements. The accompanying supplemental information on pages 69-82 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 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 component unit financial statements are also not required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Financial Data Schedule, and the component unit financial statements 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.

Such information is 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards, Financial Data Schedule, and the component unit financial statements, 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 our report dated September 8, 2023, in 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Borough of Edgewater's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the Borough of Edgewater's internal control over financial reporting and compliance.

Giampaolo & Associates

Lincroft, New Jersey

Date: September 8, 2023

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022**

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 19 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 \$2,367,497, an increase in the financial position of \$812,605 or 52% as compared to the prior year.

As noted above, the net position of the Authority was \$2,367,497 as of December 31, 2022. Of this amount, the restricted net position increased \$18,345 to \$79,152 and the unrestricted net position increased \$849,725 to \$1,498,213. Additional information on the Authority's unrestricted net position can be found in Note 21 the financial statements, which is included in this report.

The net investment in capital assets decreased \$55,468 or 7% percent for an ending balance of \$790,132.

The restricted net position increased \$18,345 or 30% percent from the prior year for an ending balance of \$79,152. Additional information on the Authority's restricted net position can be found in Notes 20 to the financial statements, which is included in this report.

The Authority's total cash, and cash equivalents on December 31, 2022, is \$2,822,297 representing an increase of \$509,977 or 22% percent from the prior year. Operating cash increased \$484,687 or 22% percent for and ending balance of \$2,695,294. Total restricted deposits and funded reserves increased \$25,290 or 25% percent for an ending balance of \$127,003. The Authority purchased investments in the amount of \$244 during the year for an ending balance of \$53,764. The full detail of these amounts can be found in the Statement of Cash Flows on pages 22-23 of this report.

The Authority's total assets and deferred outflows are \$6,306,778 of which capital assets net book value is \$2,645,482, other assets are \$262,988, and deferred outflow amount is \$180,616, leaving total current assets at \$3,217,692.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current assets increased from the previous year by \$602,347 or 23% percent. Cash and cash equivalents increased by \$509,977, investments increased by \$244, accounts receivables increased by \$90,430, and prepaid expenses increased by \$1,696.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$80,299. The major factor that contributed towards the decrease was purchase of fixed assets in the amount of \$51,036, less the recording of depreciation expense in the amount of \$131,335. 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 \$262,988 which consisted of capital contributions and there were no changes to report for the fiscal year 2022. Right to use assets consisting of an operating lease increased in the amount of \$4,643. Additional information on the Authority's other assets can be found in Note 9 and 10 of 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 \$33,580 for an ending balance of \$180,616. The Authority also reported a decrease in the deferred inflow for the pension cost in the amount of \$236,496 for an ending balance of \$429,790. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 11 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$3,509,491 of which current liabilities are stated at \$719,632 and noncurrent liabilities are stated at \$2,789,859. Total liabilities decreased during the year as compared to the prior year in the amount of \$82,995 or 2% percent. Total current liabilities decreased during the year by \$33,050, leaving non-current liabilities for a decrease of \$49,945 as compared to the previous year.

As previously stated, total current liabilities decreased from the previous year by \$33,050 or 4% percent. Accounts payables increased by \$21,257, accrued liabilities decreased by \$61,364, tenant security deposit payable increased by \$3,536, unearned revenue increased \$23 and the current portion of long-term debt increased by \$1,048. The Authority also had an increase in operating lease payable by \$2,450.

Total noncurrent liabilities decreased by \$49,945 or 2% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$29,066, with no offsetting assets, increased \$1 from the previous year, and long-term debt (mortgage payable) decreased \$25,879 for an ending balance of \$1,828,892. The Authority also had an increase in operating lease payable noncurrent by \$2,237 for the copier lease.

Accrued pension and OPEB liabilities decreased \$26,304 or 3% percent for an ending balance of \$929,664. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at December 31, 2022 can be found in Notes 17-18 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had total operating revenue of \$6,576,003 as compared to \$6,439,834 from the prior year for an increase of \$136,169 or 2% percent. The Authority had total operating expenses of \$5,996,279 as compared to \$5,880,212 from the previous year for an increase of \$116,067 or 2% percent, resulting in excess revenue from operations in the amount of \$579,724 for the current year as compared to excess revenue from operations in the amount of \$559,622 for an increase in surplus revenue in the amount of \$20,102 or 4% percent from the previous year.

The Authority had capital outlays in the amount of \$51,036 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 \$5,424,833 for the year 2022 as compared to \$5,460,543 for the previous year 2021 for a decrease of \$35,710 or 1% 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, 2022**

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 19 through 23.

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 24 through 63.

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, 2022**

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 69-70 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, 2022. 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, 2022.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between December 31, 2022, and December 31, 2021:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase
	December-22	December-21	(Decrease)
Cash	\$ 2,822,297	\$ 2,312,320	\$ 509,977
Other Current Assets	395,395	303,025	92,370
Capital Assets - Net	2,645,482	2,725,781	(80,299)
Other Assets	262,988	258,345	4,643
Deferred Outflows	180,616	214,196	(33,580)
Total Assets	6,306,778	5,813,667	493,111
Less: Current Liabilities	(719,632)	(752,682)	33,050
Less: Non Current Liabilities	(2,789,859)	(2,839,804)	49,945
Less: Deferred Inflows	(429,790)	(666,286)	236,496
Net Position	<u>\$ 2,367,497</u>	<u>\$ 1,554,895</u>	<u>\$ 812,602</u>
Net Investment in Capital Assets	\$ 790,132	\$ 845,600	\$ (55,468)
Restricted Net Position	79,152	60,807	18,345
Unrestricted Net Position	1,498,213	648,488	849,725
Net Position	<u>\$ 2,367,497</u>	<u>\$ 1,554,895</u>	<u>\$ 812,602</u>

Cash increased by \$509,977 or 22% percent. Net cash provided by operating activities was \$579,837, net cash used by capital and related financing activities was \$78,276, and net cash provided by investing activities was \$8,416. The full detail of this amount can be found in the Statement of Cash Flows on page 22-23 of this audit report.

Total other current assets increased from the previous year by \$92,370. Purchase of investments was \$244, accounts receivables increased by \$90,430, and prepaid expenses increased \$1,696.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$80,299. The major factor that contributed towards the decrease was purchase of fixed assets in the amount of \$51,036, less the recording of depreciation expense in the amount of \$131,335.

The Authority's total other assets are reported at \$262,988 which consisted of capital contributions and there was no change to report for the fiscal year 2022. Right to use assets consisting of an operating lease increased in the amount of \$4,643. Additional information on the Authority's other assets can be found in Note – 9 and 10 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$33,580 for an ending balance of \$180,616. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$236,496 for an ending balance of \$429,790.

Total current liabilities decreased from the previous year by \$33,050 or 4% percent. Accounts payable increased by \$21,257, accrued liabilities decreased by \$61,364, tenant security deposit payable increased by \$3,536, unearned revenue decreased \$23, operating lease payable increased by \$2,450 and the current portion of long-term debt increased by \$1,048.

Total noncurrent liabilities decreased by \$49,945 or 2% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$29,066, with no offsetting assets, increased \$1 from the previous year and long-term debt (mortgage payable) decreased \$25,879 for an ending balance of \$1,828,892. The Authority also had an increase in operating lease payable noncurrent by \$2,237 for the copier lease.

Accrued pension and OPEB liabilities decreased \$26,304 or 3% percent for an ending balance of \$929,664. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at December 31, 2022 can be found in Notes 17-18 to the financial statements, which is included in this report.

The Authority's reported net position of \$2,367,497 is made up of three categories. The net investment in capital assets in the amount of \$790,132 represents 33% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current year:

Balance December 31, 2021	\$	845,600
Payment of Debt		24,832
Capital Additions		51,036
Depreciation Expense		(131,336)
Balance December 31, 2022	\$	790,132

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported a restricted net position of \$79,152, representing an increase of \$18,345 or 3% 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 20 Restricted Net Position.

The Housing Authority of the Borough of Edgewater operating results for December 31, 2022, reported an increase in unrestricted position of \$845,600 for an ending balance of \$1,498,213. During the year, the Authority had no prior period adjustment. Full details of these accounts can be found in the Notes to the Financial Statements Section Note – 21 Unrestricted Net Position.

The following summarizes the changes in Net Position between December 31, 2022, and December 31, 2021:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	December-22	December-21	
<u>Revenues</u>			
Tenant Revenues	\$ 636,799	\$ 636,756	\$ 43
HUD Subsidies	5,424,833	5,417,758	7,075
Other Revenues	514,371	385,320	129,051
Total Operating Income	<u>6,576,003</u>	<u>6,439,834</u>	<u>136,169</u>
<u>Expenses</u>			
Operating Expenses	5,864,944	5,749,036	115,908
Depreciation Expense	131,335	131,176	159
Total Operating Expenses	<u>5,996,279</u>	<u>5,880,212</u>	<u>116,067</u>
Operating (Loss)			
Before Non Operating Income	579,724	559,622	20,102
Extraordinary Expense	(5,000)	-	(5,000)
Interest Income	8,660	10,111	(1,451)
Change in Net Position	<u>583,384</u>	<u>569,733</u>	<u>13,651</u>
Net Position Prior Year	1,554,895	985,162	569,733
Prior Period Adjustment	229,218	-	229,218
Total Net Position	<u>\$ 2,367,497</u>	<u>\$ 1,554,895</u>	<u>\$ 812,602</u>

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Approximately 82% percent of the Authority's total revenue was provided by HUD operating subsidy, while 10% percent resulted from tenant revenue. Charges for various services, and other income provided for the remaining 8% percent of the total operating income.

The Authority had capital expenditures of \$51,036 during the fiscal year. The current year additions included tenant bathroom renovations, HVAC upgrades, the purchase of new laptops for administration, air conditioning units, repaving the parking lot, and the purchase of various appliances.

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 5% percent, tenant services expense accounted for less than 1% percent, utilities expense accounted for 2% percent, maintenance expense accounted for 4% percent, other operating expenses accounted for 5% 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 \$579,724 as compared to excess revenue from operations of \$559,622 for the previous year. The key elements for the increase in surplus in comparison to the prior year are as follows:

- Tenant rental revenue increased \$43 or 1% due to an increase in tenant income.
- Other revenue increased \$129,051 or 33% percent due to HAP portability income.
- The Authority experienced an increase in HUD operating grants in the amount of \$7,075, or 1% percent due to the administration of additional Housing Choice Vouchers.
- The Authority experienced an increase in the following expense accounts:
 - Administrative expenses decreased \$29,189 or 9% percent.
 - Tenant services expenses decreased \$149,686 or 100% percent.
 - Utilities expenses decreased \$5,138 or 5% percent.
 - Maintenance expenses increased \$25,204 or 11% percent.
 - Other operating expenses decreased \$149,369 or 32% percent.
 - Housing Assistance Payments increased \$425,924 or 10% percent.
 - Interest expense decreased \$1,838 or 3% percent.
 - Depreciation expense increased \$159 or 0% percent.

Total net cash provided by operating activities during the year was \$579,837. A full detail of this amount can be found on the Statement of Cash Flows on page 22-23 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Overall, the Authority reported an increase in unrestricted net position of \$849,725 or 131% percent for an ending balance \$1,498,213. Additional information on the Authority's unrestricted net position can be found in Note 21 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, 2022:

	December-22	December-21	December-20	December-19
Significant Income				
Total Tenant Revenue	\$ 636,799	\$ 636,756	\$ 613,389	\$ 593,915
HUD Operating Grants	5,424,833	5,417,758	4,871,349	4,392,959
Investment Income	8,660	10,111	13,905	13,648
Other Income	514,371	385,320	234,504	325,097
Capital Grants	-		94,610	-
Total	\$ 6,584,663	\$ 6,449,945	\$ 5,827,757	\$ 5,325,619
Payroll Expense				
Administrative Salaries	\$ 45,690	\$ 42,499	\$ 40,487	\$ 33,474
Utilities Labor	14,300	13,750	13,750	13,500
Maintenance Labor	49,337	48,942	47,075	39,334
Employee Benefits Expense	68,191	143,359	39,417	42,510
Total Payroll Expense	\$ 177,518	\$ 248,550	\$ 140,729	\$ 128,818
Other Significant Expenses				
Other Administrative Expenses	\$ 206,555	\$ 202,542	\$ 140,199	\$ 282,711
Utilities Expense	99,333	66,884	62,907	63,985
Maintenance Supplies	25,869	20,911	24,666	33,086
Maintenance Contract Cost	151,792	109,352	116,275	114,592
Insurance Premiums	35,656	36,064	30,514	30,332
Housing Assistance Payments	4,858,484	4,432,560	4,222,269	4,412,811
Total	\$ 5,377,689	\$ 4,868,313	\$ 4,596,830	\$ 4,937,517
Total Operating Expenses	\$ 5,996,279	\$ 5,202,255	\$ 5,794,693	\$ 4,522,316
Total of Federal Awards	\$ 5,424,833	\$ 5,417,758	\$ 4,965,959	\$ 4,392,959

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022**

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.

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.

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, 2022**

**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, 2022.

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 2022 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 82% percent of its revenue from the Department of Housing and Urban Development, (2021 was 84% 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, 2022**

APITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2022, was \$2,645,482 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The major factor that contributed to the decrease was the purchase of fixed assets in the amount of \$51,036 less the recording of depreciation expense in the amount of \$131,335. Major capital assets events during the year included the following:

- Fitness Room Upgrades
- A/C Units
- HVAC Upgrades
- Appliance Purchases

	December-22	December-21	Increase (Decrease)
Land	\$ 483,400	\$ 483,400	\$ -
Building	6,413,669	6,407,369	6,300
Furniture, Equipment - Dwelling	318,980	299,231	19,749
Furniture, Equipment - Administrat	217,305	217,305	-
Construction in Progress	67,772	42,785	24,987
Total Fixed Assets	\$ 7,501,126	\$ 7,450,090	\$ 51,036
Accumulated Depreciation	(4,855,644)	(4,724,309)	(131,335)
Net Book Value	\$ 2,645,482	\$ 2,725,781	\$ (80,299)

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, 2022, the Authority had debt outstanding in the amount of \$1,885,350 of which \$1,828,892 is stated as long term. Interest is payable at various rates. Additional information on the Authority's debt can be found in Note 16 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, 2022**

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, 2023.

- 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, 2022

	2022
Assets	
Current Assets:	
Cash and Cash Equivalents	
Operating	\$ 2,695,294
Restricted	127,003
Total cash and equivalents	2,822,297
Investments	53,764
Accounts Receivables, Net of Allowances	334,518
Prepaid Expenses	7,113
Total Current Assets	3,217,692
Noncurrent Assets	
Capital Assets	
Land	483,400
Building	6,413,669
Furniture, Equipment - Dwelling	318,980
Furniture, Equipment - Administration	217,305
Construction In Process	67,772
Total Capital Assets	7,501,126
Less: Accumulated Depreciation	(4,855,644)
Net Book Value	2,645,482
Other Assets	
Right to Use Assets -Operating Lease	4,643
Investment in Joint Ventures	258,345
Total Other Assets	262,988
Total Noncurrent Assets	2,908,470
Total Assets	6,126,162
Deferred Outflow of Resources	
NJ Pension and OPEB	180,616
Total Assets and Deferred Outflow of Resources	\$ 6,306,778

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
STATEMENT OF NET POSITION - 2
AS OF DECEMBER 31, 2022

	2022
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 263,747
Accrued Liabilities	382,480
Tenant Security Deposit Payable	44,442
Unearned Revenue	55
Operating Lease Payable - Current	2,450
Long Term Debt - Current	26,458
Total Current Liabilities	719,632
Noncurrent Liabilities	
Long Term Debt - Non Current	1,828,892
Operating Lease Payable - Non Current	2,237
Accrued Compensated Absences - Long-Term	29,066
Accrued Other Post-Employment Benefits Liabilities	929,664
Total Noncurrent Liabilities	2,789,859
Total Liabilities	3,509,491
Deferred Inflow of Resources	
NJ Pension and OPEB	429,790
Net Position:	
Net Investment in Capital Assets	790,132
Restricted	79,152
Unrestricted	1,498,213
Total Net Position	2,367,497
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 6,306,778

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, 2022

	2022
Revenue:	
Tenant Rental Revenue	\$ 636,799
HUD PHA Operating Grants	5,424,833
Fraud Recovery	14,330
Other Revenue	500,041
Total Revenue	6,576,003
 Operating Expenses:	
Administrative Expenses	284,252
Tenant Services	300
Utilities Expense	99,333
Maintenance Expense	255,531
Other Operating Expenses	311,746
Housing Assistance Payments	4,858,484
Interest Expense	55,298
Depreciation Expense	131,335
Total Operating Expenses	5,996,279
 Excess Revenue From Operations	579,724
 Nonoperating Revenue and Expenses	
Extraordinary Expense	(5,000)
Investment Income	8,660
Total Nonoperating Income	3,660
 Change in Net Position	583,384
 Beginning Net Position	1,554,895
Prior Period Adjustment	229,218
Net Position, Restated	1,784,113
 Ending Net Position	\$ 2,367,497

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, 2022

	2022
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 637,288
Receipts from Federal Grants	5,319,522
Receipts from Misc. Sources	527,605
Payments to Vendors and Suppliers	(839,271)
Payments for Housing Assistance Payments	(4,858,484)
Payments to Employees	(138,632)
Payment of Employee Benefits	(68,191)
Net Cash Provided by Operating Activities	579,837
Cash Flow From Capital and Related Financing Activities	
Acquisitions and Construction of Capital Assets	(51,036)
Principal Payment on Debt	(24,832)
Change in Pension and OPEB Liabilities	(26,304)
Net Effect of Deferred Inflows and Outflows	(202,916)
Prior Period Adjustment	229,218
Right to Use Assets -Operating Lease	(4,643)
Operating Lease Payable - Non Current	2,237
Net Cash (Used) by Capital and Related Financing Activities	(78,276)
Cash Flow From Investing Activities	
Interest Income	8,660
Purchase of Investments	(244)
Net Cash Provided by Investing Activities	8,416
Net Increase in Cash and Cash Equivalents	509,977
Beginning Cash, Cash Equivalents and Restricted Cash	2,312,320
Ending Cash, Cash Equivalents and Restricted Cash	\$ 2,822,297
Reconciliation of Cash Balances:	
Cash and Cash Equivalents - Unrestricted	2,695,294
Cash and Cash Equivalents - Restricted	127,003
Total Ending Cash	\$ 2,822,297

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, 2022

	2022
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Excess Revenue	\$ 579,724
Adjustments to reconcile excess revenue to net cash provided by operating activities:	
Depreciation Expense	131,335
(Increase) Decrease in:	
Accounts Receivables	(90,430)
Prepaid Expenses	(1,696)
Increase (Decrease) in:	
Accounts Payable	21,257
Accrued Liabilities	(61,364)
Tenant Security Deposit Payable	3,537
Unearned Revenues	23
Operating Lease Payable - Current	2,450
Accrued Compensated Absences - Long-Term	1
Extraordinary Expense	(5,000)
Net Cash Provided by Operating Activities	\$ 579,837
Supplemental Disclosure of Cash Flow Information:	
Interest expense paid during the year	\$ 39,300
Lease Payments Made	\$ 2,225

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

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, 2022

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.

The Authority adopted in January 2022, GASB Statement No. 87, *Accounting for Leases*. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease receivables and liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

2. Significant Accounting Policies - Continued

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, 2022.

Basis of Accounting –

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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.

Revenue Recognition

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue composed primarily of laundry income, portability income for the Housing Choice Voucher program, and resident's charges and late fees. The Authority recognizes short-term rental income from tenants who have signed a lease agreement for less than one year, in accordance with HUD guidelines. The Authority considers both rental income and subsidies to be exempt from compliance with ASC 606 as they are covered under current and future lease standards. However, tenant reimbursements for costs like utilities, which are based on consumption, are subject to ASC 606 and recognized as revenue when incurred. Additionally, the Authority also generates revenue from tenant charges and fees, laundry machine income and HAP portability payments all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

The Authority provides housing assistance payments to participating owners on behalf of eligible tenants. The Authority also provides provide decent, safe, and sanitary housing for extremely low and very low-income families. The revenue is recorded as earned since it is measurable and available.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

Basis of Accounting –

Revenue Recognition

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. Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

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. In accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

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

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements December 31, 2022

Financial Reporting Entity

The financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined based on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

All governmental activities and functions performed for the Authority are its direct responsibility. The financial reporting entity consists of:

- (a) the primary government which is the Authority,
- (b) organizations for which the primary government is financially accountable, and
- (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14.

The decision to include a potential unit in the Authority's reporting entity is based on several criteria set forth in GASB Statement No. 61, including legal standing, fiscal dependency, and financial accountability. The Authority has identified a Component Unit which consists of activities pertaining to Edgewater Housing Finance Corporation.

Edgewater Housing Finance meets the financial accountability criteria for inclusion in the Authority financial statements. The non-profit corporation was formed for the purpose of developing, operating, and managing low- and moderate-income housing

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. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts.

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.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

Other accounting policies - Continued

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.

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, 2022

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, 2022

Other accounting policies - Continued

16 - Operating Revenue and Expenses

Operating revenue includes HUD operating subsidies, tenants dwelling rents, HAP portability payments, and all other revenue. Other revenue composed primarily of laundry income, portability income for the Housing Choice Voucher program, and resident's charges and late fees. Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent, and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Nonoperating Revenue and Expenses

The Authority's nonoperating revenue relates primarily to interest income and extraordinary expenses. For reporting purposes. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

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 2022.

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, 2022

Activities - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Available
<u>Public Housing</u>			
RAD			30
Community Development Block Grant	14.218		
<u>Section 8 Housing</u>			
Section 8 Housing Choice Vouchers Program	14.871	NJ39-75	686

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.

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.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements December 31, 2022

Activities - Continued

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 affairs 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, 2022. 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 operates 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) must 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.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements December 31, 2022

Revenue from Rental Contracts -Continued

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.

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.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements December 31, 2022

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 those estimates, particularly given that the COVID-19 pandemic continues to create financial uncertainty throughout the economy. The most significant estimates included in the preparation of the financial statements are allowance for doubtful accounts and estimated fixed asset lives.

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/2022divisioncombined.pdf>

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 3 - PENSION PLAN -CONTINUED

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 2022 is \$20,679.

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 18 – Accrued Pension Liability.

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Authority's cash and 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 the 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 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 pledged under the New Jersey Government Code of the Banking Law.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Risk Disclosures

Collateral for Deposits

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

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. On December 31, 2022, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

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

<u>Depository Accounts</u>	Primary Government	Component Unit
Insured	\$ 250,000	\$ 276,356
Collateralized held by pledging bank's		
Trust department in the Authority's name	2,062,942	-
Uninsured	-	286,763
Total Cash and Cash Equivalents and Investments	<u>\$ 2,312,942</u>	<u>\$ 563,119</u>

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.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Restricted Deposits and Funded Reserves

The Authority restricted deposits and funded Reserves is as follows on December 31, 2022:

Tenant Security Deposit	\$	47,851
Replacement Reserve		75,675
Capital Repairs Escrow Reserve		3,477
Total Restricted Deposits and Funded Reserves	\$	<u>127,003</u>

The Authority has total restricted deposits on December 31, 2022, in the amount of \$47,851 and \$40,906 for 2021 in tenant security deposit.

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 12-2020	\$ 45,031	\$ 7,084	\$ 52,115
Deposit Made	18,000	-	18,000
Interest Earned	255	25	280
Withdrawals Made	(5,939)	(3,650)	(9,589)
Beginning Balance 12-2021	\$ 57,346	\$ 3,460	60,806
Deposit Made	18,000	-	18,000
Interest Earned	329	17	346
Withdrawals Made	-	-	-
Ending Balance 12-2022	\$ 75,675	\$ 3,477	\$ 79,152

Investments

The Authority’s primary government investments on December 31, 2022, included the following:

Investments	Maturity	Fair Value
Certificate of Deposit	February-23	\$ 53,764

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on December 31, 2022, consisted of the following:

	Primary Government	Component Unit	Total
Tenants Accounts Receivable - Present	\$ -	\$ 8,504	\$ 8,504
Less: Allowance for Doubtful Accounts	-	(8,504)	(8,504)
Net Tenants Accounts Receivable	-	-	\$ -
Accounts Receivable - HUD	221,612	-	221,612
Accounts Receivable - Fraud Recovery	344	-	344
Accounts Receivable - Developer Fee	-	61,281	61,281
Accounts Receivable - A-HOME Funds	-	21,281	21,281
Neighborhood Affordable Receivable	-	30,000	30,000
Total Accounts Receivable	Dec-22 \$ 221,956	112,562	334,518

	Primary Government	Component Unit	Total
Tenants Accounts Receivable - Present	\$ 807	\$ 8,186	\$ 8,993
Less: Allowance for Doubtful Accounts	-	(7,896)	(7,896)
Net Tenants Accounts Receivable	807	290	\$ 1,097
Accounts Receivable - HUD	116,301	-	116,301
Accounts Receivable - HAP Portability	12,937	-	12,937
Accounts Receivable - Fraud Recovery	894	-	894
Accounts Receivable - Miscellaneous	297	-	297
Accounts Receivable - Developer Fee	-	61,281	61,281
Accounts Receivable - A-HOME Funds	-	21,281	21,281
Neighborhood Affordable Receivable	-	30,000	30,000
Total Accounts Receivable	Dec-21 \$ 131,236	112,852	244,088

Tenant rents are due on the first day of each month. If a rent payment is not received by the 5th day of the month, it is considered past due and late fees are applied. The Authority records its accounts receivable at cost minus an allowance for doubtful accounts, which is established as needed based on factors such as historical collection experience, the current state of accounts receivable, economic conditions, and other considerations. This process involves assessing the creditworthiness of individual tenants and the portfolio as a whole. The determination of the collectability of amounts due requires the Authority to make judgments about future events and trends. The increase in the allowance for doubtful accounts is mainly due to the economic impact of COVID-19, as reflected in bad debt expenses. Management continually monitors tenant payment patterns, investigates past-due accounts, and stays informed of industry and economic trends to estimate the necessary allowances.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

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, 2022, 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 costs 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, 2022, were in the amount of \$7,113 and \$5,417 which consisted of prepaid insurance expense.

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, 2022, was \$131,335, and \$131,176 for 2021. 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

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 8 - FIXED ASSETS – CONTINUED

Impairment Losses

The Housing Authority of the Borough of Edgewater 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 considered to be 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 2022.

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2022, and 2021:

	December-21	Additions	December-22
Land	\$ 483,400	\$ -	\$ 483,400
Building	6,407,369	6,300	6,413,669
Furniture, Equipment - Dwelling	299,231	19,749	318,980
Furniture, Equipment - Administration	217,305	-	217,305
Construction in Process	42,785	24,987	67,772
Total Fixed Assets	7,450,090	51,036	7,501,126
Accumulated Depreciation	(4,724,309)	(131,335)	(4,855,644)
Net Book Value	\$ 2,725,781	\$ (80,299)	2,645,482

	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

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 8 - FIXED ASSETS – CONTINUED

Below is a schedule of the net book value of the fixed assets for the Authority as of December 31, 2022:

<u>Net Book Value of Fixed Assets</u>	<u>December-22</u>
Land	\$ 483,400
Building	2,078,585
Furniture, Equipment - Dwelling	4,574
Furniture, Equipment - Administration	11,151
Construction in Process	67,772
Net Book Value	<u>\$ 2,645,482</u>

NOTE 9 – RIGHT TO USE ASSETS

Right of use (ROU) assets represent the Authority’s right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. The lease liability is based on the future estimated cash payments discounted over the non-cancellable portion of the lease term. An implicit discount rate is included in the Authority’s lease agreement. The operating lease ROU assets also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term ROU asset (operating lease) and on the straight-line basis over lease term.

In January 2022, the Authority entered a lease with a copy company to lease one (1) copier. The agreement requires 60 monthly payments of \$188. The Authority has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The discount rate used was 0.53%. As of December 31, 2022, the weighted average discount rate for the remaining lease term is 0.97%. The right to use assets are amortized on a straight-line basis over the life of the related lease. The amount of amortization expense for the fiscal year ended December 31, 2022, was \$2,225.

Initial Coipers Present Value	\$ 11,143
Less Accumulated Depreciation	<u>(6,500)</u>
Net Right to Use Asset	<u>\$ 4,643</u>

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 9 – RIGHT TO USE ASSETS

Future minimum lease payments under operating leases as of December 31, 2022, are as follows:

December-23	\$	2,450
December-24		2,051
December-25		186
Total Lease Payable	\$	<u>4,686</u>

NOTE 10 – OTHER ASSETS – CAPITAL CONTRIBUTIONS

The Authority reported other assets in the form of capital contributions on its Statement of Net Position on December 31, 2022, 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 11 – 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 17 and 18 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

The Authority’s deferred outflows and inflows are as follows:

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 15,308	\$ 1,786	\$ 17,094
Changes in Assumptions	98,135	767	98,902
Net Difference Between Projected and Actual Earning on Pension Plan Investments	326	10,243	10,569
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	49,223	4,828	54,051
Total	\$ 162,992	\$ 17,624	\$ 180,616
Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 142,725	\$ 1,575	\$ 144,300
Changes in Assumptions	120,585	37,056	157,641
Net Difference Between Projected and Actual Earning on Pension Plan Investments	83,081	-	83,081
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	44,768	44,768
Total	\$ 346,391	\$ 83,399	\$ 429,790

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 \$17,094 and \$144,300.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements December 31, 2022

NOTE 11 – 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 \$98,902 and \$157,641.

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

The difference between the System's expected rate of return 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 \$10,569 and \$83,081.

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 \$54,051 and \$44,768.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements
December 31, 2022

NOTE 12 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of December 31, 2022. Accounts payable vendors are amounts owed to creditors because of delivered goods and completed services. The Authority accounts payable on December 31, 2022, and 2021 consists of the following:

	<u>December-22</u>	<u>December-21</u>
Accounts Payable Vendors	\$ 248,046	\$ 221,360
Accounts Payable - Other Government	10,358	19,200
Accounts Payable HUD Programs	5,343	1,930
Total Accounts Payable	<u>\$ 263,747</u>	<u>\$ 242,490</u>

NOTE 13 – 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, 2022, consists of the following:

	<u>December-22</u>	<u>December-21</u>
Balance January 1,	\$ 19,200	\$ 21,888
P.I.L.O.T. Accrued -Authority	5,256	4,483
P.I.L.O.T. Accrued -Component Unit	11,368	11,491
Less: Payments Made	(26,035)	(18,662)
PILOT Overpayment	569	-
Total P.I.L.O.T. Payable December 31,	<u>\$ 10,358</u>	<u>\$ 19,200</u>

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 14 – 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, 2022, and 2021 consisted of the following:

	December-22	December-21
Compensated Absences - Current Portion	\$ 3,230	\$ 3,230
Accrued Liabilities - Utilities	8,293	6,074
Accrued Interest Payable	370,957	354,630
Accrued Operating Expenses - Fees	-	79,910
Total Accrued Liabilities	<u>\$ 382,480</u>	<u>\$ 443,844</u>

NOTE 15 – 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 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:

	December-22	December-21
Accumulated Sick Time	\$ 30,001	\$ 30,000
Accumulated Vacation Time	-	-
Accrued Payroll Taxes	2,295	2,295
Total	<u>32,296</u>	<u>32,295</u>
Compensated Absences - Current Portion	<u>(3,230)</u>	<u>(3,230)</u>
Total Compensated Absences - Noncurrent	<u>\$ 29,066</u>	<u>\$ 29,065</u>

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 16 – LONG TERM DEBT

The Authority and the Component Unit as of December 31, 2022, has the following notes payable:

Notes Payable	Balance December-20	Payments	Balance December-21
Connect One -Component Unit	\$ 745,085	\$ (19,184)	\$ 725,901
Balance Home Loan - Component Unit	274,850	-	274,850
CDBG Funds -Component Unit	644,236	-	644,236
Mariners Bank - Business Activities	239,849	(4,655)	235,194
Total Note Payable	<u>\$ 1,904,020</u>	<u>\$ (23,839)</u>	<u>\$ 1,880,181</u>

Notes Payable	Balance December-21	Payments	Balance December-22
Connect One -Component Unit	\$ 725,901	\$ (19,975)	\$ 705,926
Balance Home Loan - Component Unit	274,850	-	274,850
CDBG Funds -Component Unit	644,236	-	644,236
Mariners Bank - Business Activities	235,194	(4,856)	230,338
Total Note Payable	<u>\$ 1,880,181</u>	<u>\$ (24,831)</u>	<u>\$ 1,855,350</u>

Notes Payable	December-22	Current	Non-Current
Connect One -Component Unit	\$ 705,926	\$ 21,375	\$ 684,551
Balance Home Loan - Component Unit	274,850	-	274,850
CDBG Funds -Component Unit	644,236	-	644,236
Mariners Bank - Business Activities	230,338	5,083	225,255
Total Note Payable	<u>\$ 1,855,350</u>	<u>\$ 26,458</u>	<u>\$ 1,828,892</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. Accrued interest payable on December 31, 2022, was \$1,656. The balance on December 31, 2022, was \$705,926.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 16 – LONG TERM DEBT -CONTINUED

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 2022, interest of \$8,245 was accrued and the balance of interest in the amount of \$196,059 remains payable on December 31, 2022.

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 2022, interest of \$6,443 was accrued and the balance of interest in the amount of \$169,927 remains payable on December 31, 2022.

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, 2016 (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 Principal	Home Loans Principal	CDBG Principal	Mariners Principal	Total
2022	\$ 21,375	\$ -	\$ -	\$ 5,083	\$ 26,458
2023	22,325	-	-	5,304	\$ 27,629
2024	23,395	-	-	5,533	\$ 28,928
2025	23,694	-	-	5,773	\$ 29,467
2026	24,659	-	-	-	\$ 24,659
Subtotal	115,448	-	-	21,693	137,141
Thereafter	590,478	274,850	644,236	208,645	1,718,209
Total	\$ 705,926	\$ 274,850	\$ 644,236	\$ 230,338	\$ 1,855,350

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 17 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of December 31, 2022, reported accrued pension and OPEB liability amounts as follows:

	<u>December-22</u>	<u>December-21</u>
Accrued OPEB Liability	\$ 682,192	\$ 688,971
Accrued Pension Liability	247,472	266,997
Total OPEB and Pension Liability	<u>\$ 929,664</u>	<u>\$ 955,968</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 - 18 will discuss the effect of GASB #68 pension liability which arose from that.

OPEB Liability

The Authority as of December 31, 2022, reported a net OPEB liability in the amount of \$682,192 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2021, the last evaluation date, is as follows:

	<u>June-21</u>	<u>June-20</u>
Employer OPEB Liability	\$ 684,097	\$ 695,300
Plan Net Position	(1,905)	(6,329)
Employer Net OPEB Liability	<u>\$ 682,192</u>	<u>\$ 688,971</u>

The Authority allocation percentage is 0.003839% as of June 30, 2021.

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, 2022

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

OPEB Liability – Plan Description and 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 negotiation's 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 December 31, 2022, were \$682,192.

Employees covered by benefits terms: On June 30, 2021 (the census date), the following employees were covered by the benefits terms:

Plan Members

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HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Net OPEB Liability

The total OPEB liability as of June 30, 2021, latest report, was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. 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, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.16%

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-2021 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-2021 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-2021 scale.

Certain actuarial assumptions used in the June 30, 2021, 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, 2021 and July 1, 2014 to June 30, 2021, respectively.

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% 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.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Discount Rate

The discount rate for June 30, 2021, was 2.21%. 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 (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	1.21%	2.21%	3.21%
Total OPEB Liability	\$ 802,809	\$ 682,192	\$ 586,600

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	\$ 569,178	\$ 682,192	\$ 829,661

Change in Assumptions: Effective June 30, 2021.

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 year for the 2021.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2021</u>
Service Cost	\$ 32,066
Interest on Total OPEB liability	15,684
Expected Investment Return	(90)
Administrative Expenses	430
Changes in Benefits Term	77
Current Period Deferred	
Inflows/Outflows of Resources	(26,665)
Changes in Assumptions or Other	
Inputs	(28,469)
Net Difference Between Projected and	
Actual Investments Earning on OPEB	188
Plan Investments	
Benefit Payments	-
Change in Plan	-
Net Change in Total OPEB Liability	<u>(6,779)</u>
Total OPEB Liability, Beginning	<u>688,971</u>
 Total OPEB Liability, Ending	 <u><u>\$ 682,192</u></u>

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, 2022	\$ (40,733)
Year Ending June 30, 2023	(40,787)
Year Ending June 30, 2024	(40,836)
Year Ending June 30, 2025	(29,161)
Year Ending June 30, 2026	(4,902)
Therafter	6,878
Total	<u><u>\$ (149,541)</u></u>

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 18 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of December 31, 2022, reported a net pension liability in the amount of \$247,472 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	<u>June-22</u>	<u>June-21</u>
Employer Total Pension Liability	\$ 1,150,734	\$ 1,108,519
Plan Net Position	(903,262)	(841,522)
Employer Net Pension Liability	<u>\$ 247,472</u>	<u>\$ 266,997</u>

The Authority allocation percentage is 0.0016398265% as of June 30, 2022.

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.

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.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Net Pension Liability Information -Continued

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.

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, 2022, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2022.

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. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2022 the State's pension contribution was less than the actuarial determined amount.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements
December 31, 2022

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions

The total pension liability for June 30, 2022, measurement dates were determined by using an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. 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 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2022.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2022. In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions -continued

Best estimates of arithmetic rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2022, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	4.00%	4.91%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Investment Grade Credit	7.00%	3.38%
High Yield	4.00%	4.95%
Private Credit	7.00%	8.10%
Real Assets	8.00%	11.19%
Real Estate	3.00%	7.60%
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% 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 (6.0% percent) or 1 percentage-point higher (8.0% 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)	\$ 369,759	\$ 247,472	\$ 204,898

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, 2023	\$ (21,228)
Year Ending June 30, 2024	(10,815)
Year Ending June 30, 2025	(5,274)
Year Ending June 30, 2026	11,506
Year Ending June 30, 2027	(25)
Total	<u>\$ (25,836)</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 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

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, 2022, are as follows:

Service Cost	\$	18,564
Interest on the Total Pension Liability		78,245
Benefits Changes		175
Member Contributions		(75,727)
Administrative Expenses		318
Expected Investment Return Net of Investment Expenses		(2,726)
Pension Expense Related to Specific Liabilities of Individual Employers		(255)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience Changes of Assumptions		(7,242) (4,107)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		- 6,924
Total	\$	14,169

NOTE 19 – 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.

	December-22	December-21
Balance January 1,	\$ 845,600	\$ 825,346
Payment of Debt	24,832	23,839
Fixed Asset Additions	51,036	127,591
Depreciation Expense	(131,336)	(131,176)
Balance December 31,	\$ 790,132	\$ 845,600

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 20 – RESTRICTED NET POSITION

The Authority restricted net position account balance on December 31, 2022, is \$79,152 and \$60,806 for 2021.

In connection with the Mariner’s Bank loan (Note 16), 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.

	December-22	December-21
Replacement Reserve	\$ 75,675	\$ 57,346
Capital Repairs Escrow Reserve	3,477	3,460
Total Restricted Net Positions	<u>\$ 79,152</u>	<u>\$ 60,806</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, 2022, was \$609,124.

NOTE 21 – UNRESTRICTED NET POSITION

The Authority’s unrestricted net position account balance on December 31, 2022, is a positive \$1,498,213. The detail of the account balance is as follows:

	RAD		Component	
	Business	HCV	Unit	Total
Balance December 31, 2020	\$ (528,585)	\$ 149,269	\$ 487,016	\$ 107,700
Increase During the Year	-	570,106	3,522	573,628
Decrease During the Year	(32,840)	-	-	(32,840)
Balance December 31, 2021	(561,425)	719,375	490,538	648,488
Increase During the Year	116,526	705,951	27,248	849,725
Decrease During the Year	-	-	-	-
Balance December 31, 2022	<u>\$ (444,899)</u>	<u>\$ 1,425,326</u>	<u>\$ 517,786</u>	<u>\$ 1,498,213</u>

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 22 - 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, 2022, were in the amount of \$5,367,467.

NOTE 23 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

Total financial support by HUD was \$5,424,833 to the Authority which represents approximately 82% percent of the Authority's total revenue for the year ended December 31, 2022.

NOTE 24 - CONTINGENCIES AND COMMITMENTS

Litigation - On December 31, 2022, 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 year ended December 31, 2022.

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.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2022

NOTE 25 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended December 31, 2022, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its buildings for the purpose of determining potential liability issues.

NOTE 26 - PRIOR PERIOD ADJUSTMENTS

For year ending December 31, 2022

As of December 31, 2022, the Authority had a prior period adjustment in the amount of \$229,218 while recording the opening OPEB and Pension Liability as of January 1, 2022, for the change in the discount rate from the prior year.

NOTE 27 – SUBSEQUENT EVENTS

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.

The severity of the impact of COVID-19 on the Authority operations will depend on several factors, including, but limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority's tenants, employees and vendors, all of which are uncertain and cannot be predicted. The Authority's future results could be adversely impacted by delays in rent collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial conditions, results of operations or cash flows.

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events 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 September 8, 2023, 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, 2022

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.

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 32,066	\$ 23,262	\$ 23,843	\$ 6,885
Interest on Total OPEB liability	15,684	19,097	22,753	33,900
Expected Investment Return	(90)	(293)	(404)	-
Administrative Expenses	430	381	339	-
Changes in Benefits Term Current Period Deferred	77	40	(68)	
Inflows/Outflows of Resources	(26,665)	(21,137)	(22,156)	
Changes in Assumptions or Other Inputs	(28,469)	182,904	(28,951)	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	188	174	128	
Benefit Payments	-	-	-	(18,983)
Change in Plan	-	-	(434,333)	-
Net Change in Total OPEB Liability	(6,779)	204,428	(438,849)	21,802
Total OPEB Liability, Beginning	688,971	484,543	923,392	901,590
Total OPEB Liability, Ending	\$ 682,192	\$ 688,971	\$ 484,543	\$ 923,392
Covered, Employee Payroll	\$ 131,934	\$ 130,177	\$ 120,633	\$ 77,145
Total OPEB Liability as a percentage of covered employee payroll	517.07%	529.26%	401.67%	1196.96%

**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, 2022

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.

	2022	2021	2020	2019
Housing Authority's proportion of the net pension liability	0.0016398265%	0.001649025%	0.00163728%	0.00160264%
Housing Authority's proportionate share of the net pension liability	\$ 247,472	\$ 195,352	\$ 266,997	\$ 288,772
Housing Authority's covered employee payroll	\$ 139,633	\$ 131,934	\$ 130,177	\$ 120,633
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	177.23%	148.07%	205.10%	239.38%
Plan fiduciary net position as a percentage of the total pension liability	78.49%	48.01%	59.86%	43.42%

**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, 2022

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

	2018	2017	2016	2015	2014
Housing Authority's proportion of the net pension liability	0.00162163%	0.00330033%	0.00323801%	0.00314249%	0.00402591%
Housing Authority's proportionate share of the net pension liability	\$ 319,291	\$ 768,263	\$ 959,005	\$ 705,426	\$ 753,760
Housing Authority's covered employee payroll	\$ 77,145	\$ 118,570	\$ 170,062	\$ 156,729	\$ 184,434
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	413.88%	647.94%	563.91%	450.09%	205.97%
Plan fiduciary net position as a percentage of the total pension liability	46.40%	48.01%	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, 2022

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 20,679	\$ 19,312	\$ 17,911	\$ 15,589
Contribution in relation to the contractually required contribution	(20,679)	(19,312)	(17,911)	(15,589)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 139,633	\$ 131,934	\$ 130,177	\$ 120,633
Contribution as a percentage of covered employee payroll	14.81%	14.64%	13.76%	12.92%

**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, 2022

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.

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 16,130	\$ 30,574	\$ 28,766	\$ 27,017	\$ 33,189
Contribution in relation to the contractually required contribution	(16,130)	(30,574)	(28,766)	(27,017)	(33,189)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 77,145	\$ 118,570	\$ 170,062	\$ 156,729	\$ 184,434
Contribution as a percentage of covered employee payroll	20.91%	25.79%	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, 2022**

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	-	5,367,467	5,367,467	-
Grant Total	14.871	-	<u>5,367,467</u>	<u>5,367,467</u>	-
<u>Community Development Block Grants</u>					
NJ075	14.218	-	57,366	57,366	-
Grant Total	14.218	-	<u>57,366</u>	<u>57,366</u>	-
Total Expenditures of Federal Awards		\$ -	\$ <u>5,424,833</u>	\$ <u>5,424,833</u>	\$ -

**HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022**

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, 2022. 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:

The Housing Authority of the Borough of Edgewater had no loans outstanding as of December 31, 2022.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2022.

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 FINANCE CORPORATION
STATEMENT OF FINANCIAL POSITION -1
AS OF DECEMBER 31, 2022

	2022
Assets	
Current Assets:	
Cash and Cash Equivalents	
Operating	\$ 536,839
Restricted	26,280
Total cash and equivalents	563,119
Accounts Receivables, Net of Allowances	112,562
Prepaid Expenses	1,211
Total Current Assets	676,892
Noncurrent Assets	
Capital Assets	
Land	273,400
Building	3,593,915
Furniture, Equipment - Dwelling	223,507
Total Capital Assets	4,090,822
Less: Accumulated Depreciation	(2,432,919)
Net Book Value	1,657,903
Other Assets	
Investment in Joint Ventures	258,345
Total Other Assets	258,345
Total Noncurrent Assets	1,916,248
Total Assets	2,593,140
Deferred Outflow of Resources	
NJ Pension and OPEB	-
Total Assets and Deferred Outflow of Resources	\$ 2,593,140

EDGEWATER HOUSING FINANCE CORPORATION
STATEMENT OF FINANCIAL POSITION -2
AS OF DECEMBER 31, 2022

	2022
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 17,083
Accrued Liabilities	374,062
Tenant Security Deposit Payable	26,284
Unearned Revenue	22
Long Term Debt - Current	21,375
Total Current Liabilities	438,826
Noncurrent Liabilities	
Long Term Debt - Non Current	1,603,637
Total Noncurrent Liabilities	1,603,637
Total Liabilities	2,042,463
Deferred Inflow of Resources	
NJ Pension and OPEB	-
Net Assets:	
Net Investment in Capital Assets	32,891
Unrestricted	517,786
Total Net Assets	550,677
Total Liabilities, Deferred Inflow of Resources, and Net Assets	\$ 2,593,140

EDGEWATER HOUSING FINANCE CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

	2022
Revenue:	
Tenant Rental Revenue	\$ 382,651
Other Revenue	2,091
Total Revenue	384,742
 Operating Expenses:	
Administrative Expenses	101,466
Utilities Expense	34,620
Maintenance Expense	141,874
Other Operating Expenses	26,489
Interest Expense	45,414
Depreciation Expense	95,683
Total Operating Expenses	445,546
 Excess Expenses From Operations	 (60,804)
 Nonoperating Revenue	
Transfer In	32,379
Investment Income	926
Total Nonoperating Income	33,305
 Change in Net Assets	 (27,499)
 Beginning Net Assets	 578,176
 Ending Net Assets	 \$ 550,677

EDGEWATER HOUSING FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

	2022
Cash Flows from Operating Activities:	
Net Loss from Operations	(60,804)
Adjustments to reconcile excess expenses to net cash provided by operating activities:	
Depreciation Expense	95,683
Changes in Assets - Decrease (Increase)	
Accounts Receivables	290
Prepaid Expenses	(719)
Changes in Liabilities - Increase (Decrease)	
Accounts Payable	7,374
Accrued Liabilities	2,545
Tenant Security Deposit Payable	1,191
Unearned Revenues	5
Net Cash Provided by Operating Activities	45,565
Cash Flow from Investing Activities	
Interest Income	926
Transfer In	32,379
Net Cash Provided by Investing Activities	33,305
Cash Flow from Financing Activities	
Acquisitions of Capital Assets	(20,961)
Payment of Debt	(19,975)
Net Cash Used by Financing Activities	(40,936)
Net Increase in Cash	37,934
Cash at Beginning of Year	525,185
Cash at End of Year - December 31,	\$ 563,119
Supplemental Disclosures	
Interest expense paid during the year	\$ 29,398

Edgewater Housing Authority (NJ075)
EDGEWATER, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	Project Total	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted			\$536,839	\$520,889	\$1,637,566	\$2,695,294	\$2,695,294
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted				\$79,152		\$79,152	\$79,152
114 Cash - Tenant Security Deposits			\$26,280	\$18,158		\$44,438	\$44,438
115 Cash - Restricted for Payment of Current Liabilities					\$3,413	\$3,413	\$3,413
100 Total Cash	\$0	\$0	\$563,119	\$618,199	\$1,640,979	\$2,822,297	\$2,822,297
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects					\$221,612	\$221,612	\$221,612
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous			\$112,562			\$112,562	\$112,562
126 Accounts Receivable - Tenants			\$8,504			\$8,504	\$8,504
126.1 Allowance for Doubtful Accounts - Tenants			-\$8,504			-\$8,504	-\$8,504
126.2 Allowance for Doubtful Accounts - Other			\$0			\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery				\$344		\$344	\$344
128.1 Allowance for Doubtful Accounts - Fraud				\$0		\$0	\$0
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$112,562	\$344	\$221,612	\$334,518	\$334,518
131 Investments - Unrestricted				\$53,764		\$53,764	\$53,764
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets			\$1,211	\$5,902		\$7,113	\$7,113
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$0	\$0	\$676,892	\$678,209	\$1,862,591	\$3,217,692	\$3,217,692
161 Land							
162 Buildings			\$273,400	\$210,000		\$483,400	\$483,400
163 Furniture, Equipment & Machinery - Dwellings			\$3,593,915	\$2,819,754		\$6,413,669	\$6,413,669
164 Furniture, Equipment & Machinery - Administration			\$223,507	\$95,473		\$318,980	\$318,980
			\$0	\$184,966	\$32,339	\$217,305	\$217,305

Edgewater Housing Authority (NJ075)
EDGEWATER, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	14,218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14,871 Housing Choice Vouchers	Subtotal	Total
165 Leasehold Improvements						
166 Accumulated Depreciation						
167 Construction in Progress	\$0	-\$2,432,919	-\$2,410,151	-\$12,574	-\$4,855,644	-\$4,855,644
168 Infrastructure	\$67,772				\$67,772	\$67,772
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$1,657,903	\$900,042	\$19,765	\$2,645,482	\$2,645,482
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			\$4,643		\$4,643	\$4,643
176 Investments in Joint Ventures		\$258,345			\$258,345	\$258,345
180 Total Non-Current Assets	\$0	\$1,916,248	\$904,685	\$19,765	\$2,908,470	\$2,908,470
200 Deferred Outflow of Resources			\$10,261	\$170,355	\$180,616	\$180,616
290 Total Assets and Deferred Outflow of Resources	\$0	\$2,593,140	\$1,593,155	\$2,052,711	\$6,306,778	\$6,306,778
311 Bank Overdraft						
312 Accounts Payable <= 90 Days						
313 Accounts Payable >90 Days Past Due		\$6,725	\$229,331	\$904	\$236,960	\$236,960
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			\$816		\$816	\$816
331 Accounts Payable - HUD PHA Programs		\$370,141			\$370,957	\$370,957
332 Account Payable - PHA Projects				\$5,343	\$5,343	\$5,343
333 Accounts Payable - Other Government		\$10,358		\$11,086	\$11,086	\$11,086
341 Tenant Security Deposits		\$26,284	\$18,158		\$44,442	\$44,442
342 Unearned Revenue		\$22	\$33		\$55	\$55
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$21,375	\$5,083		\$26,458	\$26,458
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities			\$2,450		\$2,450	\$2,450
346 Accrued Liabilities - Other		\$3,921	\$4,372		\$8,293	\$8,293

Edgewater Housing Authority (NJ075)
EDGEWATER, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2022

	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	Total
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$0	\$438,826	\$263,069	\$17,737	\$719,632	\$719,632
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$1,603,637	\$225,255		\$1,828,892	\$1,828,892
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other			\$2,237		\$2,237	\$2,237
354 Accrued Compensated Absences - Non Current			\$25,432	\$3,634	\$29,066	\$29,066
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities			\$532,088	\$397,576	\$929,664	\$929,664
350 Total Non-Current Liabilities	\$0	\$1,603,637	\$785,012	\$401,210	\$2,789,859	\$2,789,859
300 Total Liabilities	\$0	\$2,042,463	\$1,048,081	\$418,947	\$3,509,491	\$3,509,491
400 Deferred Inflow of Resources			\$241,117	\$188,673	\$429,790	\$429,790
508.4 Net Investment in Capital Assets			\$669,704	\$19,765	\$790,132	\$790,132
511.4 Restricted Net Position	\$0	\$32,891	\$79,152		\$79,152	\$79,152
512.4 Unrestricted Net Position	\$0	\$517,786	-\$444,899	\$1,425,326	\$1,498,213	\$1,498,213
513 Total Equity - Net Assets / Position	\$0	\$550,677	\$303,957	\$1,445,091	\$2,367,497	\$2,367,497
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$2,593,140	\$1,593,155	\$2,052,711	\$6,306,778	\$6,306,778

Edgewater Housing Authority (NJ075)
EDGEWATER, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue		\$382,651	\$254,148		\$636,799	\$636,799
70400 Tenant Revenue - Other						
70500 Total Tenant Revenue	\$0	\$382,651	\$254,148	\$0	\$636,799	\$636,799
70600 HUD PHA Operating Grants						
70610 Capital Grants	\$57,366			\$5,367,467	\$5,424,833	\$5,424,833
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue						
70800 Other Government Grants						
71100 Investment Income - Unrestricted		\$926	\$3,021	\$4,713	\$8,660	\$8,660
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue		\$2,091	\$73,981	\$14,330	\$14,330	\$14,330
71600 Gain or Loss on Sale of Capital Assets				\$423,969	\$500,041	\$500,041
72000 Investment Income - Restricted						
70000 Total Revenue	\$57,366	\$385,668	\$331,150	\$5,810,479	\$6,584,663	\$6,584,663
91100 Administrative Salaries		\$12,901	\$5,375	\$27,414	\$45,690	\$45,690
91200 Auditing Fees			\$2,701	\$2,701	\$5,402	\$5,402
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative		\$7,724	\$2,915	\$21,368	\$32,007	\$32,007
91600 Office Expenses		\$71,589	\$11,692	\$92,768	\$176,049	\$176,049
91700 Legal Expense		\$9,252	\$1,542	\$13,107	\$23,901	\$23,901
91800 Travel			\$120	\$1,083	\$1,203	\$1,203
91810 Allocated Overhead						
91900 Other						

Edgewater Housing Authority (NJ075)
EDGEWATER, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	Project Total	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	Total
91000 Total Operating - Administrative	\$0	\$0	\$101,466	\$24,345	\$158,441	\$284,252	\$284,252
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other				\$300		\$300	\$300
92500 Total Tenant Services	\$0	\$0	\$0	\$300	\$0	\$300	\$300
93100 Water			\$12,134	\$15,752		\$27,886	\$27,886
93200 Electricity			\$8,498	\$10,483		\$18,981	\$18,981
93300 Gas			\$13,988	\$16,527		\$30,515	\$30,515
93400 Fuel							
93500 Labor				\$14,300		\$14,300	\$14,300
93600 Sewer							
93700 Employee Benefit Contributions - Utilities				\$7,651		\$7,651	\$7,651
93800 Other Utilities Expense							
93000 Total Utilities	\$0	\$0	\$34,620	\$64,713	\$0	\$99,333	\$99,333
94100 Ordinary Maintenance and Operations - Labor			\$34,809	\$14,528		\$49,337	\$49,337
94200 Ordinary Maintenance and Operations - Materials and Other			\$13,878	\$11,991		\$25,869	\$25,869
94300 Ordinary Maintenance and Operations Contracts			\$72,304	\$79,488		\$151,792	\$151,792
94500 Employee Benefit Contributions - Ordinary Maintenance			\$20,883	\$7,650		\$28,533	\$28,533
94000 Total Maintenance	\$0	\$0	\$141,874	\$113,657	\$0	\$255,531	\$255,531
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			\$6,845	\$8,988		\$15,833	\$15,833
96120 Liability Insurance			\$3,422	\$4,494		\$7,916	\$7,916

Edgewater Housing Authority (NJ075)
EDGEWATER, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	14,218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14,871 Housing Choice Vouchers	Subtotal	Total
96130 Workmen's Compensation		\$3,422	\$6,126	\$1,538	\$11,086	\$11,086
96140 All Other Insurance		\$821			\$821	\$821
96100 Total Insurance Premiums	\$0	\$14,510	\$19,608	\$1,538	\$35,656	\$35,656
96200 Other General Expenses				\$258,855	\$258,855	\$258,855
96210 Compensated Absences						
96300 Payments in Lieu of Taxes		\$11,368	\$5,256		\$16,624	\$16,624
96400 Bad debt - Tenant Rents		\$611			\$611	\$611
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$0	\$11,979	\$5,256	\$258,855	\$276,090	\$276,090
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)		\$45,414	\$9,884		\$55,298	\$55,298
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$45,414	\$9,884	\$0	\$55,298	\$55,298
96900 Total Operating Expenses	\$0	\$349,863	\$237,763	\$418,834	\$1,006,460	\$1,006,460
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$57,366	\$93,387	\$5,391,645	\$5,578,203	\$5,578,203
97100 Extraordinary Maintenance			\$5,000		\$5,000	\$5,000
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments				\$4,450,796	\$4,450,796	\$4,450,796
97350 HAP Portability-In				\$407,688	\$407,688	\$407,688
97400 Depreciation Expense		\$95,683	\$31,044	\$4,608	\$131,335	\$131,335
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$0	\$445,546	\$273,807	\$5,281,926	\$6,001,279	\$6,001,279
10010 Operating Transfer In		\$32,379			\$32,379	\$32,379

Edgewater Housing Authority (NJ075)
EDGEWATER, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	Project Total	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	Total
10020 Operating transfer Out		-\$32,379				-\$32,379	-\$32,379
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	-\$32,379	\$32,379	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$0	\$24,987	-\$27,499	\$57,343	\$528,553	\$583,384	\$583,384
Total Expenses							
11020 Required Annual Debt Principal Payments	\$0	\$0	\$19,976	\$4,872	\$0	\$24,848	\$24,848
11030 Beginning Equity	\$0	\$42,785	\$578,176	\$190,186	\$743,748	\$1,554,895	\$1,554,895
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				\$56,428	\$172,790	\$229,218	\$229,218
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					\$1,445,091	\$1,445,091	\$1,445,091
11180 Housing Assistance Payments Equity					\$0	\$0	\$0
11190 Unit Months Available	0	0	372	360	8232	8964	8964
11210 Number of Unit Months Leased	0	0	363	360	8223	8946	8946
11270 Excess Cash	\$0					\$0	\$0
11610 Land Purchases	\$0					\$0	\$0
11620 Building Purchases	\$0					\$0	\$0

Edgewater Housing Authority (NJ075)
EDGEWATER, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	14.218 Community Development Block	6.2 Component Unit - Blended	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	Total
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

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 GOVERNMENT 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 governmental activities business type activities and blended component unit of Housing Authority of the Borough of Edgewater, as of and for the year ended December 31, 2022, 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 September 8, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

Giampaolo & Associates

Lincroft, New Jersey

Date: September 8, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND 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
*Opinion on Each Major Federal Program***

We have audited Housing Authority of the Borough of Edgewater's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the Borough of Edgewater's major federal programs for the year ended December 31, 2022. Housing Authority of the Borough of Edgewater's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Housing Authority of the Borough of Edgewater and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Housing Authority of the Borough of Edgewater's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Housing Authority of the Borough of Edgewater's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing Authority of the Borough of Edgewater's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Housing Authority of the Borough of Edgewater's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the Borough of Edgewater's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Authority of the Borough of Edgewater's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Housing Authority of the Borough of Edgewater's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Giampaolo & Associates

Lincroft, New Jersey

Date: September 8, 2023

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Schedule of Findings and Questioned Cost

Year Ended December 31, 2022

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	\$ 5,367,467

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

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

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

We were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by The PHA as of and for the year ended December 31, 2022, and have issued our report thereon dated September 8, 2023. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated September 8, 2023, was expressed in relation to the basic financial statements of the PHA taken as a whole.

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

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

Giampaolo & Associates

Lincroft, New Jersey

September 8, 2023

Procedure	UFRS Rule Information	Hard Copy Document(s)	Findings
1	Balance Sheet and Revenue Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's, if applicable	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental report on FDS	Agrees
4	Audit findings narrative (data element G5200-010)	Schedule of findings and Questioned Costs	Agrees
5	General information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Agrees
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Agrees
9	Basic financial statements and auditor reports required to be submitted electronically	Basic Financial Statements (inclusive of auditor reports)	Agrees