

**Report On Audit**

**HOUSING AUTHORITY OF  
TOWN OF PHILLIPSBURG**

**For the Year Ended  
June 30, 2021**

**Housing Authority of the Town of Phillipsburg**  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the Town of Phillipsburg  
530 Heckman Street  
Phillipsburg, NJ 08865

**Report on the Financial Statements**

We have audited the accompanying financial statements of Housing Authority of the Town of Phillipsburg (a governmental public corporation) in Phillipsburg, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of June 30, 2021, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the Town of Phillipsburg preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Town of Phillipsburg internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Town of Phillipsburg as of June 30, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 17 and pages 55-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the Town of Phillipsburg. The accompanying supplemental information on pages 60-70 is presented for additional analysis and is not required part of the basic financial statements.

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

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

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

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

The financial statement of the Housing Authority of the Town of Phillipsburg as of June 30, 2020, was audited by other auditors whose report dated February 15, 2021, expressed an unmodified opinion on those statements.

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

In accordance with *Government Auditing Standards*, we have also issued reports dated April 15, 2022, on our consideration of the Housing Authority of the Town of Phillipsburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Town Of Phillipsburg 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 Town of Phillipsburg's internal control over financial reporting and compliance.

**Giampaolo & Associates**

Lincroft, New Jersey

Date: April 15, 2022

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

As Management of the Housing Authority of the Town of Phillipsburg (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 17 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 and deferred outflows of the Authority exceeded its liabilities and deferred outflows at the close of the most recent fiscal year by \$22,954,171 an increase in the net position of \$3,167,589 or 16% percent as compared to the prior year.

As noted above, the net position of the Authority is \$22,954,171 as of June 30, 2021. Of this amount, the unrestricted net position is \$8,091,283 representing an increase of \$2,514,598 or 45% percent from the previous year. During the year of 2021, the Authority recorded a prior period adjustment for adjustment to the opening OPEB balance in the amount of \$515,461. Additional information on the Authority's unrestricted net positions can be found in Note 19 the financial statements, which is included in this report.

The net investment in capital assets increased \$646,912 or 5% percent for an ending balance of \$13,913,791.

The restricted net position increased \$6,079 from the previous year for an ending balance of \$949,097. Additional information on the Authority's restricted net position can be found in Note 18 to the financial statements, which is included in this report.

The Authority's total cash on June 30, 2021 is \$18,392,285 representing an increase of \$1,991,088 or 12% percent from the prior year. Operating cash increased \$1,984,643 or 13% percent for an ending balance of \$17,376,771. Total restricted deposits and funded reserves increased \$6,445 or 1% percent for an ending balance of \$1,015,514. The full detail of these amounts can be found in the Statements of Cash Flows on pages 20-21 of this report.

The Authority's total assets and deferred outflows are \$33,466,610 of which capital assets net book value is \$13,913,791, deferred outflows in the amount of \$928,678, leaving total current assets at \$18,624,141.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current assets increased from the previous year by \$2,021,881 or 12% percent. Cash and cash equivalents unrestricted increased by \$1,984,643, restricted deposits and funded reserves increased \$6,445, accounts receivables increased by \$6,433, and prepaid expenses increased by \$24,360.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$646,912 or 5% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$1,318,939, less the recording of depreciation expense in the amount of \$672,027. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$392,451 for an ending balance of \$928,678. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$285,641 for an ending balance of \$3,885,785. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$6,626,654 of which current liabilities are stated at \$589,769 and noncurrent liabilities are stated at \$6,036,885. Total liabilities increased during the year as compared to the prior year in the amount of \$179,296 or 3% percent.

Total current liabilities increased from the previous year by \$13,289 or 2% percent. Accounts payables decreased by \$27,717, accrued liabilities increased by \$76,062, tenant security deposit payable increased \$365 from the prior year, and unearned revenue decreased \$35,421.

Total noncurrent liabilities increased by \$166,007 or 3% percent. The increase was comprised of two accounts, accrued compensated absences – long term with no offsetting assets increased \$3,376 from the prior fiscal year for an ending balance of \$272,089.

Accrued other post-employment benefits (OPEB) and pension liabilities increased \$162,631 for ending balance of \$5,764,796. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB and pension liabilities on June 30, 2021, can be found in Notes 15-16 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority had total operating revenue of \$6,759,218 as compared to \$5,910,432 from the prior year for an increase of \$848,786 or 14% percent. The Authority had total operating expenses of \$5,498,295 as compared to \$6,003,485 from the previous year for a decrease of \$505,190 or 8% percent, resulting in excess revenue from operations in the amount of \$1,260,923 for the current year as compared to excess expenses from operations in the amount of \$93,053 for an increase of excess revenue of \$1,353,976 or 1,455% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$1,299,783 as compared to \$818,560 from the previous year for an increase of \$481,223 or 59% percent.

The Authority's had capital outlays in the amount of \$1,318,939 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$4,715,225 for the fiscal year 2021 as compared to \$3,404,471 for the previous fiscal year 2020 for an increase of \$1,310,754 or 38% 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. Public and Indian Housing Program
2. Public Housing Capital Fund Program

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 TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

**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 17 through 21.

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 fiscal 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 fiscal 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 fiscal 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 22 through 54.

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 pages 60-61 of this report.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

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

- 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 Town of Phillipsburg are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended June 30, 2021. Type B programs for the Housing Authority of the Town of Phillipsburg are those which are less than \$750,000 in expenditures for the fiscal year ended June 30, 2021.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

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

The following summarizes the computation of Net Position between June 30, 2021 and June 30, 2020:

Computations of Net Position are as follows:

|                                  | <u>Year Ended</u>    |                      | Increase<br>(Decrease) |
|----------------------------------|----------------------|----------------------|------------------------|
|                                  | June-21              | June-20              |                        |
| Cash                             | \$ 18,392,285        | \$ 16,401,197        | \$ 1,991,088           |
| Other Current Assets             | 231,856              | 201,063              | 30,793                 |
| Capital Assets - Net             | 13,913,791           | 13,266,879           | 646,912                |
| Deferred Outflows                | 928,678              | 536,227              | 392,451                |
| Total Assets                     | <u>33,466,610</u>    | <u>30,405,366</u>    | 3,061,244              |
| Less: Current Liabilities        | (589,769)            | (576,480)            | (13,289)               |
| Less: Non Current Liabilities    | (6,036,885)          | (5,870,878)          | (166,007)              |
| Less: Deferred Inflows           | (3,885,785)          | (4,171,426)          | 285,641                |
| Net Position                     | <u>\$ 22,954,171</u> | <u>\$ 19,786,582</u> | <u>\$ 3,167,589</u>    |
| <br>                             |                      |                      |                        |
| Net Investment in Capital Assets | \$ 13,913,791        | \$ 13,266,879        | \$ 646,912             |
| Restricted Net Position          | 949,097              | 943,018              | 6,079                  |
| Unrestricted Net Position        | 8,091,283            | 5,576,685            | 2,514,598              |
| Net Position                     | <u>\$ 22,954,171</u> | <u>\$ 19,786,582</u> | <u>\$ 3,167,589</u>    |

Cash increased by \$1,991,088 or 12% percent. Net cash provided by operating activities was \$1,402,996, net cash provided by capital and related financing activities was \$496,670, and net cash provided by investing activities was \$91,422. The full detail of this amount can be found in the Statements of Cash Flows on page 20-21 of this audit report.

Other current assets increased \$30,793. Accounts receivables increased by \$6,433 and prepaid expenses increased by \$24,360.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$646,912 or 5% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$1,318,939 less the recording of depreciation expense in the amount of \$672,027.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$392,451 for an ending balance of \$928,678. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$285,641 for an ending balance of \$3,885,785. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

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

Total current liabilities increased from the previous year by \$13,289 or 2% percent. Accounts payables decreased by \$27,717, accrued liabilities increased by \$76,062, tenant security deposit payable increased \$365 from the prior year, and unearned revenue decreased \$35,421.

Total noncurrent liabilities increased by \$166,007 or 3% percent. The increase was comprised of two accounts, accrued compensated absences – long term with no offsetting assets increased \$3,376 from the prior fiscal year for an ending balance of \$272,089.

Accrued other post-employment benefits (OPEB) and pension liabilities increased \$162,631 for ending balance of \$5,764,796. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB and pension liabilities on June 30, 2021 can be found in Notes 15-16 to the financial statements, which is included in this report.

The Authority's reported net position of \$22,954,171 is made up of three categories. The net investment in capital assets in the amount of \$13,913,791 represents most of the total net position. 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 fiscal year:

|                             |                             |
|-----------------------------|-----------------------------|
| Balance June 30, 2020       | \$ 13,266,879               |
| Acquisition in Fixed Assets | 1,318,939                   |
| Depreciation Expense        | <u>(672,027)</u>            |
| Balance June 30, 2021       | <u><u>\$ 13,913,791</u></u> |

The Authority reported a restricted net position of \$949,097, an increase of \$6,079 from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The Authority placed CFP funds into a repair and replacement account for future use by the Authority as per HUD drawdown requirement 24 of CFR Part 990 regarding CFP Funds.

Housing Authority of the Town of Phillipsburg operating results for June 30, 2021 reported an increase in the unrestricted position of \$2,514,598 or 45% percent for an ending balance of \$8,091,283. A full detail of these accounts can be found in the Notes to the Financial Statements Section Note – 19 Unrestricted Net Position. During the 2021 year, the Authority had a prior period adjustment in the amount of \$515,461 for the adjusting the opening OPEB expense.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

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

The following summarizes the changes in Net Position between June 30, 2021 and June 30, 2020:

Computation of Changes in Net Position are as follows:

|                                                        | <u>Year Ended</u>        |                          | Increase<br>(Decrease)     |
|--------------------------------------------------------|--------------------------|--------------------------|----------------------------|
|                                                        | June-21                  | June-20                  |                            |
| <u>Revenues</u>                                        |                          |                          |                            |
| Tenant Revenues                                        | \$ 2,926,341             | \$ 2,791,422             | \$ 134,919                 |
| HUD Subsidies                                          | 3,415,442                | 2,585,911                | 829,531                    |
| Other Revenues                                         | 417,435                  | 533,099                  | (115,664)                  |
| Total Operating Income                                 | <u>6,759,218</u>         | <u>5,910,432</u>         | <u>848,786</u>             |
| <u>Expenses</u>                                        |                          |                          |                            |
| Operating Expenses                                     | 4,826,268                | 5,175,844                | (349,576)                  |
| Depreciation Expense                                   | 672,027                  | 827,641                  | (155,614)                  |
| Total Operating Expenses                               | <u>5,498,295</u>         | <u>6,003,485</u>         | <u>(505,190)</u>           |
| Operating (Loss) Income before<br>Non Operating Income | 1,260,923                | (93,053)                 | 1,353,976                  |
| Interest Income                                        | 91,422                   | 85,210                   | 6,212                      |
| Capital Grants                                         | 1,299,783                | 818,560                  | 481,223                    |
| Increase in Net Position                               | <u>2,652,128</u>         | <u>810,717</u>           | <u>1,841,411</u>           |
| Net Assets Prior Year                                  | 19,786,582               | 20,334,633               | (548,051)                  |
| Prior Period Adjustment                                | 515,461                  | (1,358,768)              | 1,874,229                  |
| Total Net Position                                     | <u><u>22,954,171</u></u> | <u><u>19,786,582</u></u> | <u><u>\$ 3,167,589</u></u> |

Approximately 43% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 51% percent resulted from tenant revenue. Charges for various services provided the remaining 6% percent of the total operating income.

Housing Authority of the Town of Phillipsburg received from the capital fund program \$1,299,783 in grant money representing an increase of \$481,223 from the prior fiscal year. The Authority had capital expenditures of \$1,318,939. The current year additions included repaving the parking lot, installation of a new canopy roof, ceiling fans, and new aluminum handrails.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

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

The Authority's operating expenses cover a range of expenses. The largest expense was for maintenance expenses representing 25% percent of total operating expenses. Administrative expenses accounted for 25% percent, tenant services expense accounted for 2% percent, utilities expense accounted for 24% percent, other operating expenses accounted for 12% percent, and depreciation accounted for the remaining 12% percent of the total operating expenses.

The Authority operating revenue exceeded its operating expenses resulting in excess revenue from operations in the amount of \$1,260,923 from operations as compared to excess expenses from operations of \$93,053 for the previous year. The key elements for the increase in the excess revenue from operations in comparison to the prior year are as follows:

- Tenant dwelling rental revenue increased \$134,919 or 5% percent mainly due to an increase in tenant household income.
- The Authority reported an increase in HUD PHA operating grants in the amount of \$829,531 or 32% percent.
- Other income decreased \$115,664 or 22% percent as compared to the prior year.
- The operating expense accounts that experienced an increase were:
  - Tenant services expense increased \$80,378 or 4,019% percent.
  - Utilities increased \$231,188 or 21% percent.
  - Other Operating expenses increased \$17,636 or 3% percent.
- The operating expense accounts that experienced a decrease were:
  - Administrative expenses decreased \$302,325 or 18% percent.
  - Maintenance expense decreased \$376,453 or 22% percent.
  - Depreciation expense decreased \$155,614 or 19% percent.

Total net cash provided in operating activities during the year was \$1,402,996 as compared to cash provided by in the amount of \$1,410,359 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flows on page 20-21 of this report.

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

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

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

The following are financial highlights of significant items for a four-year period of time ending on June 30, 2021:

|                                   | June-21             | June-20             | June-19             | June-18             |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Significant Income</b>         |                     |                     |                     |                     |
| Total Tenant Revenue              | \$ 2,926,341        | \$ 2,773,337        | \$ 2,679,616        | \$ 2,667,978        |
| HUD Operating Grants              | 3,415,442           | 2,550,685           | 2,655,668           | 2,384,634           |
| HUD Capital Grants                | 1,299,783           | 818,560             | 745,474             | 1,007,616           |
| Investment Income                 | 91,422              | 85,210              | 79,016              | 69,708              |
| Other Income                      | 417,435             | 530,649             | 504,418             | 343,804             |
| <b>Total</b>                      | <b>\$ 8,150,423</b> | <b>\$ 6,758,441</b> | <b>\$ 6,664,192</b> | <b>\$ 6,473,740</b> |
| <b>Payroll Expense</b>            |                     |                     |                     |                     |
| Administrative Salaries           | \$ 579,258          | \$ 607,942          | \$ 695,241          | \$ 636,652          |
| Maintenance Labor                 | 550,479             | 618,211             | 593,482             | 663,627             |
| Employee Benefits Expense         | 580,069             | 930,342             | 694,972             | 1,186,428           |
| <b>Total Payroll Expense</b>      | <b>\$ 1,709,806</b> | <b>\$ 2,156,495</b> | <b>\$ 1,983,695</b> | <b>\$ 2,486,707</b> |
| <b>Other Significant Expenses</b> |                     |                     |                     |                     |
| Other Administrative Expenses     | \$ 507,592          | \$ 537,567          | \$ 408,132          | \$ 312,026          |
| Utilities Expense                 | 1,337,342           | 1,106,154           | 1,079,693           | 1,199,250           |
| Maintenance Supplies              | 113,901             | 146,700             | 82,784              | 93,685              |
| Maintenance Contract Cost         | 410,627             | 270,250             | 276,065             | 263,674             |
| Insurance Premiums                | 254,157             | 252,851             | 243,624             | 239,905             |
| Bad Debt Expense                  | 242,537             | 234,394             | 94,188              | 135,435             |
| <b>Total</b>                      | <b>\$ 2,866,156</b> | <b>\$ 2,547,916</b> | <b>\$ 2,184,486</b> | <b>\$ 2,243,975</b> |
| <b>Total Operating Expenses</b>   | <b>\$ 5,498,295</b> | <b>\$ 6,003,485</b> | <b>\$ 5,178,901</b> | <b>\$ 5,776,914</b> |
| <b>Total of Federal Awards</b>    | <b>\$ 4,715,225</b> | <b>\$ 3,404,471</b> | <b>\$ 3,401,142</b> | <b>\$ 3,392,250</b> |

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG PROGRAMS**

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low-income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) Housing Authority of the Town of Phillipsburg flat rent amount.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG PROGRAMS-CONTINUED**

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

PIH CARES Act Programs

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

**BUDGETARY HIGHLIGHTS**

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.

**NEW INITIATIVES**

For the fiscal year 2021 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 58% percent of its revenue from the Department of Housing and Urban Development, (2020 fiscal year was 50% 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. 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 Town of Phillipsburg all the while being mindful of their responsibility to be good stewards of the public's tax dollars.



**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2021, was \$13,913,791 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$1,318,939, less the recording of depreciation expense in the amount of \$672,027. Major capital asset event during the fiscal year included the following:

- Repaving the Parking Lot
- Canopy Roof Replacement
- Ceiling Fans
- Aluminum Handrails

|                                       | June-21       | June-20       | Increase<br>(Decrease) |
|---------------------------------------|---------------|---------------|------------------------|
| Land                                  | \$ 1,594,339  | \$ 1,594,339  | \$ -                   |
| Building                              | 20,578,190    | 20,578,190    | -                      |
| Furniture, Equipment - Dwelling       | 1,400,834     | 1,400,834     | -                      |
| Furniture, Equipment - Administration | 841,539       | 822,383       | 19,156                 |
| Leasehold Improvements                | 1,320,759     | 1,320,759     | -                      |
| Construction in Process               | 4,546,625     | 3,246,842     | 1,299,783              |
| Total Fixed Assets                    | 30,282,286    | 28,963,347    | 1,318,939              |
| Accumulated Depreciation              | (16,368,495)  | (15,696,468)  | (672,027)              |
| Net Book Value                        | \$ 13,913,791 | \$ 13,266,879 | \$ 646,912             |

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

The Authority does not have any long-term debt at this time.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2021**

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

Housing Authority of the Town of Phillipsburg 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.

The capital budgets for the 2022 fiscal year have already been submitted to HUD for approval and no major changes were made. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2022.

- 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.
- Even if HUD was to fully fund both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

**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. Thomas F. McGuire – Acting E.D., Housing Authority of the Town of Phillipsburg, 530 Heckman Street, Phillipsburg, NJ 08865 or call (908) 859-0122.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**  
**STATEMENT OF NET POSITION - 1**  
**AS OF JUNE 30, 2021**

|                                                | 2021          |
|------------------------------------------------|---------------|
| <b>Assets</b>                                  |               |
| <b>Current Assets:</b>                         |               |
| Cash and Cash Equivalents- Unrestricted        |               |
| Operating                                      | \$ 17,376,771 |
| Restricted                                     | 1,015,514     |
| Total cash and equivalents                     | 18,392,285    |
| Accounts Receivables, Net of Allowances        | 77,797        |
| Prepaid Expenses                               | 154,059       |
| Total Current Assets                           | 18,624,141    |
| <b>Noncurrent Assets</b>                       |               |
| Capital Assets                                 |               |
| Land                                           | 1,594,339     |
| Building                                       | 20,578,190    |
| Furniture, Equipment - Dwelling                | 1,400,834     |
| Furniture, Equipment - Administration          | 841,539       |
| Leasehold Improvements                         | 1,320,759     |
| Construction in Process                        | 4,546,625     |
| Total Capital Assets                           | 30,282,286    |
| Less: Accumulated Depreciation                 | (16,368,495)  |
| Net Book Value                                 | 13,913,791    |
| Total Assets                                   | 32,537,932    |
| <b>Deferred Outflow of Resources</b>           |               |
| State of New Jersey P.E.R.S. and OPEB          | 928,678       |
| Total Assets and Deferred Outflow of Resources | \$ 33,466,610 |

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**  
**STATEMENT OF NET POSITION - 2**  
**AS OF JUNE 30, 2021**

|                                                                      | 2021          |
|----------------------------------------------------------------------|---------------|
| <b>Liabilities</b>                                                   |               |
| <b>Current Liabilities:</b>                                          |               |
| Accounts Payable                                                     | \$ 216,707    |
| Accrued Liabilities                                                  | 233,213       |
| Tenant Security Deposit Payable                                      | 66,416        |
| Unearned Revenue                                                     | 73,433        |
| Total Current Liabilities                                            | 589,769       |
| <br><b>Noncurrent Liabilities</b>                                    |               |
| Accrued Compensated Absences - Long-Term                             | 272,089       |
| Accrued Net Pension and OPEB Liabilities                             | 5,764,796     |
| Total Noncurrent Liabilities                                         | 6,036,885     |
| Total Liabilities                                                    | 6,626,654     |
| <br><b>Deferred Inflow of Resources</b>                              |               |
| State of New Jersey P.E.R.S. and OPEB                                | 3,885,785     |
| <br><b>Net Position:</b>                                             |               |
| Net Investment in Capital Assets                                     | 13,913,791    |
| Restricted                                                           | 949,097       |
| Unrestricted                                                         | 8,091,283     |
| Total Net Position                                                   | 22,954,171    |
| Total Liabilities, Deferred Inflow<br>of Resources, and Net Position | \$ 33,466,610 |

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

|                                                                | 2021          |
|----------------------------------------------------------------|---------------|
| <b>Revenue:</b>                                                |               |
| Tenant Rental Revenue                                          | \$ 2,926,341  |
| HUD PHA Operating Grants                                       | 3,415,442     |
| Other Revenue                                                  | 417,435       |
| Total Revenue                                                  | 6,759,218     |
| <br><b>Operating Expenses:</b>                                 |               |
| Administrative Expenses                                        | 1,362,189     |
| Tenant Services                                                | 82,378        |
| Utilities Expense                                              | 1,337,342     |
| Maintenance Expense                                            | 1,370,045     |
| Other Operating Expenses                                       | 674,314       |
| Depreciation Expense                                           | 672,027       |
| Total Operating Expenses                                       | 5,498,295     |
| <br>Excess Revenue From Operations                             | 1,260,923     |
| <br><b>Non Operating Income:</b>                               |               |
| Investment Income                                              | 91,422        |
| Excess Operating Revenue Before Capital Grant<br>Contributions | 1,352,345     |
| <br>Capital Grants                                             | 1,299,783     |
| <br><b>Change in Net Position</b>                              | 2,652,128     |
| <br>Beginning Net Position                                     | 19,786,582    |
| Prior Period Adjustment                                        | 515,461       |
| Beginning Net Position, Restated                               | 20,302,043    |
| <br>Ending Net Position                                        | \$ 22,954,171 |

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**  
**STATEMENT OF CASH FLOWS - 1**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

|                                                                | 2021          |
|----------------------------------------------------------------|---------------|
| <b>Cash Flow From Operating Activities</b>                     |               |
| Receipts from Tenants                                          | \$ 2,723,675  |
| Receipts from Federal Grants                                   | 3,439,784     |
| Receipts from Other Sources                                    | 417,435       |
| Payments to Vendors and Suppliers                              | (2,119,024)   |
| Payments to Employees                                          | (1,229,879)   |
| Payment of Employee Benefits                                   | (580,069)     |
| Payment of Utilities Expenses                                  | (1,248,926)   |
| Net Cash Provided by Operating Activities                      | 1,402,996     |
| <b>Cash Flow From Capital and Related Financing Activities</b> |               |
| Receipts from Capital Grants                                   | 1,299,783     |
| Acquisitions and Construction of Capital Assets                | (1,318,939)   |
| Security Deposit Received                                      | 365           |
| Prior Period Adjustment                                        | 515,461       |
| Net Cash Provided by and Related Financing Activities          | 496,670       |
| <b>Cash Flow From Investing Activities</b>                     |               |
| Interest Income                                                | 91,422        |
| Net Cash Provided by Investing Activities                      | 91,422        |
| Net Increase in Cash and Cash Equivalents                      | 1,991,088     |
| <b>Beginning Cash, Cash Equivalents and Restricted Cash</b>    | 16,401,197    |
| <b>Ending Cash, Cash Equivalents and Restricted Cash</b>       | \$ 18,392,285 |
| <u>Reconciliation of Cash Balances:</u>                        |               |
| Cash and Cash Equivalents - Unrestricted                       | \$ 17,376,771 |
| Cash and Cash Equivalents - Restricted                         | 1,015,514     |
| Total Cash and Cash Equivalents                                | \$ 18,392,285 |

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**  
**STATEMENT OF CASH FLOWS - 2**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

|                                                                                                        | 2021         |
|--------------------------------------------------------------------------------------------------------|--------------|
| <b>Reconciliation of Operating Income to Net Cash</b>                                                  |              |
| Provided by Operating Activities                                                                       |              |
| Excess Revenue From Operations                                                                         | \$ 1,260,923 |
| Adjustments to reconcile excess revenue over expenses<br>to net cash provided by operating activities: |              |
| Depreciation Expense                                                                                   | 672,027      |
| (Increase) Decrease in:                                                                                |              |
| Accounts Receivables                                                                                   | (6,433)      |
| Prepaid Expenses                                                                                       | (24,360)     |
| Deferred Outflow of Resources                                                                          | (392,451)    |
| Increase (Decrease) in:                                                                                |              |
| Accounts Payable                                                                                       | (27,717)     |
| Accrued Liabilities                                                                                    | 76,062       |
| Unearned Revenue                                                                                       | (35,421)     |
| OPEB and Pension Liability                                                                             | 162,631      |
| Accrued Compensated Absences                                                                           | 3,376        |
| Deferred Inflows of Resources                                                                          | (285,641)    |
| Net Cash Provided by Operating Activities                                                              | \$ 1,402,996 |

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

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

**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. 4A: 12A-1, et. Seq. 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 Town of Phillipsburg 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 Phillipsburg. 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 Phillipsburg and Town 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 Town of Phillipsburg 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

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.



# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **Significant Accounting Policies**

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

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

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

### **Basis of Accounting –**

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

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue composed primarily of resident's charges, tenant late fees, cell phone tower rental charge and management fees for Newton Housing Authority. The revenue is recorded as earned since it is measurable and available. Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

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

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

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

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

### **Report Presentation –**

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **Report Presentation – continued**

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

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

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

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

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

### 14 - Taxes

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

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

#### 15 - Net Position

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

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

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

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

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

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue composed primarily of resident's charges, tenant late fees, cell phone tower rental charge and management fees for Newton Housing Authority.

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

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

#### 17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is 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 2021.

#### 18- Recent Accounting Pronouncements

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

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

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be charged a late fee. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **Budgetary and Policy Control -**

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

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

| Program                     | CFDA # | Project # | Units<br>Authorized |
|-----------------------------|--------|-----------|---------------------|
| <u>Public Housing</u>       |        |           |                     |
| Public and Indian Housing   | 14.850 | NJ-24     | 578                 |
| Public Housing Capital Fund | 14.872 |           |                     |
| ROSS Grant                  | 14.870 |           |                     |
| PIH CARES Act Funding       | 14.PHC |           |                     |

### Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low-income families so that they can lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) Housing Authority of the Town of Phillipsburg flat rent amount.

### Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **Activities -Continued**

#### PIH CARES Act Program

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

#### Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency, or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

**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 TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 2 - ESTIMATES**

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

### **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/2016divisioncombined.pdf>

#### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.50% of base wages.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

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

The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2021 amounted to \$155,641.

#### 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 of GASB #68 can be found in Note 16 - Accrued Pension Liability.

### **NOTE 4 - CASH, CASH EQUIVALENTS**

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

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

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

#### **Risk Disclosures**

##### Collateral for Deposits

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

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

#### 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 June 30, 2021, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

#### Credit Risk

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

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

| <u>Depository Accounts</u>                                                      | <u>June-21</u>       |
|---------------------------------------------------------------------------------|----------------------|
| Insured                                                                         | \$ 500,550           |
| Collateralized held by pledging bank's trust department in the Authority's name | 17,891,735           |
| Total                                                                           | <u>\$ 18,392,285</u> |

#### **Restricted Cash**

The Authority has total restricted cash on June 30, 2021, in the amount of \$1,015,514 which consists of the following:

|                                     | <u>June-21</u>      |
|-------------------------------------|---------------------|
| Repair and Replacement Reserve Fund | \$ 949,098          |
| Tenant Security Deposit             | 66,416              |
| Total Restricted Cash               | <u>\$ 1,015,514</u> |

The tenant security deposit restricted cash on June 30, 2021, was \$66,416. This amount is held as security deposits for the tenants of the Public and Indian Housing Program in an interest-bearing account.

The Authority placed CFP funds into a repair and replacement account for future use by the Authority per HUD drawdown requirement of 24 CFR Part 990 regarding CFP Funds.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

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

#### **Investments**

The Authority's investments on June 30, 2021, included the following:

| <u>Investment</u>    | <u>Maturity Date</u> | <u>Fair Value</u>   |
|----------------------|----------------------|---------------------|
| Money Market Account | Upon Demand          | \$ 435,182          |
| Money Market Account | Upon Demand          | 5,747,139           |
| Total Investments    |                      | <u>\$ 6,182,321</u> |

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

Accounts Receivable on June 30, 2021, consisted of the following:

|                                              | <u>June-21</u>   |
|----------------------------------------------|------------------|
| Tenants Accounts Receivable - Present        | \$ 323,167       |
| Tenants Accounts Receivable - Fraud Recovery | 3,556            |
| Tenants Accounts Receivable - Vacated        | 30,968           |
| Less Allowance for Doubtful Accounts         | <u>(290,778)</u> |
| Net Tenants Accounts Receivable              | 66,913           |
| HUD Receivable                               | <u>10,884</u>    |
| Net Accounts Receivable                      | <u>\$ 77,797</u> |

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements June 30, 2021

### **NOTE 6 - PREPAID EXPENSES**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are amortized monthly. Prepaid expenses on June 30, 2021, consisted of prepaid the following:

|                            | <u>June-21</u>    |
|----------------------------|-------------------|
| Prepaid Insurance Premiums | \$ 124,453        |
| Prepaid Payroll Taxes      | 29,606            |
| Total Prepaid Expenses     | <u>\$ 154,059</u> |

### **NOTE 7 - INTERFUND ACTIVITY**

Interfund activity is reported as short-term loans, services provided during 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 on June 30, 2021, are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

### **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 June 30, 2021, was \$672,027. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

|                           |          |
|---------------------------|----------|
| 1. Building and Structure | 40 years |
| 2. Office Improvements    | 7 years  |
| 3. Site Improvements      | 15 years |
| 4. Building Components    | 15 years |
| 5. Office Equipment       | 5 years  |

## HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

### Notes to Financial Statements

June 30, 2021

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

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2021.

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2021:

|                                        | <u>Balance<br/>June-20</u> | <u>Additions</u>  | <u>Balance<br/>June-21</u> |
|----------------------------------------|----------------------------|-------------------|----------------------------|
| Land and Improvements                  | \$ 1,594,339               | \$ -              | \$ 1,594,339               |
| Buildings & Improvements               | 20,578,190                 | -                 | 20,578,190                 |
| Furniture & Equipment - Dwelling       | 1,400,834                  | -                 | 1,400,834                  |
| Furniture & Equipment - Administration | 822,383                    | 19,156            | 841,539                    |
| Leasehold Improvements                 | 1,320,759                  | -                 | 1,320,759                  |
| Construction in Progress               | 3,246,842                  | 1,299,783         | 4,546,625                  |
| Totals                                 | <u>28,963,347</u>          | <u>1,318,939</u>  | <u>30,282,286</u>          |
| Accumulated Depreciation               | (15,696,468)               | (672,027)         | (16,368,495)               |
| Net Book Value                         | <u>\$ 13,266,879</u>       | <u>\$ 646,912</u> | <u>\$ 13,913,791</u>       |

Below is a schedule of the net book value of the fixed assets for the Housing Authority of the Town of Phillipsburg as of June 30, 2021:

| <u>Net Book Value of the Assets</u>    | <u>Balance<br/>June-21</u> |
|----------------------------------------|----------------------------|
| Land and Improvements                  | \$ 1,594,339               |
| Buildings & Improvements               | 7,575,088                  |
| Furniture & Equipment - Dwelling       | 65,842                     |
| Furniture & Equipment - Administration | 131,897                    |
| Leasehold Improvements                 | -                          |
| Construction in Progress               | 4,546,625                  |
| Net Book Value                         | <u>\$ 13,913,791</u>       |

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 9 – 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 15 and 16 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience regarding economic and demographic factors, when the actuary calculated the net pension liability and OPEB, is amortized over a five-year closed period for PERS and OPEB, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense and OPEB expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows on June 30, 2021, are as follows:

| <b>Deferred Outflows of Resources</b>                                                                | OPEB              | Pension           | Total             |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| Differences Between Expected and Actual Experiences                                                  | \$ 90,730         | \$ 42,246         | \$ 132,976        |
| Changes in Assumptions                                                                               | 515,215           | 75,267            | 590,482           |
| Net Difference Between Projected and Actual Earning on Pension Plan Investments                      | 2,188             | 79,304            | 81,492            |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | 41,099            | 82,629            | 123,728           |
| Total                                                                                                | <u>\$ 649,232</u> | <u>\$ 279,446</u> | <u>\$ 928,678</u> |

| <b>Deferred Inflows of Resources</b>                                                                 | OPEB                | Pension             | Total               |
|------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| Differences Between Expected and Actual Experiences                                                  | \$ 641,462          | \$ 8,205            | \$ 649,667          |
| Changes in Assumptions                                                                               | 766,042             | 971,458             | 1,737,500           |
| Net Difference Between Projected and Actual Earning on Pension Plan Investments                      | -                   | -                   | -                   |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | 894,356             | 604,262             | 1,498,618           |
| Total                                                                                                | <u>\$ 2,301,860</u> | <u>\$ 1,583,925</u> | <u>\$ 3,885,785</u> |

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 9 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED**

#### Difference in Expected and Actual Experience

The difference between expected and actual experience regarding 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 OPEB and 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 \$132,976 and \$649,667.

#### 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 OPEB and 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 \$590,482 and \$1,737,500.

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

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB 68 and #75. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$81,492 and \$-0-.

#### 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, reflecting the average remaining service life of PERS 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 \$123,728 and \$1,498,618.



# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 10 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of June 30, 2021. Accounts payable vendors are amount owed to creditors because of delivered goods and completed services. Accounts payable on June 30, 2021, consist of the following:

|                                     | <u>June-21</u>    |
|-------------------------------------|-------------------|
| Accounts Payable Vendors            | \$ 57,807         |
| Accounts Payable - Other Government | 158,900           |
| Total Accounts Payable              | <u>\$ 216,707</u> |

### **NOTE 11 – 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 Town of Phillipsburg. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes. During the fiscal year ended June 30, 2021, the PILOT expense of \$158,900 was accrued. PILOT payable on June 30, 2021, consists of \$158,900, the 2021 PILOT expense.

### **NOTE 12 – ACCRUED EXPENSES**

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities incurred on or before June 30. Accrued liabilities on June 30, 2021, consist of the following:

|                                        | <u>June-21</u>    |
|----------------------------------------|-------------------|
| Compensated Absences - Current Portion | \$ 30,232         |
| Wages and Payroll Taxes Payable        | 61,480            |
| Accrued Expense - Utilities            | 141,501           |
| Total Accrued Liabilities              | <u>\$ 233,213</u> |

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2021

**NOTE 13 – UNEARNED REVENUE**

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The deferred revenue for June 30, 2021, consisted of the following:

|                             | June-21          |
|-----------------------------|------------------|
| Tenant Prepaid Rents - July | \$ 67,642        |
| Unearned Operating Subsidy  | 5,791            |
| Total Accounts Payable      | <u>\$ 73,433</u> |

**NOTE 14 – ACCRUED COMPENSATED ABSENCES**

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

Authority Employees Policy

Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of retirement or leaving in good standing, an employee is compensated for ½ unused sick days up to a maximum of \$15,000 under the Authority’s current personnel policy. Generally, unused vacation may be carried over at a rate of ½ of what was earned for that year. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

Authority Executive Director Policy

Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of retirement or leaving in good standing, the Executive Director is compensated for 100% of the unused sick days with no maximum amount under the Authority’s current personnel policy. Generally, unused vacation may be carried over at a rate of ½ of what was earned for that year. In the event of separation from the Authority, the Executive Director is eligible for compensation of up to one year plus any time earned in the year of separation.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2021

**NOTE 14 – ACCRUED COMPENSATED ABSENCES -CONTINUED**

The Authority has determined that the potential liability for accumulated vacation and sick time on June 30, 2021, is as follows:

| Balance on<br>30-Jun-20 | Additions | Payments    | Balance on<br>30-Jun-21 | Current<br>Portion |
|-------------------------|-----------|-------------|-------------------------|--------------------|
| \$ 298,580              | \$ 26,531 | \$ (22,790) | \$ 302,321              | \$ 30,232          |

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS**

The Authority as of June 30, 2021, reported accrued pension and OPEB liability amounts as follows:

|                                      | <u>June-21</u>      |
|--------------------------------------|---------------------|
| Accrued OPEB Liability (GASB #75)    | \$ 3,444,673        |
| Accrued Pension Liability (GASB #68) | 2,320,123           |
| Total OPEB and Pension Liability     | <u>\$ 5,764,796</u> |

These amounts arose due to adoption of GASB #75 in 2018 year as well as GASB #68 which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 16 will discuss the effect of GASB #68 and the liability which arose from that.

**OPEB Liability**

The Authority as of June 30, 2021, reported a net OPEB liability in the amount of \$3,444,673 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2020, the last evaluation date, is as follows:

|                             | <u>OPEB</u>         |
|-----------------------------|---------------------|
| Employer OPEB Liability     | \$ 3,476,317        |
| Plan Net Position           | (31,644)            |
| Employer Net OPEB Liability | <u>\$ 3,444,673</u> |

The Authority allocation percentage is 0.019194% as of June 30, 2020.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 15 – OTHER POST EMPLOYMENT BENEFITS**

#### **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.

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.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 15 - OTHER POST EMPLOYMENT BENEFITS OPEB Liability - Plan Description and Benefits Provided - continued**

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

#### Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended June 30, 2021, were \$3,344,673

*Employees covered by benefits terms:* On June 30, 2020 (the census date), the following employees were covered by the benefits terms:

Plan Members

20

#### Net OPEB Liability

The total OPEB liability as of June 30, 2020, latest report, was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. 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, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.21%

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-2020 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-2020 scale.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 15 – OPEB LIABILITIES - CONTINUED**

#### Actuarial Assumptions - Continued

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-2020 scale.

Certain actuarial assumptions used in the June 30, 2020, 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, 2020 and July 1, 2014 to June 30, 2020, 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.

#### Discount Rate

The discount rate for June 30, 2020, 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 | \$ 4,072,331                     | \$ 3,444,673 | \$ 2,947,824 |

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 15 – OPEB LIABILITIES - CONTINUED**

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> |                |                    |
|----------------------|---------------------------------------------------|----------------|--------------------|
|                      | <u>1% Decrease</u>                                | <u>Current</u> | <u>1% Increase</u> |
| Total OPEB Liability | \$ 2,850,470                                      | \$ 3,444,643   | \$ 4,222,789       |

Change in Assumptions: Effective June 30, 2020.

#### 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 2020.

#### Changes in Net OPEB Liability:

| <u>Total OPEB Liability</u>                                                              | <u>2021</u>                |
|------------------------------------------------------------------------------------------|----------------------------|
| Service Cost                                                                             | \$ 116,306                 |
| Interest on Total OPEB liability                                                         | 95,480                     |
| Expected Investment Return                                                               | (1,465)                    |
| Administrative Expenses                                                                  | 1,903                      |
| Changes in Benefits Term                                                                 | 198                        |
| Current Period Deferred Inflows/Outflows of Resources                                    | (105,682)                  |
| Changes in Assumptions or Other Inputs                                                   | 672,250                    |
| Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments | 870                        |
| Benefit Payments                                                                         | -                          |
| Change in Plan                                                                           | -                          |
| Net Change in Total OPEB Liability                                                       | <u>779,860</u>             |
| Total OPEB Liability, Beginning                                                          | <u>2,664,783</u>           |
| Total OPEB Liability, Ending                                                             | <u><u>\$ 3,444,643</u></u> |

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 15 – OPEB LIABILITIES - CONTINUED**

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

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

|                           |    |                  |
|---------------------------|----|------------------|
| Year Ending June 30, 2021 | \$ | (185,168)        |
| Year Ending June 30, 2022 |    | (185,336)        |
| Year Ending June 30, 2023 |    | (185,608)        |
| Year Ending June 30, 2024 |    | (185,856)        |
| Year Ending June 30, 2025 |    | (126,730)        |
| Therafter                 |    | 69,326           |
| Total                     | \$ | <u>(799,372)</u> |

### **NOTE 16 – ACCRUED PENSION LIABILITY**

#### Net Pension Liability Information

The Authority as of June 30, 2021, reported a net pension liability in the amount of \$2,320,123 due to GASB #68. The component of the current year net pension liability of the Authority as of June 30, 2020, the last evaluation date, is as follows:

|                                  |                     |
|----------------------------------|---------------------|
|                                  | PERS                |
| Employer Total Pension Liability | \$ 9,632,681        |
| Plan Net Position                | <u>(7,312,558)</u>  |
| Employer Net Pension Liability   | <u>\$ 2,320,123</u> |

The Authority allocation percentage is 0.014227438% as of June 30, 2020.

#### Plan Description

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

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



# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Net Pension Liability Information

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

The following represents the membership tiers for PERS:

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

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.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 16 – ACCRUED PENSION LIABILITY – CONTINUED**

#### Allocation Percentage Methodology -continued

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2020, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2020.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020 the State's pension contribution was less than the actuarial determined amount.

#### Actuarial Assumptions

The total pension liability for June 30, 2020, measurement dates were determined by using an actuarial valuation as of July 1, 2018, with update procedures used to roll forward the total pension liability to June 30, 2020. The actuarial valuations used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the Pub-2010 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2020 projection scale. Post-mortality rates were based on the Pub-2010 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2020 projection scale. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Actuarial Assumptions – Continued

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

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

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

| Asset Class                       | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------------|-------------------|----------------------------------------|
| Risk Mitigation Strategies        | 3.00%             | 4.67%                                  |
| Cash Equivalents                  | 5.00%             | 2.00%                                  |
| U.S. Treasuries                   | 5.00%             | 2.68%                                  |
| Investment Grade Credit           | 10.00%            | 4.25%                                  |
| High Yield                        | 2.00%             | 5.37%                                  |
| Private Credit                    | 6.00%             | 7.92%                                  |
| Real Assets                       | 2.50%             | 9.31%                                  |
| Real Estate                       | 7.50%             | 8.33%                                  |
| U.S. Equity                       | 28.00%            | 8.26%                                  |
| Non-U.S. Developed Markets Equity | 12.50%            | 9.00%                                  |
| Emerging Markets Equity           | 6.50%             | 11.37%                                 |
| Private Equity                    | 12.00%            | 10.85%                                 |
|                                   | <u>100%</u>       |                                        |

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2021

**NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED**

Discount Rate

The discount rate used to measure the total pension liability was 7.0% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2020, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% 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<br>(6.0%) | Current<br>Discount<br>(7.0%) | 1% Increase<br>(8.0%) |
|-------------------------------------------------------------------------|-----------------------|-------------------------------|-----------------------|
| Authority's Proportionate Share of the<br>Net Pension Liability (Asset) | \$ 3,275,402          | \$ 2,320,123                  | \$ 1,844,002          |

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 16 – ACCRUED PENSION LIABILITY – CONTINUED**

#### Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

|                           |    |                  |
|---------------------------|----|------------------|
| Year Ending June 30, 2021 | \$ | (492,127)        |
| Year Ending June 30, 2022 |    | (45,811)         |
| Year Ending June 30, 2023 |    | (263,272)        |
| Year Ending June 30, 2024 |    | (105,439)        |
| Year Ending June 30, 2025 |    | (20,785)         |
| Total                     | \$ | <u>(927,434)</u> |

#### Changes in Proportion

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

#### Pension Expense

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

|                                                                                             |    |                     |
|---------------------------------------------------------------------------------------------|----|---------------------|
| Service Cost                                                                                | \$ | 184,685             |
| Interest on the Total Pension Liability                                                     |    | 627,236             |
| Benefits Changes                                                                            |    | (3,891)             |
| Member Contributions                                                                        |    | (129,318)           |
| Administrative Expenses                                                                     |    | 2,755               |
| Expected Investment Return Net of Investment Expenses                                       |    | (277,474)           |
| Pension Expense Related to Specific Liabilities<br>of Individual Employers                  |    | (262)               |
| Current Period Recognition (Amortization) of Deferred<br>Outflows and Inflows of Resources: |    |                     |
| Difference Between Expected and Actual Experience<br>Changes of Assumptions                 |    | 58,738<br>(337,436) |
| Differences Between Projected and Actual Investment<br>Earnings on Pension Plan Investments |    | 60,074              |
| Total                                                                                       | \$ | <u>185,107</u>      |

## HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

### Notes to Financial Statements

June 30, 2021

#### **NOTE 17 – NET INVESTMENT IN CAPITAL ASSETS**

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

|                             |                             |
|-----------------------------|-----------------------------|
| Balance June 30, 2020       | \$ 13,266,879               |
| Acquisition in Fixed Assets | 1,318,939                   |
| Depreciation Expense        | <u>(672,027)</u>            |
| Balance June 30, 2021       | <u><u>\$ 13,913,791</u></u> |

#### **NOTE 18 – RESTRICTED NET POSITION**

The Authority restricted net position account balance on June 30, 2021, is \$949,097. The Authority placed CFP funds into a repair and replacement account for future use by the Authority per HUD drawdown requirement of 24 CFR Part 990 regarding CFP Funds.

#### **NOTE 19 – UNRESTRICTED NET POSITION**

The Authority's unrestricted net position account balance on June 30, 2021, is \$8,091,283. The detail of the account balance is as follows:

|                          | PIH Program                |                             | Total                      |
|--------------------------|----------------------------|-----------------------------|----------------------------|
|                          | Reserves                   | COCC                        |                            |
| Balance June 30, 2020    | \$ 7,035,363               | \$(1,458,678)               | \$ 5,576,685               |
| Increase During the Year | 2,048,722                  | -                           | 2,048,722                  |
| Decrease During the Year | -                          | (49,585)                    | (49,585)                   |
| Prior Period Adjustment  | 443,297                    | 72,164                      | 515,461                    |
| Balance June 30, 2021    | <u><u>\$ 9,527,382</u></u> | <u><u>\$(1,436,099)</u></u> | <u><u>\$ 8,091,283</u></u> |

#### **NOTE 20 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended June 30, 2021, were \$2,499,800.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 21 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

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

Total financial support by HUD was \$4,715,225 to the Authority which represents approximately 58% percent of the Authority's total revenue for the year ended June 30, 2021.

### **NOTE 22 - CONTINGENCIES**

Litigation – On June 30, 2021, the Authority was not involved in any threatened litigation.

#### Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the years ended June 30, 2021.

#### Other Insurance

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

#### Unemployment Insurance

The Authority provides unemployment insurance through direct billings from the New Jersey Unemployment Insurance Fund. For the year ended June 30, 2021, the Authority paid no benefits from the unemployment reserve. On June 30, 2021, the Authority did not recognize a liability for unpaid, unasserted claims, if any, as these would be deemed immaterial.

#### Construction Commitments

On June 30, 2021, the Authority outstanding construction commitments pertaining to its capital fund were not material. The cost pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2021

### **NOTE 22 - CONTINGENCIES -CONTINUED**

#### National Health Emergency

The United States is presently during a national health emergency related to the COVID-19 virus (coronavirus). The overall consequences of coronavirus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law to provide additional funding to Public Housing Authority's to prevent, prepare for and respond to coronavirus, including to maintain normal operations during the period the program was impacted. During the year ended June 30, 2021, the Authority received \$93,262 in total CARES Act funding of which \$10,884 was unspent. The overall impact of this situation on the Authority and its future results and financial position is not presently determinable.

### **NOTE 23 - PRIOR PERIOD ADJUSTMENTS**

#### For year ending June 30, 2021

As of June 30, 2021, the Authority had a prior period adjustment in the amount of \$515,461 while recording GASB #68 and #75 Net Pension and OPEB Liability from the State of New Jersey audit report for the Pension and OPEB liability as of June 30, 2019.

### **NOTE 24 - SUBSEQUENT EVENTS**

#### Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2021, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments because of job loss or other pandemic related issues. The Authority already received additional operating subsidy from HUD to offset these expenses.

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 that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru April 15, 2022, 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 TOWN OF PHILLIPSBURG**

Required Supplementary Information  
June 30, 2021

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

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

|                                                                                          | <b>2021</b>  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  |
|------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| <b>Total OPEB Liability</b>                                                              |              |              |              |              |
| Service Cost                                                                             | \$ 116,306   | \$ 131,129   | \$ -         | \$ -         |
| Interest on Total OPEB liability                                                         | 95,480       | 125,130      | 101,644      | 96,738       |
| Expected Investment Return                                                               | (1,465)      | (2,220)      | -            | -            |
| Administrative Expenses                                                                  | 1,903        | 1,865        | -            | -            |
| Changes in Benefits Term                                                                 | 198          | (375)        | -            | -            |
| Current Period Deferred Inflows/Outflows of Resources                                    | (105,682)    | (121,849)    | -            | -            |
| Changes in Assumptions or Other Inputs                                                   | 672,250      | (159,221)    | 237,107      | 490,024      |
| Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments | 870          | 704          | -            | -            |
| Benefit Payments                                                                         | -            | -            | (165,301)    | (153,806)    |
| Change in Plan                                                                           | -            | (608,219)    | -            | -            |
| Net Change in Total OPEB Liability                                                       | 779,860      | (633,056)    | 173,450      | 432,956      |
| Total OPEB Liability, Beginning                                                          | 2,664,783    | 3,297,839    | 3,124,389    | 2,691,433    |
| Total OPEB Liability, Ending                                                             | \$ 3,444,643 | \$ 2,664,783 | \$ 3,297,839 | \$ 3,124,389 |
| Covered, Employee Payroll covered employee payroll                                       | \$ 1,229,879 | \$ 1,288,723 | \$ 1,288,723 |              |
|                                                                                          | 280.08%      | 206.78%      | 255.90%      |              |

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

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Required Supplementary Information  
June 30, 2021

**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.

|                                                                                                                      | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  |
|----------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Housing Authority's proportion of the net pension liability                                                          | 0.01422744%  | 0.01630206%  | 0.01586160%  |
| Housing Authority's proportionate share of the net pension liability                                                 | \$ 2,320,123 | \$ 2,937,382 | \$ 3,123,076 |
| Housing Authority's covered employee payroll                                                                         | \$ 1,229,879 | \$ 1,201,304 | \$ 1,288,723 |
| Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 188.65%      | 244.52%      | 242.34%      |
| Plan fiduciary net position as a percentage of the total pension liability                                           | 24.08%       | 56.57%       | 53.60%       |

*\*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 TOWN OF PHILLIPSBURG**

Required Supplementary Information  
June 30, 2021

**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.

|                                                                                                                      | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  |
|----------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Housing Authority's proportion of the net pension liability                                                          | 0.01586000%  | 0.01675000%  | 0.01903000%  |
| Housing Authority's proportionate share of the net pension liability                                                 | \$ 3,123,076 | \$ 3,898,683 | \$ 5,635,847 |
| Housing Authority's covered employee payroll                                                                         | \$ 1,288,723 | \$ 1,300,279 | \$ 1,264,936 |
| Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 242.34%      | 299.83%      | 445.54%      |
| Plan fiduciary net position as a percentage of the total pension liability                                           | 53.60%       | 62.55%       | 67.05%       |

*\*The amounts determined for each fiscal year were determined as of June 30. Schedule is intended to show information for ten years.*

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Required Supplementary Information  
June 30, 2021

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

The schedule below displays the Authority's proportionate share of Net Pension Liability.

|                                                                     | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  |
|---------------------------------------------------------------------|--------------|--------------|--------------|
| Contractually required contribution                                 | \$ 155,641   | \$ 158,571   | \$ 158,224   |
| Contribution in relation to the contractually required contribution | (155,641)    | (158,571)    | (158,224)    |
| Contribution deficiency (excess)                                    | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| Authority's covered payroll                                         | \$ 1,229,879 | \$ 1,201,304 | \$ 1,288,723 |
| Contribution as a percentage of covered employee payroll            | 12.65%       | 13.20%       | 12.28%       |

*\*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 TOWN OF PHILLIPSBURG**

Required Supplementary Information  
June 30, 2021

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

The schedule below displays the Authority's proportionate share of Net Pension Liability.

|                                                                     | 2018         | 2017         | 2016         |
|---------------------------------------------------------------------|--------------|--------------|--------------|
| Contractually required contribution                                 | \$ 158,224   | \$ 156,198   | \$ 169,205   |
| Contribution in relation to the contractually required contribution | (158,224)    | (156,198)    | (169,205)    |
| Contribution deficiency (excess)                                    | \$ -         | \$ -         | \$ -         |
| Authority's covered payroll                                         | \$ 1,288,723 | \$ 1,300,279 | \$ 1,264,936 |
| Contribution as a percentage of covered employee payroll            | 12.28%       | 12.01%       | 13.38%       |

*\*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 TOWN OF PHILLIPSBURG  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

Programs funded by:

U.S. Department of Housing and Urban Development

|                                                    | CFDA #'s | Beginning Balance | Revenue Recognized | Fiscal Year Expenditures | Ending Balance |
|----------------------------------------------------|----------|-------------------|--------------------|--------------------------|----------------|
| <u>Public and Indian Housing Program</u>           |          |                   |                    |                          |                |
| NJ024                                              | 14.850   | -                 | 2,499,800          | 2,499,800                | -              |
| <u>PIH CARES ACT</u>                               |          |                   |                    |                          |                |
| NJ024-DC                                           | 14.PHC   | -                 | 82,378             | 82,378                   | -              |
| Grant Total                                        | 14.850   | -                 | 2,582,178          | 2,582,178                | -              |
| <u>Public Housing Capital Fund Program</u>         |          |                   |                    |                          |                |
| NJ39P024501                                        | 14.872   | -                 | 2,061,047          | 2,061,047                | -              |
| Grant Total                                        | 14.872   | -                 | 2,061,047          | 2,061,047                | -              |
| <u>Resident Opportunity &amp; Self Sufficiency</u> |          |                   |                    |                          |                |
| ROSS181182                                         | 14.870   | -                 | 72,000             | 72,000                   | -              |
| Grant Total                                        | 14.870   | -                 | 72,000             | 72,000                   | -              |
| Total Expenditures of Federal Awards               |          | \$ -              | \$ 4,715,225       | \$ 4,715,225             | \$ -           |

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the Town of Phillipsburg is under programs of the federal government for the year ended June 30, 2021. 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 Town of Phillipsburg, 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 Town of Phillipsburg.

**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 Town of Phillipsburg has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

**Note 4. Loans Outstanding:**

Housing Authority Town of Phillipsburg had no loans outstanding on June 30, 2021.

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

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2021.

**Note 6. Sub recipients:**

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

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND GRANT COST  
AS OF JUNE 30, 2021**

|                          | NJ39P024501-17     |                   |             |
|--------------------------|--------------------|-------------------|-------------|
|                          | Approved<br>Budget | Actual<br>Cost    | Overrun     |
| Operations               | \$ 249,532         | \$ 249,532        | \$ -        |
| Management Improvements  | 15,000             | 15,000            | -           |
| Administration           | 99,813             | 99,813            | -           |
| General Capital Activity | 633,786            | 633,786           | -           |
| <b>Total</b>             | <b>\$ 998,131</b>  | <b>\$ 998,131</b> | <b>\$ -</b> |
| Funds Advanced           | \$ 998,131         |                   |             |
| Funds Expended           | 998,131            |                   |             |
| Excess of Funds Advanced | \$ -               |                   |             |

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-17 was completed on March 23, 2021.
4. There were no budget overruns noted.



Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ  
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2021

|                                                                   | Project Total | 14.PHC<br>Public<br>Housing<br>CARES Act | 14.870<br>Resident<br>Opportunity<br>and | COCC      | Subtotal     | ELIM | Total        |
|-------------------------------------------------------------------|---------------|------------------------------------------|------------------------------------------|-----------|--------------|------|--------------|
| 111 Cash - Unrestricted                                           | \$16,644,625  |                                          |                                          | \$732,146 | \$17,376,771 |      | \$17,376,771 |
| 112 Cash - Restricted - Modernization and Development             |               |                                          |                                          |           |              |      |              |
| 113 Cash - Other Restricted                                       | \$949,097     |                                          |                                          |           | \$949,097    |      | \$949,097    |
| 114 Cash - Tenant Security Deposits                               | \$66,417      |                                          |                                          |           | \$66,417     |      | \$66,417     |
| 115 Cash - Restricted for Payment of Current Liabilities          |               |                                          |                                          |           |              |      |              |
| 100 Total Cash                                                    | \$17,660,139  | \$0                                      | \$0                                      | \$732,146 | \$18,392,285 |      | \$18,392,285 |
| 121 Accounts Receivable - PHA Projects                            |               |                                          |                                          |           |              |      |              |
| 122 Accounts Receivable - HUD Other Projects                      |               | \$10,884                                 |                                          |           | \$10,884     |      | \$10,884     |
| 124 Accounts Receivable - Other Government                        |               |                                          |                                          |           |              |      |              |
| 125 Accounts Receivable - Miscellaneous                           |               |                                          |                                          |           |              |      |              |
| 126 Accounts Receivable - Tenants                                 | \$354,135     |                                          |                                          |           | \$354,135    |      | \$354,135    |
| 126.1 Allowance for Doubtful Accounts - Tenants                   | -\$290,778    |                                          |                                          |           | -\$290,778   |      | -\$290,778   |
| 126.2 Allowance for Doubtful Accounts - Other                     |               | \$0                                      |                                          |           | \$0          |      | \$0          |
| 127 Notes, Loans, & Mortgages Receivable - Current                |               |                                          |                                          |           |              |      |              |
| 128 Fraud Recovery                                                | \$3,556       |                                          |                                          |           | \$3,556      |      | \$3,556      |
| 128.1 Allowance for Doubtful Accounts - Fraud                     | \$0           |                                          |                                          |           | \$0          |      | \$0          |
| 129 Accrued Interest Receivable                                   |               |                                          |                                          |           |              |      |              |
| 120 Total Receivables, Net of Allowances for Doubtful<br>Accounts | \$66,913      | \$10,884                                 | \$0                                      | \$0       | \$77,797     |      | \$77,797     |
| 131 Investments - Unrestricted                                    |               |                                          |                                          |           |              |      |              |
| 132 Investments - Restricted                                      |               |                                          |                                          |           |              |      |              |
| 135 Investments - Restricted for Payment of Current Liability     |               |                                          |                                          |           |              |      |              |
| 142 Prepaid Expenses and Other Assets                             | \$52,483      |                                          |                                          | \$101,576 | \$154,059    |      | \$154,059    |
| 143 Inventories                                                   |               |                                          |                                          |           |              |      |              |
| 143.1 Allowance for Obsolete Inventories                          |               |                                          |                                          |           |              |      |              |
| 144 Inter Program Due From                                        | \$0           |                                          |                                          |           | \$0          |      | \$0          |
| 145 Assets Held for Sale                                          |               |                                          |                                          |           |              |      |              |
| 150 Total Current Assets                                          | \$17,779,535  | \$10,884                                 | \$0                                      | \$833,722 | \$18,624,141 |      | \$18,624,141 |
| 161 Land                                                          | \$1,594,339   |                                          |                                          |           | \$1,594,339  |      | \$1,594,339  |
| 162 Buildings                                                     | \$20,578,190  |                                          |                                          |           | \$20,578,190 |      | \$20,578,190 |
| 163 Furniture, Equipment & Machinery - Dwellings                  | \$1,400,834   |                                          |                                          |           | \$1,400,834  |      | \$1,400,834  |

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ  
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2021

|                                                                              | 14.PHC<br>Public<br>Housing<br>CARES Act | 14.870<br>Resident<br>Opportunity<br>and | COCC      | Subtotal      | ELIM | Total         |
|------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|-----------|---------------|------|---------------|
| Project Total                                                                |                                          |                                          |           |               |      |               |
| 164 Furniture, Equipment & Machinery - Administration                        | \$802,706                                |                                          | \$38,833  | \$841,539     |      | \$841,539     |
| 165 Leasehold Improvements                                                   | \$1,320,759                              |                                          |           | \$1,320,759   |      | \$1,320,759   |
| 166 Accumulated Depreciation                                                 | -\$16,329,662                            |                                          | -\$38,833 | -\$16,368,495 |      | -\$16,368,495 |
| 167 Construction in Progress                                                 | \$4,546,625                              |                                          |           | \$4,546,625   |      | \$4,546,625   |
| 168 Infrastructure                                                           |                                          |                                          |           |               |      |               |
| 160 Total Capital Assets, Net of Accumulated Depreciation                    | \$13,913,791                             | \$0                                      | \$0       | \$13,913,791  |      | \$13,913,791  |
| 171 Notes, Loans and Mortgages Receivable - Non-Current                      |                                          |                                          |           |               |      |               |
| 172 Notes, Loans, & Mortgages Receivable - Non Current -<br>Past Due         |                                          |                                          |           |               |      |               |
| 173 Grants Receivable - Non Current                                          |                                          |                                          |           |               |      |               |
| 174 Other Assets                                                             |                                          |                                          |           |               |      |               |
| 176 Investments in Joint Ventures                                            |                                          |                                          |           |               |      |               |
| 180 Total Non-Current Assets                                                 | \$13,913,791                             | \$0                                      | \$0       | \$13,913,791  |      | \$13,913,791  |
| 200 Deferred Outflow of Resources                                            | \$795,775                                |                                          | \$132,903 | \$928,678     |      | \$928,678     |
| 290 Total Assets and Deferred Outflow of Resources                           | \$32,489,101                             | \$0                                      | \$966,625 | \$33,466,610  |      | \$33,466,610  |
| 311 Bank Overdraft                                                           |                                          |                                          |           |               |      |               |
| 312 Accounts Payable <= 90 Days                                              | \$30,288                                 |                                          | \$16,635  | \$57,807      |      | \$57,807      |
| 313 Accounts Payable >90 Days Past Due                                       |                                          |                                          |           |               |      |               |
| 321 Accrued Wage/Payroll Taxes Payable                                       | \$43,300                                 |                                          | \$18,180  | \$61,480      |      | \$61,480      |
| 322 Accrued Compensated Absences - Current Portion                           | \$14,828                                 |                                          | \$15,404  | \$30,232      |      | \$30,232      |
| 324 Accrued Contingency Liability                                            |                                          |                                          |           |               |      |               |
| 325 Accrued Interest Payable                                                 |                                          |                                          |           |               |      |               |
| 331 Accounts Payable - HUD PHA Programs                                      |                                          |                                          |           |               |      |               |
| 332 Account Payable - PHA Projects                                           |                                          |                                          |           |               |      |               |
| 333 Accounts Payable - Other Government                                      | \$158,900                                |                                          |           | \$158,900     |      | \$158,900     |
| 341 Tenant Security Deposits                                                 | \$66,416                                 |                                          |           | \$66,416      |      | \$66,416      |
| 342 Unearned Revenue                                                         | \$73,433                                 |                                          |           | \$73,433      |      | \$73,433      |
| 343 Current Portion of Long-term Debt - Capital<br>Projects/Mortgage Revenue |                                          |                                          |           |               |      |               |

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ  
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit      Fiscal Year End: 06/30/2021

|                                                                        | Project Total | 14.PHC<br>Public<br>Housing<br>CARES Act | 14.870<br>Resident<br>Opportunity<br>and | COCC         | Subtotal     | ELIM | Total        |
|------------------------------------------------------------------------|---------------|------------------------------------------|------------------------------------------|--------------|--------------|------|--------------|
| 344 Current Portion of Long-term Debt - Operating Borrowings           |               |                                          |                                          |              |              |      |              |
| 345 Other Current Liabilities                                          |               |                                          |                                          |              |              |      |              |
| 346 Accrued Liabilities - Other                                        | \$141,501     |                                          |                                          |              | \$141,501    |      | \$141,501    |
| 347 Inter Program - Due To                                             |               |                                          |                                          |              |              |      |              |
| 348 Loan Liability - Current                                           |               |                                          |                                          |              |              |      |              |
| 310 Total Current Liabilities                                          | \$528,666     | \$10,884                                 | \$0                                      | \$50,219     | \$589,769    |      | \$589,769    |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue |               |                                          |                                          |              |              |      |              |
| 352 Long-term Debt, Net of Current - Operating Borrowings              |               |                                          |                                          |              |              |      |              |
| 353 Non-current Liabilities - Other                                    |               |                                          |                                          |              |              |      |              |
| 354 Accrued Compensated Absences - Non Current                         | \$133,451     |                                          |                                          | \$138,638    | \$272,089    |      | \$272,089    |
| 355 Loan Liability - Non Current                                       |               |                                          |                                          |              |              |      |              |
| 356 FASB 5 Liabilities                                                 |               |                                          |                                          |              |              |      |              |
| 357 Accrued Pension and OPEB Liabilities                               | \$4,672,658   |                                          |                                          | \$1,092,138  | \$5,764,796  |      | \$5,764,796  |
| 350 Total Non-Current Liabilities                                      | \$4,806,109   | \$0                                      | \$0                                      | \$1,230,776  | \$6,036,885  |      | \$6,036,885  |
| 300 Total Liabilities                                                  | \$5,334,775   | \$10,884                                 | \$0                                      | \$1,280,995  | \$6,626,654  |      | \$6,626,654  |
| 400 Deferred Inflow of Resources                                       | \$2,764,056   |                                          |                                          | \$1,121,729  | \$3,885,785  |      | \$3,885,785  |
| 508.4 Net Investment in Capital Assets                                 | \$13,913,791  |                                          |                                          | \$0          | \$13,913,791 |      | \$13,913,791 |
| 511.4 Restricted Net Position                                          | \$949,097     |                                          |                                          |              | \$949,097    |      | \$949,097    |
| 512.4 Unrestricted Net Position                                        | \$9,527,382   | \$0                                      | \$0                                      | -\$1,436,099 | \$8,091,283  |      | \$8,091,283  |
| 513 Total Equity - Net Assets / Position                               | \$24,390,270  | \$0                                      | \$0                                      | -\$1,436,099 | \$22,954,171 |      | \$22,954,171 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net  | \$32,489,101  | \$10,884                                 | \$0                                      | \$966,625    | \$33,466,610 |      | \$33,466,610 |

Phillipsburg Housing Authority (NJ024)  
PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

|                                                         | Project Total | 14.PHC<br>Public<br>Housing<br>CARES Act | 14.870<br>Resident<br>Opportunity<br>and | COCC        | Subtotal    | ELIM       | Total       |
|---------------------------------------------------------|---------------|------------------------------------------|------------------------------------------|-------------|-------------|------------|-------------|
| 70300 Net Tenant Rental Revenue                         | \$2,847,076   |                                          |                                          |             | \$2,847,076 |            | \$2,847,076 |
| 70400 Tenant Revenue - Other                            | \$79,265      |                                          |                                          |             | \$79,265    |            | \$79,265    |
| 70500 Total Tenant Revenue                              | \$2,926,341   | \$0                                      | \$0                                      | \$0         | \$2,926,341 | \$0        | \$2,926,341 |
| 70600 HUD PHA Operating Grants                          | \$3,261,064   | \$82,378                                 | \$72,000                                 |             | \$3,415,442 |            | \$3,415,442 |
| 70610 Capital Grants                                    | \$1,299,783   |                                          |                                          |             | \$1,299,783 |            | \$1,299,783 |
| 70710 Management Fee                                    |               |                                          |                                          | \$820,827   | \$820,827   | -\$820,827 | \$0         |
| 70720 Asset Management Fee                              |               |                                          |                                          | \$69,360    | \$69,360    | -\$69,360  | \$0         |
| 70730 Book Keeping Fee                                  |               |                                          |                                          | \$50,588    | \$50,588    | -\$50,588  | \$0         |
| 70740 Front Line Service Fee                            |               |                                          |                                          |             |             |            |             |
| 70750 Other Fees                                        |               |                                          |                                          |             |             |            |             |
| 70700 Total Fee Revenue                                 |               |                                          |                                          | \$940,775   | \$940,775   | -\$940,775 | \$0         |
| 70800 Other Government Grants                           |               |                                          |                                          |             |             |            |             |
| 71100 Investment Income - Unrestricted                  | \$80,765      |                                          |                                          | \$4,578     | \$85,343    |            | \$85,343    |
| 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                                     | \$325,128     |                                          |                                          | \$92,307    | \$417,435   |            | \$417,435   |
| 71600 Gain or Loss on Sale of Capital Assets            |               |                                          |                                          |             |             |            |             |
| 72000 Investment Income - Restricted                    | \$6,079       |                                          |                                          |             | \$6,079     |            | \$6,079     |
| 70000 Total Revenue                                     | \$7,899,160   | \$82,378                                 | \$72,000                                 | \$1,037,660 | \$9,091,198 | -\$940,775 | \$8,150,423 |
| 91100 Administrative Salaries                           | \$268,935     |                                          |                                          | \$310,323   | \$579,258   |            | \$579,258   |
| 91200 Auditing Fees                                     | \$6,772       |                                          |                                          | \$1,500     | \$8,272     |            | \$8,272     |
| 91300 Management Fee                                    | \$748,827     |                                          | \$72,000                                 |             | \$820,827   | -\$820,827 | \$0         |
| 91310 Book-keeping Fee                                  | \$50,588      |                                          |                                          |             | \$50,588    | -\$50,588  | \$0         |
| 91400 Advertising and Marketing                         | \$130         |                                          |                                          |             | \$130       |            | \$130       |
| 91500 Employee Benefit contributions - Administrative   | \$126,487     |                                          |                                          | \$148,852   | \$275,339   |            | \$275,339   |
| 91600 Office Expenses                                   | \$39,371      |                                          |                                          | \$157,265   | \$196,636   |            | \$196,636   |
| 91700 Legal Expense                                     | \$4,854       |                                          |                                          | \$297,700   | \$302,554   |            | \$302,554   |
| 91800 Travel                                            |               |                                          |                                          |             |             |            |             |

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

|                                                                 | Project Total | 14.PHC<br>Public<br>Housing<br>CARES Act | 14.870<br>Resident<br>Opportunity<br>and | COCC      | Subtotal    | ELIM       | Total       |
|-----------------------------------------------------------------|---------------|------------------------------------------|------------------------------------------|-----------|-------------|------------|-------------|
| 91810 Allocated Overhead                                        |               |                                          |                                          |           |             |            |             |
| 91900 Other                                                     |               |                                          |                                          |           |             |            |             |
| 91000 Total Operating - Administrative                          | \$1,245,964   | \$0                                      | \$72,000                                 | \$915,640 | \$2,233,604 | -\$871,415 | \$1,362,189 |
| 92000 Asset Management Fee                                      | \$69,360      |                                          |                                          |           | \$69,360    | -\$69,360  | \$0         |
| 92100 Tenant Services - Salaries                                |               | \$64,611                                 |                                          |           | \$64,611    |            | \$64,611    |
| 92200 Relocation Costs                                          |               |                                          |                                          |           |             |            |             |
| 92300 Employee Benefit Contributions - Tenant Services          |               |                                          |                                          |           |             |            |             |
| 92400 Tenant Services - Other                                   |               | \$17,767                                 |                                          |           | \$17,767    |            | \$17,767    |
| 92500 Total Tenant Services                                     | \$0           | \$82,378                                 | \$0                                      | \$0       | \$82,378    | \$0        | \$82,378    |
| 93100 Water                                                     | \$284,878     |                                          |                                          |           | \$284,878   |            | \$284,878   |
| 93200 Electricity                                               | \$484,956     |                                          |                                          |           | \$484,956   |            | \$484,956   |
| 93300 Gas                                                       | \$301,144     |                                          |                                          |           | \$301,144   |            | \$301,144   |
| 93400 Fuel                                                      |               |                                          |                                          |           |             |            |             |
| 93500 Labor                                                     |               |                                          |                                          |           |             |            |             |
| 93600 Sewer                                                     | \$266,364     |                                          |                                          |           | \$266,364   |            | \$266,364   |
| 93700 Employee Benefit Contributions - Utilities                |               |                                          |                                          |           |             |            |             |
| 93800 Other Utilities Expense                                   |               |                                          |                                          |           |             |            |             |
| 93000 Total Utilities                                           | \$1,337,342   | \$0                                      | \$0                                      | \$0       | \$1,337,342 | \$0        | \$1,337,342 |
| 94100 Ordinary Maintenance and Operations - Labor               | \$550,479     |                                          |                                          |           | \$550,479   |            | \$550,479   |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$113,901     |                                          |                                          |           | \$113,901   |            | \$113,901   |
| 94300 Ordinary Maintenance and Operations Contracts             | \$284,091     |                                          |                                          | \$126,536 | \$410,627   |            | \$410,627   |
| 94500 Employee Benefit Contributions - Ordinary Maintenance     | \$295,038     |                                          |                                          |           | \$295,038   |            | \$295,038   |
| 94000 Total Maintenance                                         | \$1,243,509   | \$0                                      | \$0                                      | \$126,536 | \$1,370,045 | \$0        | \$1,370,045 |
| 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         |

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

|                                                           | Project Total | 14.PHC<br>Public<br>Housing<br>CARES Act | 14.870<br>Resident<br>Opportunity<br>and | COCC        | Subtotal    | ELIM       | Total       |
|-----------------------------------------------------------|---------------|------------------------------------------|------------------------------------------|-------------|-------------|------------|-------------|
| 96110 Property Insurance                                  | \$111,421     |                                          |                                          |             | \$111,421   |            | \$111,421   |
| 96120 Liability Insurance                                 | \$55,710      |                                          |                                          |             | \$55,710    |            | \$55,710    |
| 96130 Workmen's Compensation                              | \$55,710      |                                          |                                          | \$31,316    | \$87,026    |            | \$87,026    |
| 96140 All Other Insurance                                 |               |                                          |                                          |             |             |            |             |
| 96100 Total Insurance Premiums                            | \$222,841     | \$0                                      | \$0                                      | \$31,316    | \$254,157   | \$0        | \$254,157   |
| 96200 Other General Expenses                              |               |                                          |                                          |             |             |            |             |
| 96210 Compensated Absences                                | \$4,967       |                                          |                                          | \$13,753    | \$18,720    |            | \$18,720    |
| 96300 Payments in Lieu of Taxes                           | \$158,900     |                                          |                                          |             | \$158,900   |            | \$158,900   |
| 96400 Bad debt - Tenant Rents                             | \$242,537     |                                          |                                          |             | \$242,537   |            | \$242,537   |
| 96500 Bad debt - Mortgages                                |               |                                          |                                          |             |             |            |             |
| 96600 Bad debt - Other                                    |               |                                          |                                          |             |             |            |             |
| 96800 Severance Expense                                   |               |                                          |                                          |             |             |            |             |
| 96000 Total Other General Expenses                        | \$406,404     | \$0                                      | \$0                                      | \$13,753    | \$420,157   | \$0        | \$420,157   |
| 96710 Interest of Mortgage (or Bonds) Payable             |               |                                          |                                          |             |             |            |             |
| 96720 Interest on Notes Payable (Short and Long Term)     |               |                                          |                                          |             |             |            |             |
| 96730 Amortization of Bond Issue Costs                    |               |                                          |                                          |             |             |            |             |
| 96700 Total Interest Expense and Amortization Cost        | \$0           | \$0                                      | \$0                                      | \$0         | \$0         | \$0        | \$0         |
| 96900 Total Operating Expenses                            | \$4,525,420   | \$82,378                                 | \$72,000                                 | \$1,087,245 | \$5,767,043 | -\$940,775 | \$4,826,268 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$3,373,740   | \$0                                      | \$0                                      | -\$49,585   | \$3,324,155 | \$0        | \$3,324,155 |
| 97100 Extraordinary Maintenance                           |               |                                          |                                          |             |             |            |             |
| 97200 Casualty Losses - Non-capitalized                   |               |                                          |                                          |             |             |            |             |
| 97300 Housing Assistance Payments                         |               |                                          |                                          |             |             |            |             |
| 97350 HAP Portability-In                                  |               |                                          |                                          |             |             |            |             |
| 97400 Depreciation Expense                                | \$672,027     |                                          |                                          |             | \$672,027   |            | \$672,027   |
| 97500 Fraud Losses                                        |               |                                          |                                          |             |             |            |             |
| 97600 Capital Outlays - Governmental Funds                |               |                                          |                                          |             |             |            |             |
| 97700 Debt Principal Payment - Governmental Funds         |               |                                          |                                          |             |             |            |             |

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

|                                                                              | Project Total | 14:PHC<br>Public<br>Housing<br>CARES Act | 14:870<br>Resident<br>Opportunity<br>and | COCC         | Subtotal     | ELIM       | Total        |
|------------------------------------------------------------------------------|---------------|------------------------------------------|------------------------------------------|--------------|--------------|------------|--------------|
| 97800 Dwelling Units Rent Expense                                            |               |                                          |                                          |              |              |            |              |
| 90000 Total Expenses                                                         | \$5,197,447   | \$82,378                                 | \$72,000                                 | \$1,087,245  | \$6,439,070  | -\$940,775 | \$5,498,295  |
| 10010 Operating Transfer In                                                  | \$499,965     |                                          |                                          |              | \$499,965    |            | \$499,965    |
| 10020 Operating transfer Out                                                 | -\$499,965    |                                          |                                          |              | -\$499,965   |            | -\$499,965   |
| 10030 Operating Transfers from/to Primary Government                         |               |                                          |                                          |              |              |            |              |
| 10040 Operating Transfers from/to Component Unit                             |               |                                          |                                          |              |              |            |              |
| 10050 Proceeds from Notes, Loans and Bonds                                   |               |                                          |                                          |              |              |            |              |
| 10060 Proceeds from Property Sales                                           |               |                                          |                                          |              |              |            |              |
| 10070 Extraordinary Items, Net Gain/Loss                                     |               |                                          |                                          |              |              |            |              |
| 10080 Special Items (Net Gain/Loss)                                          |               |                                          |                                          |              |              |            |              |
| 10091 Inter Project Excess Cash Transfer In                                  |               |                                          |                                          |              |              |            |              |
| 10092 Inter Project Excess Cash Transfer Out                                 |               |                                          |                                          |              |              |            |              |
| 10093 Transfers between Program and Project - In                             |               |                                          |                                          |              |              |            |              |
| 10094 Transfers between Project and Program - Out                            |               |                                          |                                          |              |              |            |              |
| 10100 Total Other financing Sources (Uses)                                   | \$0           | \$0                                      | \$0                                      | \$0          | \$0          | \$0        | \$0          |
| 10000 Excess (Deficiency) of Total Revenue Over (Under)                      | \$2,701,713   | \$0                                      | \$0                                      | -\$49,585    | \$2,652,128  | \$0        | \$2,652,128  |
| Total Expenses                                                               |               |                                          |                                          |              |              |            |              |
| 11020 Required Annual Debt Principal Payments                                | \$0           | \$0                                      | \$0                                      | \$0          | \$0          | \$0        | \$0          |
| 11030 Beginning Equity                                                       | \$21,245,260  | \$0                                      | \$0                                      | -\$1,458,678 | \$19,786,582 | \$0        | \$19,786,582 |
| 11040 Prior Period Adjustments, Equity Transfers and<br>Correction of Errors | \$443,297     |                                          |                                          | \$72,164     | \$515,461    |            | \$515,461    |
| 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 -<br>Dwelling Rents         |               |                                          |                                          |              |              |            |              |
| 11100 Changes in Allowance for Doubtful Accounts - Other                     |               |                                          |                                          |              |              |            |              |
| 11170 Administrative Fee Equity                                              |               |                                          |                                          |              |              |            |              |
| 11180 Housing Assistance Payments Equity                                     |               |                                          |                                          |              |              |            |              |

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2021

|                                                        | Project Total | 14.PHC<br>Public<br>Housing<br>CARES Act | 14.870<br>Resident<br>Opportunity<br>and | COCC | Subtotal     | ELIM | Total        |
|--------------------------------------------------------|---------------|------------------------------------------|------------------------------------------|------|--------------|------|--------------|
| 11190 Unit Months Available                            | 6896          | 0                                        | 0                                        | 0    | 6896         | 0    | 6896         |
| 11210 Number of Unit Months Leased                     | 6745          | 0                                        | 0                                        | 0    | 6745         | 0    | 6745         |
| 11270 Excess Cash                                      | \$15,893,946  |                                          |                                          |      | \$15,893,946 |      | \$15,893,946 |
| 11610 Land Purchases                                   | \$0           |                                          |                                          | \$0  | \$0          |      | \$0          |
| 11620 Building Purchases                               | \$1,299,783   |                                          |                                          | \$0  | \$1,299,783  |      | \$1,299,783  |
| 11630 Furniture & Equipment - Dwelling Purchases       | \$0           |                                          |                                          | \$0  | \$0          |      | \$0          |
| 11640 Furniture & Equipment - Administrative Purchases | \$0           |                                          |                                          | \$0  | \$0          |      | \$0          |
| 11650 Leasehold Improvements Purchases                 | \$0           |                                          |                                          | \$0  | \$0          |      | \$0          |
| 11660 Infrastructure Purchases                         | \$0           |                                          |                                          | \$0  | \$0          |      | \$0          |
| 13510 CFFP Debt Service Payments                       | \$0           |                                          |                                          | \$0  | \$0          |      | \$0          |
| 13901 Replacement Housing Factor Funds                 | \$0           |                                          |                                          | \$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 GOVERNMENTAL AUDITING STANDARDS**

Board of Commissioners  
Housing Authority of the Town of Phillipsburg  
530 Heckman Street  
Phillipsburg, NJ 08865

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 Housing Authority of the Town of Phillipsburg (hereafter referred to as the Authority), which comprise the statement of net position as of June 30, 2021 and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2022.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

### **Giampaolo & Associates**

Lincroft, New Jersey

Date: April 15, 2022

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

Board of Commissioners  
Housing Authority of the Town of Phillipsburg  
530 Heckman Street  
Phillipsburg, NJ 08865

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

We have audited Housing Authority of the Town of Phillipsburg compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the Town of Phillipsburg major federal programs for the year ended June 30, 2021. Housing Authority of the Town of Phillipsburg major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, Housing Authority of the Town of Phillipsburg 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 June 30, 2021.

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

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

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

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

**Purpose of This Report**

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

**Giampaolo & Associates**

Lincroft, New Jersey

Date: April 15, 2022

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Schedule of Findings and Questioned Cost

Year Ended June 30, 2021

**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       |
|--------|-------------------------------------|--------------|
| 14.872 | Public Housing Capital Fund Program | \$ 2,061,047 |

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

Auditee qualified as a low-risk auditee \_\_\_\_\_ yes      X   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 Town of Phillipsburg  
530 Heckman Street  
Phillipsburg, NJ 08865

We have performed the procedures enumerated below on whether the electronic submission of certain information agrees with the hard copy documents within the reporting package for the year ended June 30, 2021. The U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) is responsible for the Uniform Financial Reporting Standards (UFRS) procedures.

Housing Authority of the Town of Phillipsburg has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the REAC’s UFRS requirements for the submission of the PHA financial data for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

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

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

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

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

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

***Giampaolo & Associates***

Lincroft, New Jersey

April 15, 2022