

Report On Audit

**HOUSING AUTHORITY OF
TOWN OF PHILLIPSBURG**

**For the Year Ended
June 30, 2020**

Housing Authority of the Town of Phillipsburg

Table of Contents

	<u>Page Number</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-16
Financial Statements	
Statement of Net Position	17-18
Statement of Revenue, Expenses and Changes in Net Position	19
Statement of Cash Flows	20-21
Notes to Financial Statements	22-56
Required Supplementary Information	
Schedules of Changes in Total OPEB Liabilities and Ratios	57
Schedules of Proportionate Share of the Net Pension Liability Of the Public Employee Retirement System (PERS)	58-59
Supplementary Information	
Schedule of Expenditures of Federal Awards	60-61
Statement on Certification of Actual Cost Capital Fund Program	62
Financial Data Schedule	63-69
Other Reports and Comments	
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 <i>Government Auditing Standards</i>	70-71
Independent Auditors Report on Compliance for each Major Program and on Internal Control over Compliance Required by Uniform Guidance	72-74
Schedule of Findings and Questioned Cost	75
Independent Accountant's Report on Applying Agreed-upon Procedures – REAC	76-77



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

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, 2020 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, 2020 and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 16 and pages 57-59 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 60-69 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, 2019, was audited by other auditors whose report dated March 20, 2020 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 February 15, 2021 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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: February 15, 2021

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2020**

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 \$19,786,582 a decrease in the net position of \$548,051 or 3% percent as compared to the prior year.

As noted above, the net position of the Authority is \$19,786,582 as of June 30, 2020. Of this amount, the unrestricted net position is \$5,576,685 representing a decrease of \$544,404 or 9% percent from the previous year. During the year of 2020, the Authority recorded a prior period adjustment for adjustment to the opening OPEB balance in the amount of (\$1,358,768). 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 decreased \$9,090 or less than 1% percent for an ending balance of \$13,266,879.

The restricted net position increased \$5,443 from the previous year for an ending balance of \$943,018. 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 unrestricted cash, and cash equivalent on June 30, 2020 is \$15,392,128 representing an increase of \$1,490,135 or 11% percent from the prior year. Total restricted deposits and funded reserves increased \$4,954 or less than 1% percent for an ending balance of \$1,009,069. 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 \$30,405,366 of which capital assets net book value is \$13,266,879, restricted deposits and funded reserves is \$1,009,069, and deferred outflow amount is \$536,227, leaving total current assets at \$15,593,191.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2020**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current assets increased from the previous year by \$1,463,040 or 10% percent. Cash and cash equivalents unrestricted increased by \$1,490,135, accounts receivables decreased by \$30,658, and prepaid expenses increased by \$3,563.

Restricted deposits and funded reserves increased from the previous year by \$4,954 or less than 1% percent for an ending balance of \$1,009,069.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$9,090 or less than 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$818,551, less the recording of depreciation expense in the amount of \$827,641. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$291,607 for an ending balance of \$536,227. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$2,519,204 for an ending balance of \$4,171,426. 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 \$6,447,358 of which noncurrent liabilities are stated at \$5,870,878. Total liabilities decreased during the year as compared to the prior year in the amount of \$803,856 or 11% percent. Total current liabilities increased during the year by \$14,079 leaving noncurrent liabilities for a decrease of \$817,935 or 12% percent, as compared to the previous year.

Total current liabilities increased from the previous year by \$14,079 or 3% percent. Accounts payables decreased by \$39,339, accrued liabilities decreased by \$4,994, tenant security deposit payable decreased \$489 from the prior year, unearned revenue increased \$58,901.

Total noncurrent liabilities decreased by \$817,935 or 12% percent. The decrease was comprised of two accounts, accrued compensated absences – long term with no offsetting assets increased \$815 from the prior fiscal year for an ending balance of \$268,713.

Accrued other post-employment benefits (OPEB) and pension liabilities decreased \$818,750 for ending balance of \$5,602,165. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB and pension liabilities on June 30, 2020 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, 2020**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had total operating revenue of \$5,910,432 as compared to \$5,839,702 from the prior year for an increase of \$70,730 or 1% percent. The Authority had total operating expenses of \$6,003,485 as compared to \$5,178,901 from the previous year for an increase of \$824,584 or 16% percent, resulting in a deficiency of revenue from operations in the amount of \$93,053 for the current year as compared to excess revenue from operations in the amount of \$660,801 for a decrease of excess revenue of \$753,854 or 114% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$818,560 as compared to \$745,474 from the previous year for an increase of \$73,086 or 10% percent.

The Authority's had capital outlays in the amount of \$818,551 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 \$3,404,471 for the fiscal year 2020 as compared to \$3,401,142 for the previous fiscal year 2019 for an increase of \$3,329 or less than 1% percent.

USING THIS ANNUAL REPORT

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

1. 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, 2020**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 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 56.

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, 2020**

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, 2020. 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, 2020.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between June 30, 2020 and June 30, 2019:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase
	June-20	June-19	(Decrease)
Cash	\$ 16,401,197	\$ 14,906,108	\$ 1,495,089
Other Current Assets	201,063	228,158	(27,095)
Capital Assets - Net	13,266,879	13,275,969	(9,090)
Deferred Outflows	536,227	827,834	(291,607)
Total Assets	30,405,366	29,238,069	1,167,297
Less: Current Liabilities	(576,480)	(562,401)	(14,079)
Less: Non Current Liabilities	(5,870,878)	(6,688,813)	817,935
Less: Deferred Inflows	(4,171,426)	(1,652,222)	(2,519,204)
Net Position	<u>\$ 19,786,582</u>	<u>\$ 20,334,633</u>	<u>\$ (548,051)</u>
Net Investment in Capital Assets	\$ 13,266,879	\$ 13,275,969	\$ (9,090)
Restricted Net Position	943,018	937,575	5,443
Unrestricted Net Position	5,576,685	6,121,089	(544,404)
Net Position	<u>\$ 19,786,582</u>	<u>\$ 20,334,633</u>	<u>\$ (548,051)</u>

Cash increased by \$1,495,089 or 10% percent. Net cash provided by operating activities was \$1,410,359, net cash used by capital and related financing activities was \$408, and net cash provided by investing activities was \$85,210. 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 decreased \$27,095. Accounts receivables decreased by \$30,658 and prepaid expenses increased by \$3,563.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$9,090 or less than 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$818,551, less the recording of depreciation expense in the amount of \$827,641.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$291,607 for an ending balance of \$536,227. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$2,519,204 for an ending balance of \$4,171,426. 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, 2020**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities increased from the previous year by \$14,079 or 3% percent. Accounts payables decreased by \$39,339, accrued liabilities decreased by \$4,994, tenant security deposit payable decreased \$489 from the prior year, unearned revenue increased \$58,901.

Total noncurrent liabilities decreased by \$817,935 or 12% percent. The decrease was comprised of two accounts, accrued compensated absences – long term with no offsetting assets increased \$815 from the prior fiscal year for an ending balance of \$268,713.

Accrued other post-employment benefits (OPEB) and pension liabilities decreased \$818,750 for ending balance of \$5,602,165. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB and pension liabilities on June 30, 2020 can be found in Notes 15-16 to the financial statements, which is included in this report.

The Authority's reported net position \$19,786,582 is made up of three categories. The net investment in capital assets in the amount of \$13,266,879 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, 2019	\$ 13,275,969
Acquisition in Fixed Assets	818,551
Depreciation Expense	<u>(827,641)</u>
Balance June 30, 2020	<u>\$ 13,266,879</u>

The Authority reported a restricted net position of \$943,018, an increase of \$5,443 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 per HUD drawdown requirement of 24 CFR Part 990 regarding CFP Funds.

Housing Authority of the Town of Phillipsburg operating results for June 30, 2020 reported a decrease in the deficit for unrestricted position of \$544,404 or 9% percent for an ending balance of \$5,576,685. A full detail of these accounts can be found in the Notes to the Financial Statements Section Note – 19 Unrestricted Net Position. During the 2020 year, the Authority had a prior period adjustment in the amount of (1,358,768) for the adjusting the opening OPEB expense.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between June 30, 2020 and June 30, 2019:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase
	June-20	June-19	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 2,791,422	\$ 2,679,616	\$ 111,806
HUD Subsidies	2,585,911	2,655,668	(69,757)
Other Revenues	533,099	504,418	28,681
Total Operating Income	<u>5,910,432</u>	<u>5,839,702</u>	<u>70,730</u>
<u>Expenses</u>			
Operating Expenses	5,175,844	4,345,981	829,863
Depreciation Expense	827,641	832,920	(5,279)
Total Operating Expenses	<u>6,003,485</u>	<u>5,178,901</u>	<u>824,584</u>
Operating (Loss) Income before Non Operating Income	(93,053)	660,801	(753,854)
Interest Income	85,210	79,016	6,194
Capital Grants	818,560	745,474	73,086
Increase in Net Position	<u>810,717</u>	<u>1,485,291</u>	<u>(674,574)</u>
Net Assets Prior Year	20,334,633	18,849,342	1,485,291
Prior Period Adjustment	(1,358,768)	-	(1,358,768)
Total Net Position	<u><u>19,786,582</u></u>	<u><u>20,334,633</u></u>	<u><u>\$ (548,051)</u></u>

Approximately 44% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 47% percent resulted from tenant revenue. Charges for various services provided the remaining 9% percent of the total operating income.

Housing Authority of the Town of Phillipsburg received from the capital fund program \$818,560 in grant money an increase of \$73,086 from the prior fiscal year. The Authority had capital expenditures of \$818,551. The current year additions were for replacement of apartment appliances, apartment upgrades, security system upgrades, and replacement of maintenance vehicles.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2020**

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 29% percent of total operating expenses. Administrative expenses accounted for 28% percent, utilities expense accounted for 18% percent, other operating expenses accounted for 11% percent, and depreciation accounted for the remaining 14% percent of the total operating expenses.

The Authority operating revenue did not exceed its operating expenses resulting in a deficiency of revenue from operations in the amount of \$93,053 from operations as compared to excess revenue from operations of \$660,801 for the previous year. The key elements for the increase in the deficiency of revenue from operations in comparison to the prior year are as follow:

- The Authority reported a decrease in HUD PHA operating grants in the amount of \$69,757 or 3% percent.
- Tenants dwelling rents revenue increased \$111,806 mainly due to tenant's increase in household income.
- Other income increased \$28,681 as compared to the prior year.
- The operating expense accounts did not see a decrease from the prior year

The operating expense accounts that saw a major increase were:

- Administrative expenses increased \$169,057 or 11% percent
- Tenant services expense increased \$1,064
- Utilities increased \$26,461 or 2% percent
- Maintenance expense increased \$494,279 or 30% percent
- Other Operating expense increased \$139,002 or 27% percent

Total net cash provided in operating activities during the year was \$1,410,359 as compared to cash provided by in the amount of \$1,580,373 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, 2020**

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, 2020:

	June-20	June-19	June-18	June-17
Significant Income				
Total Tenant Revenue	\$ 2,791,422	\$ 2,679,616	\$ 2,667,978	\$ 2,746,725
HUD Operating Grants	2,585,911	2,655,668	2,384,634	2,460,113
HUD Capital Grants	818,560	745,474	1,007,616	179,979
Investment Income	85,210	79,016	69,708	52,770
Other Income	533,099	504,418	343,804	309,537
Total	\$ 6,814,202	\$ 6,664,192	\$ 6,473,740	\$ 5,749,124
Payroll Expense				
Administrative Salaries	\$ 607,942	\$ 695,241	\$ 636,652	\$ 567,246
Maintenance Labor	618,211	593,482	663,627	528,485
Employee Benefits Expense	1,160,154	694,972	1,186,428	1,312,282
Total Payroll Expense	\$ 2,386,307	\$ 1,983,695	\$ 2,486,707	\$ 2,408,013
Other Significant Expenses				
Other Administrative Expenses	\$ 537,567	\$ 408,132	\$ 312,026	\$ 290,505
Utilities Expense	1,160,154	1,079,693	1,199,250	1,202,800
Maintenance Supplies	146,700	82,784	93,685	87,698
Maintenance Contract Cost	270,250	276,065	263,674	209,808
Insurance Premiums	252,851	243,624	239,905	243,351
Bad Debt Expense	234,394	94,188	135,435	108,060
Total	\$ 2,601,916	\$ 2,184,486	\$ 2,243,975	\$ 2,142,222
Total Operating Expenses	\$ 6,003,485	\$ 5,178,901	\$ 5,776,914	\$ 5,656,131
Total of Federal Awards	\$ 3,404,471	\$ 3,401,142	\$ 3,392,250	\$ 2,640,092

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, 2020**

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.

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 2020 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 50% percent of its revenue from the Department of Housing and Urban Development, (2019 fiscal year was 51% 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, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2020 was \$13,266,879 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$818,551, less the recording of depreciation expense in the amount of \$827,641. Major capital asset event during the fiscal year included the following:

- Replacement of Apartment Appliances
- Apartment Upgrades
- Security System Upgrades
- Replacement of Maintenance Vehicles

	June-20	June-19	Increase (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	822,383	822,392	(9)
Leasehold Improvements	1,320,759	1,320,759	-
Construction in Process	3,246,842	2,428,282	818,560
Total Fixed Assets	28,963,347	28,144,796	818,551
Accumulated Depreciation	(15,696,468)	(14,868,827)	(827,641)
Net Book Value	<u>\$ 13,266,879</u>	<u>\$ 13,275,969</u>	<u>\$ (9,090)</u>

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, 2020**

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 2021 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, 2021.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- 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 funded for 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, 2020

	2020
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 15,392,128
Accounts Receivables, Net of Allowances	71,364
Prepaid Expenses	129,699
Total Current Assets	15,593,191
Restricted Deposits and Funded Reserves	
Repair and Replacement Reserves Funds	943,018
Tenant Security Deposit	66,051
Total Restricted Deposits and Funded Reserves	1,009,069
Noncurrent Assets	
Capital Assets	
Land	1,594,339
Building	20,578,190
Furniture, Equipment - Dwelling	1,400,834
Furniture, Equipment - Administration	822,383
Leasehold Improvements	1,320,759
Construction in Process	3,246,842
Total Capital Assets	28,963,347
Less: Accumulated Depreciation	(15,696,468)
Net Book Value	13,266,879
Total Assets	29,869,139
Deferred Outflow of Resources	
State of New Jersey P.E.R.S. and OPEB	536,227
Total Assets and Deferred Outflow of Resources	\$ 30,405,366

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
STATEMENT OF NET POSITION - 2
AS OF JUNE 30, 2020

	2020
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 244,424
Accrued Liabilities	157,151
Tenant Security Deposit Payable	66,051
Unearned Revenue	108,854
Total Current Liabilities	576,480
Noncurrent Liabilities	
Accrued Compensated Absences - Long-Term	268,713
Accrued Net Pension and OPEB Liabilities	5,602,165
Total Noncurrent Liabilities	5,870,878
Total Liabilities	6,447,358
Deferred Inflow of Resources	
State of New Jersey P.E.R.S. and OPEB	4,171,426
Net Position:	
Net Investment in Capital Assets	13,266,879
Restricted	943,018
Unrestricted	5,576,685
Total Net Position	19,786,582
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 30,405,366

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, 2020

	2020
Revenue:	
Tenant Rental Revenue	\$ 2,791,422
HUD PHA Operating Grants	2,585,911
Other Revenue	533,099
Total Revenue	5,910,432
 Operating Expenses:	
Administrative Expenses	1,664,514
Tenant Services	2,000
Utilities Expense	1,106,154
Maintenance Expense	1,746,498
Other Operating Expenses	656,678
Depreciation Expense	827,641
Total Operating Expenses	6,003,485
 Excess Revenue (Expenses) From Operations	 (93,053)
 Non Operating Income:	
Investment Income	85,210
Excess Operating Revenue (Expenses) Before Capital Grant Contributions	(7,843)
 Capital Grants	 818,560
 Change in Net Position	 810,717
 Beginning Net Position	20,334,633
Prior Period Adjustments	(1,358,768)
Beginning Net Position, Restated	18,975,865
 Ending Net Position	 \$ 19,786,582

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, 2020

	2020
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 2,773,337
Receipts from Federal Grants	2,550,685
Receipts from Other Sources	530,649
Payments to Vendors and Suppliers	(1,206,513)
Payments to Employees	(1,201,303)
Payment of Employee Benefits	(930,342)
Payment of Utilities Expenses	(1,106,154)
Net Cash Provided by Operating Activities	1,410,359
Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	818,560
Acquisitions and Construction of Capital Assets	(818,551)
Security Deposit (Paid) Received	(489)
Net Cash (Used) by and Related Financing Activities	(480)
Cash Flow From Investing Activities	
Interest Income	85,210
Net Cash Provided by Investing Activities	85,210
Net Increase in Cash and Cash Equivalents	1,495,089
Beginning Cash, Cash Equivalents and Restricted Cash	14,906,108
Ending Cash, Cash Equivalents and Restricted Cash	\$ 16,401,197
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 15,392,128
Cash and Cash Equivalents - Restricted	1,009,069
Total Cash and Cash Equivalents	\$ 16,401,197

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, 2020

	2020
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expenses Over Revenue	\$ (93,053)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	827,641
(Increase) Decrease in:	
Accounts Receivables	30,658
Prepaid Expenses	(3,563)
Deferred Outflow of Resources	291,607
Increase (Decrease) in:	
Accounts Payable	(39,339)
Accrued Liabilities	(4,994)
Unearned Revenue	58,901
OPEB and Pension Liability	(2,177,518)
Accrued Compensated Absences	815
Deferred Inflows of Resources	2,519,204
Net Cash Provided by Operating Activities	\$ 1,410,359

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

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.

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. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

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

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

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 like 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.

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board "*Accounting and Financial Reporting for Pensions*." The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans of State and Local Governments. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

Significant Accounting Policies -Continued

Statement No. 75 of the Government Accounting Standards Board ("GASB 75") *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued June 2015. GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. The Authority adopted this accounting standards effective July 1, 2017.

Basis of Accounting –

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

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by June 30, are accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

Other revenue composed primarily of miscellaneous services fees and resident's late charges. 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.

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.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

Basis of Accounting – Continued

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 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.

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.

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.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

Other accounting policies - Continued

5 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

6 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

7 – The Authority does not have any infrastructure assets for its Enterprise Fund.

8 – 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.

9- Advertising cost is charged to expense when incurred.

10- 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.

11- 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.

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.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

Other accounting policies - Continued

13- Sources of Income

The major sources of revenue are HUD operating subsidy management contract revenue, tenant rental charges, rooftop cellular antenna and other miscellaneous revenue.

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.

During the year ended June 30, 2014, the Authority entered two 15-year contracts with both Sprint Spectrum L.P. and New Cingular Wireless PSC, LLC for rooftop rental space for the purpose of installing two cellular towers on the roof top of Heckman House. Both contracts include two automatics five-year renewals. Total revenues derived from all contracts during the year approximated \$201,000.

14 - 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 does not meet the definitions of "restricted" or "net investment in capital assets."

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

Other accounting policies - Continued

15 - 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. 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.

16- 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.

17 - Impairment Losses

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

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

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.

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.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

Activities - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-24	578
Public Housing Capital Fund	14.872		
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.

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.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

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

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

NOTE 2 – ESTIMATES

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

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 3 - PENSION PLAN

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

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

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925. On the web:
<http://www.state.nj.us/treasury/pensions/pdf/financial/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.

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 2020 amounted to \$158,571.

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.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

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.

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, 2020, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

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-20</u>
Insured	\$ 500,550
Collateralized held by pledging bank's trust department in the Authority's name	15,900,647
Total	<u>\$ 16,401,197</u>

Restricted Cash

The Authority has total restricted cash on June 30, 2020 in the amount of \$1,009,069 which consists of the following:

	<u>June-20</u>
Repair and Replacement Reserve Fund	\$ 943,018
Tenant Security Deposit	66,051
Total Restricted Cash	<u>\$ 1,009,069</u>

The tenant security deposit restricted cash on June 30, 2020 was \$66,051. 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.

Investments

The Authority's investments on June 30, 2020 included the following:

<u>Investment</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Money Market Account	Upon Demand	\$ 248,986
Money Market Account	Upon Demand	5,715,660
Total Investments		<u>\$ 5,964,646</u>

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on June 30, 2020 consisted of the following:

	<u>June-20</u>
Tenants Accounts Receivable - Present	\$ 103,374
Tenants Accounts Receivable - Fraud Recovery	2,450
Tenants Accounts Receivable - Vacated	48,095
Less Allowance for Doubtful Accounts	<u>(117,781)</u>
Net Tenants Accounts Receivable	36,138
HUD Receivable	<u>35,226</u>
Net Accounts Receivable	<u><u>\$ 71,364</u></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.

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, 2020 consisted of prepaid insurance premiums in the amount of \$129,699.

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, 2020 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 8 - FIXED ASSETS

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

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

Expenditures are capitalized when they meet the Capitalization Policy requirements.

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

Depreciation Expense

Depreciation expense for June 30, 2020 was \$827,641. 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

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

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2020:

	Balance June-19	Additions	Transfers	Balance June-20
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	822,392	(9)	-	822,383
Leasehold Improvements	1,320,759	-	-	1,320,759
Construction in Progress	2,428,282	818,560	-	3,246,842
Totals	28,144,796	818,551	-	28,963,347
Accumulated Depreciation	(14,868,827)	(827,641)	-	(15,696,468)
Net Book Value	\$ 13,275,969	\$ (9,090)	\$ -	\$ 13,266,879

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 8 - FIXED ASSETS - CONTINUED

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, 2020:

<u>Net Book Value of the Assets</u>	<u>Balance June-20</u>
Land and Improvements	\$ 1,594,339
Buildings & Improvements	8,034,964
Furniture & Equipment - Dwelling	215,554
Furniture & Equipment - Administration	175,180
Leasehold Improvements	-
Construction in Progress	3,246,842
Net Book Value	<u>\$ 13,266,879</u>

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

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, 2020 are as follows:

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 52,722	\$ 52,722
Changes in Assumptions	-	293,309	293,309
Net Difference Between Projected and Actual Earning on Pension Plan Investments	2,195	-	2,195
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	49,095	138,906	188,001
Contributions Subsequent to the Measurement	-	-	-
Total	<u>\$ 51,290</u>	<u>\$ 484,937</u>	<u>\$ 536,227</u>

Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 779,286	\$ 12,976	\$ 792,262
Changes in Assumptions	944,340	1,019,556	1,963,896
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	46,368	46,368
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	963,896	405,004	1,368,900
Contributions Subsequent to the Measurement	-	-	-
Total	<u>\$ 2,687,522</u>	<u>\$ 1,483,904</u>	<u>\$ 4,171,426</u>

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

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 \$52,722 and \$792,262.

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 \$293,309 and \$1,963,896.

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 \$2,195 and \$46,368.

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 \$188,001 and \$1,368,900.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 10 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of June 30, 2020. Accounts payable vendors are amount owed to creditors because of delivered goods and completed services. Accounts payable on June 30, 2020 consist of the following:

	<u>June-20</u>
Accounts Payable Vendors	\$ 75,897
Accounts Payable - Other Government	168,527
Total Accounts Payable	<u>\$ 244,424</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, 2020 the PILOT expense of \$168,527 was accrued. PILOT payable on June 30, 2020 consists of \$168,527, the 2020 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, 2020 consist of the following:

	<u>June-20</u>
Compensated Absences - Current Portion	\$ 29,849
Wages and Payroll Taxes Payable	74,217
Accrued Expense - Utilities	53,085
Total Accrued Liabilities	<u>\$ 157,151</u>

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

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, 2020 consisted of the following:

	<u>June-20</u>
Tenant Prepaid Rents - July	\$ 48,929
Unearned Operating Subsidy	59,925
Total Accounts Payable	<u>\$ 108,854</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, 2020

NOTE 14 – ACCRUED COMPENSATED ABSENCES -CONTINUED

The Authority has determined that the potential liability for accumulated vacation and sick time on June 30, 2020 is as follows:

	<u>June-20</u>
Accumulated Sick Time	\$ 184,976
Accumulated Vacation Time	86,444
Accrued Payroll Taxes	<u>27,142</u>
Total	298,562
Compensated Absences - Current Portion	(29,849)
Total Compensated Absences - Noncurrent	<u><u>\$ 268,713</u></u>

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

The Authority as of June 30, 2020 reported accrued pension and OPEB liability amounts as follows:

	<u>June-20</u>
Accrued OPEB Liability (GASB #75)	\$ 2,664,783
Accrued Pension Liability (GASB #68)	<u>2,937,382</u>
Total OPEB and Pension Liability	<u><u>\$ 5,602,165</u></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, 2020 reported a net OPEB liability in the amount of \$2,664,783 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	<u>OPEB</u>
Employer OPEB Liability	\$ 2,718,522
Plan Net Position	<u>(53,739)</u>
Employer Net OPEB Liability	<u><u>\$ 2,664,783</u></u>

The Authority allocation percentage is 0.0196720% as of June 30, 2019.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

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, 2020

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

OPEB Liability – Plan Description and Benefits Provided

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended June 30, 2019 were \$2,664,783.

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

Retired Employees Receiving Benefits	7
Active Employees	15
Total Employees	<u>22</u>

Net OPEB Liability

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

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

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

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 15 – OPEB LIABILITIES - CONTINUED

Actuarial Assumptions - Continued

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

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

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

Health Care Trend Assumptions

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

Discount Rate

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

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 15 – OPEB LIABILITIES - CONTINUED

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

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 3,081,167	\$ 2,664,783	\$ 2,324,416

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

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 2,248,749	\$ 2,664,783	\$ 3,195,505

Change in Assumptions: Effective June 30, 2019.

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for the 2019, 2018 and 2017 amounts, respectively.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 15 – OPEB LIABILITIES - CONTINUED

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2020</u>
Service Cost	\$ 131,129
Interest on Total OPEB liability	125,130
Expected Investment Return	(2,220)
Administrative Expenses	1,865
Changes in Benefits Term	(375)
Current Period Deferred Inflows/Outflows of Resources	(121,849)
Changes in Assumptions or Other Inputs	(159,221)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	704
Benefit Payments	-
Change in Plan	<u>(608,219)</u>
Net Change in Total OPEB Liability	(633,056)
Total OPEB Liability, Beginning	<u>3,297,839</u>
 Total OPEB Liability, Ending	 <u><u>\$ 2,664,783</u></u>

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

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

Year Ending June 30, 2020	\$ (280,366)
Year Ending June 30, 2021	(280,366)
Year Ending June 30, 2022	(280,538)
Year Ending June 30, 2023	(280,816)
Year Ending June 30, 2024	(281,070)
Therafter	<u>(318,276)</u>
Total	<u><u>\$ (1,721,432)</u></u>

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 16 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of June 30, 2020 reported a net pension liability in the amount of \$2,937,382 due to GASB #68. The component of the current year net pension liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 6,763,962
Plan Net Position	<u>(3,826,580)</u>
Employer Net Pension Liability	<u>\$ 2,937,382</u>

The Authority allocation percentage is 0.01630205760% as of June 30, 2019.

Plan Description

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

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

Net Pension Liability Information

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

The following represents the membership tiers for PERS:

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

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Allocation Percentage Methodology

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2019 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2019.

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 2019 the State's pension contribution was less than the actuarial determined amount.

Net Pension Liability Information

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

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

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions

The total pension liability for June 30, 2019 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, 2018. 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-2014 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-2014 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).

The actuarial assumptions used in the July 1, 2018 evaluation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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, 2019) 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.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions – Continued

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, 2019 as summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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>	

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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, 2019, 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.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate -continued

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 6.28% 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 (5.28% percent) or 1 percentage-point higher (7.28% 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 (5.28%)	Current Discount (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,736,205	\$ 2,937,382	\$ 2,301,917

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, 2020	\$ (84,818)
Year Ending June 30, 2021	(275,149)
Year Ending June 30, 2022	(245,692)
Year Ending June 30, 2023	(115,365)
Year Ending June 30, 2024	(11,846)
Total	<u>\$ (732,870)</u>

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 16 – ACCRUED PENSION LIABILITY – CONTINUED

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 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2019, are as follows:

Service Cost	\$	131
Interest on the Total Pension Liability		388,360
Member Contributions		(90,250)
Administrative Expenses		2,391
Expected Investment Return Net of Investment Expenses		(240,974)
Pension Expense Related to Specific Liabilities of Individual Employers		(1,129)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		29,239
Changes of Assumptions		(89,364)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		28,429
Total	\$	<u>26,832</u>

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.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 18 – RESTRICTED NET POSITION

The Authority restricted net position account balance on June 30, 2020 is \$943,018. 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, 2020 is \$5,576,685. The detail of the account balance is as follows:

	PIH Program		
	Reserves	COCC	Total
Balance June 30, 2019	\$ 7,208,304	\$(1,087,215)	\$ 6,121,089
Increase During the Year	842,535	-	842,535
Decrease During the Year	-	(28,171)	(28,171)
Prior Period Adjustment	(1,015,476)	(343,292)	(1,358,768)
Balance June 30, 2020	<u>\$ 7,035,363</u>	<u>\$(1,458,678)</u>	<u>\$ 5,576,685</u>

NOTE 20 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended June 30, 2020, the Authority's risk management program, to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its building for the purpose of determining potential liability issues.

NOTE 21 - 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, 2020 were \$2,172,569.

NOTE 22 – CONSTRUCTION COMMITMENTS

On June 30, 2020, 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, 2020

NOTE 23 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

Total financial support by HUD was \$3,404,471 to the Authority which represents approximately 50% percent of the Authority's total revenue for the year ended June 30, 2020.

NOTE 24 - CONTINGENCIES.

Litigation – On June 30, 2020, the Authority, was involved in several lawsuits arising in the ordinary course of business. The Authority insurance carrier is handling most of these cases. In the opinion of the Authority's management, any liability resulting from such litigation would not be material in relation to the Authority's financial position and results of operations.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the number of disallowances, if any, which may arise from future audits will not be material.

NOTE 25- PRIOR PERIOD ADJUSTMENTS

For year ending June 30, 2020

As of June 30, 2020, the Authority had a prior period adjustment in the amount of (\$1,358,768) while recording GASB #75 Net OPEB Liability from the State of New Jersey audit report for the OPEB liability as of June 30, 2017.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Notes to Financial Statements

June 30, 2020

NOTE 26 – SUBSEQUENT EVENTS

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification 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 February 15, 2021, the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Required Supplementary Information

June 30, 2020

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

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

<u>Total OPEB Liability</u>	2020	2019	2018
Service Cost	\$ 131,129	\$ -	\$ -
Interest on Total OPEB liability	125,130	101,644	96,738
Expected Investment Return	(2,220)	-	-
Administrative Expenses	1,865	-	-
Changes in Benefits Term	(375)	-	-
Current Period Deferred Inflows/Outflows of Resources	(121,849)	-	-
Changes in Assumptions or Other Inputs	(159,221)	237,107	490,024
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	704	-	-
Benefit Payments	-	(165,301)	(153,806)
Change in Plan	(608,219)	-	-
Net Change in Total OPEB Liability	(633,056)	173,450	432,956
Total OPEB Liability, Beginning	3,297,839	3,124,389	2,691,433
Total OPEB Liability, Ending	<u>\$ 2,664,783</u>	<u>\$ 3,297,839</u>	<u>\$ 3,124,389</u>
Covered, Employee Payroll	\$ 1,201,304	\$ 1,288,723	\$ 1,288,723
covered employee payroll	221.82%	255.90%	242.44%

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, 2020

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

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

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

	2020	2019	2018	2017	2016
Housing Authority's proportion of the net pension liability	0.01630206%	0.01586160%	0.01586000%	0.01675000%	0.01903000%
Housing Authority's proportionate share of the net pension liability	\$ 2,937,382	\$ 3,123,076	\$ 3,123,076	\$ 3,898,683	\$ 5,635,847
Housing Authority's covered employee payroll	\$ 1,201,304	\$ 1,288,723	\$ 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	244.52%	242.34%	242.34%	299.83%	445.54%
Plan fiduciary net position as a percentage of the total pension liability	56.57%	53.60%	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.*

Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Required Supplementary Information
June 30, 2020

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 158,571	\$ 158,224	\$ 158,224	\$ 156,198	\$ 169,205
Contribution in relation to the contractually required contribution	(158,571)	(158,224)	(158,224)	(156,198)	(169,205)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,201,304	\$ 1,288,723	\$ 1,288,723	\$ 1,300,279	\$ 1,264,936
Contribution as a percentage of covered employee payroll	13.20%	12.28%	12.28%	12.01%	13.38%

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

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED JUNE 30, 2020**

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	-	2,137,343	2,137,343	-
<u>PIH CARES ACT</u>					
NJ024-DC	14.PHC	-	35,226	35,226	-
Grant Total 14.850		-	2,172,569	2,172,569	-
<u>Public Housing Capital Fund Program</u>					
NJ39P024501-16	14.872	-	186,618	186,618	-
NJ39P024501-17	14.872	-	465,160	465,160	-
NJ39P024501-18	14.872	-	491,745	491,745	-
Grant Total 14.872		-	1,143,523	1,143,523	-
<u>Resident Opportunity & Self Sufficiency</u>					
ROSS181182	14.870	-	88,379	88,379	-
Grant Total 14.870		-	88,379	88,379	-
Total Expenditures of Federal Awards		\$ -	\$ 3,404,471	\$ 3,404,471	\$ -

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2020**

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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the 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 at June 30, 2020.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2020.

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, 2020**

	NJ39P024501-16		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 215,078	\$ 215,078	\$ -
Management Improvements	43,946	43,946	-
Administration	107,539	107,539	-
Fees & Costs	20,000	20,000	-
Dwelling Structures	488,706	488,706	-
Dwelling Equipment	198,262	198,262	-
Non-Dwelling Equipment	1,841	1,841	-
Total	\$ 1,075,372	\$ 1,075,372	\$ -
Funds Advanced	\$ 1,075,372		
Funds Expended	1,075,372		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-16 was completed on July 21, 2020.
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: 06/30/2020					
	14.870 Resident Opportunity and	14.PHC Public Housing CARES Act	COCC	Subtotal	ELIM	Total
Project Total						
111 Cash - Unrestricted	\$14,563,016		\$829,112	\$15,392,128		\$15,392,128
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted	\$943,018			\$943,018		\$943,018
114 Cash - Tenant Security Deposits	\$66,051			\$66,051		\$66,051
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$15,572,085	\$0	\$829,112	\$16,401,197	\$0	\$16,401,197
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects	\$0	\$35,226		\$35,226		\$35,226
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$151,469			\$151,469		\$151,469
126.1 Allowance for Doubtful Accounts - Tenants	-\$117,781			-\$117,781		-\$117,781
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery	\$2,450			\$2,450		\$2,450
128.1 Allowance for Doubtful Accounts - Fraud	\$0			\$0		\$0
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$36,138	\$0	\$0	\$71,364	\$0	\$71,364
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$57,082		\$72,617	\$129,699		\$129,699
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From	\$35,226		\$0	\$35,226	-\$35,226	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$15,700,531	\$0	\$901,729	\$16,637,486	-\$35,226	\$16,602,260
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
164 Furniture, Equipment & Machinery - Administration	\$783,550		\$38,833	\$822,383		\$822,383

Phillipsburg Housing Authority (NJ024)
PHILLIPSBURG, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit	Fiscal Year End: 06/30/2020					Total
	14.870 Resident Opportunity and	14.PHC Public Housing CARES Act	COCC	Subtotal	ELIM	
	Project Total					
165 Leasehold Improvements	\$1,320,759			\$1,320,759		\$1,320,759
166 Accumulated Depreciation	-\$15,657,635		-\$38,833	-\$15,696,468		-\$15,696,468
167 Construction in Progress	\$3,246,842			\$3,246,842		\$3,246,842
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$13,266,879	\$0	\$0	\$13,266,879	\$0	\$13,266,879
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$13,266,879	\$0	\$0	\$13,266,879	\$0	\$13,266,879
200 Deferred Outflow of Resources	\$458,267		\$77,960	\$636,227		\$536,227
290 Total Assets and Deferred Outflow of Resources	\$29,425,677	\$0	\$979,689	\$30,440,592	-\$35,226	\$30,405,366
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$30,329		\$45,568	\$75,897		\$75,897
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$52,795		\$21,422	\$74,217		\$74,217
322 Accrued Compensated Absences - Current Portion	\$15,820		\$14,029	\$29,849		\$29,849
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$168,527			\$168,527		\$168,527
341 Tenant Security Deposits	\$66,051			\$66,051		\$66,051
342 Unearned Revenue	\$108,854			\$108,854		\$108,854
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$53,085			\$53,085		\$53,085

Phillipsburg Housing Authority (NJ024)
 PHILLIPSBURG, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2020

	14.870 Resident Opportunity and	14.PHC Public Housing CARES Act	COCC	Subtotal	ELIM	Total
347 Inter Program - Due To		\$35,226		\$35,226	-\$35,226	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$495,461	\$35,226	\$81,019	\$611,706	-\$35,226	\$576,480
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	\$142,453		\$126,260	\$268,713		\$268,713
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$4,532,796		\$1,069,369	\$5,602,165		\$5,602,165
350 Total Non-Current Liabilities	\$4,675,249	\$0	\$1,195,629	\$5,870,878	\$0	\$5,870,878
300 Total Liabilities	\$5,170,710	\$35,226	\$1,276,648	\$6,482,584	-\$35,226	\$6,447,358
400 Deferred Inflow of Resources	\$3,009,707		\$1,161,719	\$4,171,426		\$4,171,426
508.4 Net Investment in Capital Assets	\$13,266,879		\$0	\$13,266,879		\$13,266,879
511.4 Restricted Net Position	\$943,018			\$943,018		\$943,018
512.4 Unrestricted Net Position	\$7,035,363	\$0	-\$1,458,678	\$5,576,685	\$0	\$5,576,685
513 Total Equity - Net Assets / Position	\$21,245,260	\$0	-\$1,458,678	\$19,786,582	\$0	\$19,786,582
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$29,425,677	\$35,226	\$979,689	\$30,440,592	-\$35,226	\$30,405,366

Phillipsburg Housing Authority (NJ024)
PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2020

	Project Total	14.870 Resident Opportunity and	14.PHC Public Housing CARES Act	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,713,899				\$2,713,899		\$2,713,899
70400 Tenant Revenue - Other	\$77,523				\$77,523		\$77,523
70500 Total Tenant Revenue	\$2,791,422	\$0	\$0	\$0	\$2,791,422	\$0	\$2,791,422
70600 HUD PHA Operating Grants	\$2,462,306	\$88,379	\$35,226		\$2,585,911		\$2,585,911
70610 Capital Grants	\$818,560				\$818,560		\$818,560
70710 Management Fee				\$626,225	\$626,225	-\$626,225	\$0
70720 Asset Management Fee				\$69,360	\$69,360	-\$69,360	\$0
70730 Book Keeping Fee				\$50,310	\$50,310	-\$50,310	\$0
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue				\$745,895	\$745,895	-\$745,895	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$75,506			\$4,261	\$79,767		\$79,767
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	\$273,906			\$259,193	\$533,099		\$533,099
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted	\$5,443				\$5,443		\$5,443
70000 Total Revenue	\$6,427,143	\$88,379	\$35,226	\$1,009,349	\$7,560,097	-\$745,895	\$6,814,202
91100 Administrative Salaries	\$277,390	\$44,189		\$286,363	\$607,942		\$607,942
91200 Auditing Fees	\$8,600			\$3,500	\$12,100		\$12,100
91300 Management Fee	\$616,225	\$10,000			\$626,225	-\$626,225	\$0
91310 Book-keeping Fee	\$50,310				\$50,310	-\$50,310	\$0
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$320,728	\$32,190		\$166,087	\$519,005		\$519,005
91600 Office Expenses	\$32,279			\$157,652	\$189,931		\$189,931
91700 Legal Expense	\$56,205			\$275,493	\$331,698		\$331,698
91800 Travel	\$412			\$3,426	\$3,838		\$3,838
91810 Allocated Overhead							
91900 Other							
91000 Total Operating - Administrative	\$1,362,149	\$86,379	\$0	\$892,521	\$2,341,049	-\$676,535	\$1,664,514
92000 Asset Management Fee							
92100 Tenant Services - Salaries	\$69,360				\$69,360	-\$69,360	\$0

Phillipsburg Housing Authority (NJ024)
PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2020

	14,870 Resident Opportunity and	14,PHC Public Housing CARES Act	COCC	Subtotal	ELIM	Total
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$2,000			\$2,000		\$2,000
92500 Total Tenant Services	\$2,000	\$0	\$0	\$2,000	\$0	\$2,000
93100 Water	\$293,586			\$293,586		\$293,586
93200 Electricity	\$445,753			\$445,753		\$445,753
93300 Gas	\$276,210			\$276,210		\$276,210
93400 Fuel						
93500 Labor						
93600 Sewer	\$90,605			\$90,605		\$90,605
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$1,106,154	\$0	\$0	\$1,106,154	\$0	\$1,106,154
94100 Ordinary Maintenance and Operations - Labor	\$618,211			\$618,211		\$618,211
94200 Ordinary Maintenance and Operations - Materials and Other	\$111,474	\$35,226		\$146,700		\$146,700
94300 Ordinary Maintenance and Operations Contracts	\$243,904		\$26,346	\$270,250		\$270,250
94500 Employee Benefit Contributions - Ordinary Maintenance	\$711,337			\$711,337		\$711,337
94000 Total Maintenance	\$1,684,926	\$35,226	\$26,346	\$1,746,498	\$0	\$1,746,498
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
96110 Property Insurance	\$61,773		\$35,694	\$97,467		\$97,467
96120 Liability Insurance	\$30,887		\$29,508	\$60,395		\$60,395
96130 Workmen's Compensation	\$30,886		\$64,103	\$94,989		\$94,989
96140 All Other Insurance						
96100 Total Insurance Premiums	\$123,546	\$0	\$129,305	\$252,851	\$0	\$252,851
96200 Other General Expenses						
96210 Compensated Absences	\$11,556		-\$10,650	\$906		\$906
96300 Payments in Lieu of Taxes	\$168,527			\$168,527		\$168,527
96400 Bad debt - Tenant Rents	\$234,394			\$234,394		\$234,394

Phillipsburg Housing Authority (NJ024)
PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2020

	Project Total	14,870 Resident Opportunity and	14,PHC Public Housing CARES Act	COCC	Subtotal	ELIM	Total
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$414,477	\$0	\$0	-\$10,650	\$403,827	\$0	\$403,827
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	\$4,760,612	\$88,379	\$35,226	\$1,037,522	\$5,921,739	-\$745,895	\$5,175,844
97000 Excess of Operating Revenue over Operating Expenses	\$1,666,531	\$0	\$0	-\$28,173	\$1,638,358	\$0	\$1,638,358
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments							
97350 HAP Portability-In							
97400 Depreciation Expense	\$826,258			\$1,383	\$827,641		\$827,641
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$5,586,870	\$88,379	\$35,226	\$1,038,905	\$6,749,380	-\$745,895	\$6,003,485
10010 Operating Transfer In	\$190,414				\$190,414		\$190,414
10020 Operating transfer Out	-\$190,414				-\$190,414		-\$190,414
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

Phillipsburg Housing Authority (NJ024)
PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2020

	14.870 Resident Opportunity and	14.PHC Public Housing CARES Act	COCC	Subtotal	ELIM	Total
Project Total						
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$0	-\$29,556	\$810,717	\$0	\$810,717
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$21,420,463	\$0	-\$1,085,830	\$20,334,633	\$0	\$20,334,633
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,015,476		-\$343,292	-\$1,358,768		-\$1,358,768
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity						
11180 Housing Assistance Payments Equity						
11190 Unit Months Available	6936	0	0	6936	0	6936
11210 Number of Unit Months Leased	6708	0	0	6708	0	6708
11270 Excess Cash	\$13,819,466			\$13,819,466		\$13,819,466
11610 Land Purchases	\$0		\$0	\$0		\$0
11620 Building Purchases	\$818,560		\$0	\$818,560		\$818,560
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



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

**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, 2020 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 February 15, 2021.

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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: February 15, 2021



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

**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, 2020. Housing Authority of the Town of Phillipsburg major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the 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, 2020.

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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: February 15, 2021

HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

Schedule of Findings and Questioned Cost

Year Ended June 30, 2020

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

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

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

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

Type of audit report issued on compliance for major programs:

Unmodified

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

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.850	Public and Indian Housing Program	\$ 2,172,569

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



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

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

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

We were engaged to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the Town of Phillipsburg as of and for the year ended June 30, 2020, and have issued our reports thereon dated February 15, 2021. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated June 30, 2020, was expressed in relation to the basic financial statements of Housing Authority of the Town of Phillipsburg taken as a whole.

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

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
February 15, 2021

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURE

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule,all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
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*	<input checked="" type="radio"/>	<input type="radio"/>
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*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>