

**Report On Audit**

**HOUSING AUTHORITY OF  
TOWN OF PHILLIPSBURG**

**For the Year Ended  
June 30, 2023**

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

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities of the Housing Authority of the Town of Phillipsburg, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Town of Phillipsburg basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Housing Authority of the Town of Phillipsburg as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the Town of Phillipsburg and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Town of Phillipsburg's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the Town of Phillipsburg.
- Housing Authority of the Town of Phillipsburg's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 5 through 18 and pages 61-66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the Town of Phillipsburg's basic financial statements. The accompanying supplemental information on pages 67-77 is presented for additional analysis and is not required part of the basic financial statements.

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

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

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards, and the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2024, in 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Town of Phillipsburg's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the Town of Phillipsburg's internal control over financial reporting and compliance.

***Giampaolo & Associates***

Lincroft, New Jersey

Date: January 5, 2024

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

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 19 of this report. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of the Authority exceeded its liabilities and deferred outflows at the close of the most recent fiscal year by \$26,784,315 an increase in the net position of \$1,124,662 or 4% percent as compared to the prior year.

As noted above, the net position of the Authority is \$26,784,315 as of June 30, 2023. Of this amount, the unrestricted net position is \$11,803,221 representing an increase of \$647,344 or 6% percent from the previous year. During the year of 2023, the Authority recorded a prior period adjustment for adjustment to the opening OPEB balance and deferred inflows in the credit amount of \$1,782,110. Additional information on the Authority's unrestricted net positions can be found in Note 21 the financial statements, which is included in this report.

The net investment in capital assets increased \$461,635 or 3% percent for an ending balance of \$14,012,930. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$944,954, less the recording of depreciation expense in the amount of \$483,319.

The restricted net position increased \$15,683 or 2% percent from the previous year for an ending balance of \$968,164. Additional information on the Authority's restricted net position can be found in Note 20 to the financial statements, which is included in this report.

The Authority's total cash on June 30, 2023, is \$22,720,436 representing an increase of \$2,371,373 or 12% percent from the prior year. Operating cash increased \$2,354,566 or 12% percent for an ending balance of \$21,682,830. Total restricted deposits and funded reserves increased \$16,807 or 2% percent for an ending balance of \$1,037,606. The full detail of these amounts can be found in the Statements of Cash Flows on pages 22-23 of this report.

The Authority's total assets and deferred outflows are \$40,559,264 of which capital assets net book value is \$14,012,930, deferred outflows in the amount of \$1,714,894, other assets in the amount of \$1,769,575, leaving total current assets at \$23,061,865.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current assets increased from the previous year by \$2,388,105 or 12% percent. Operating cash increased by \$2,354,566, restricted deposits and funded reserves increased \$16,807, accounts receivables increased by \$16,650, and prepaid expenses increased by \$82.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$461,635 or 3% percent. The major factor that contributed to the increase was the purchase of fixed assets in the amount of \$944,954, less the recording of depreciation expense in the amount of \$483,319. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

Other assets decreased \$111,846 or 6% percent. Right to use assets decreased by \$5,762 or 19% percent. Leases receivable – noncurrent decreased by \$106,084 or 6% percent. Full detail of these accounts can be found in the Notes to the Financial Statements Section Note 9 thru Note 10.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$1,035,478 for an ending balance of \$1,714,894. The Authority reported a increase in the deferred inflow for the pension cost in the amount of \$2,054,842 for an ending balance of \$5,587,769. The Authority reported a decrease in deferred lease revenue of \$131,870 for an ending inflow balance of \$1,462,236. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 11 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$6,724,944 of which current liabilities are stated at \$652,381 and noncurrent liabilities are stated at \$6,072,563. Total liabilities increased during the year as compared to the prior year in the amount of \$725,738 or 12% percent.

Total current liabilities increased from the previous year by \$17,180 or 3% percent. Accounts payables increased by \$67,947, accrued liabilities decreased by \$43,287, tenant security deposit payable increased \$1,124 from the prior year, unearned revenue decreased \$8,611, and the current portion of the lease payable increased \$7 for an ending balance of \$6,791.

Total noncurrent liabilities increased by \$708,558 or 13% percent. The increase was comprised of three accounts. Accrued compensated absences – long term with no offsetting assets decreased \$46,308 from the prior fiscal year for an ending balance of \$203,892. The noncurrent portion of the leases payable decreased \$7,878 for an ending balance of \$18,332. Additional information on the Authority's non-current leases payable can be found in Note 9 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, 2023**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Accrued other post-employment benefits (OPEB) and pension liabilities increased \$762,744 for ending balance of \$5,850,339. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB and pension liabilities on June 30, 2023 can be found in Notes 17-18 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$7,169,548 as compared to \$7,219,652 from the prior year for a decrease of \$50,104 or 1% percent. The Authority had total operating expenses of \$5,664,871 as compared to \$5,081,368 from the previous year for an increase of \$583,503 or 11% percent, resulting in excess revenue from operations in the amount of \$1,504,677 for the current year as compared to excess revenue from operations in the amount of \$2,138,284 for a decrease of excess revenue of \$633,607 or 30% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$933,402 as compared to \$95,682 from the previous year for an increase of \$837,720 or 876% percent.

The Authority's had capital outlays in the amount of \$944,954 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$4,476,012 for the fiscal year 2023 as compared to \$3,904,940 for the previous fiscal year 2022 for an increase of \$571,072 or 15% 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.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

**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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 19 through 23.

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

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current 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 24 through 60.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 67-68 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
  
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Town of Phillipsburg are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended June 30, 2023. 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, 2023.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

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

The following summarizes the computation of Net Position between June 30, 2023 and June 30, 2022:

Computations of Net Position of the primary government are as follows:

	<u>Year Ended</u>		Increase
	June-23	June-22	(Decrease)
Cash	\$ 22,720,436	\$ 20,349,063	\$ 2,371,373
Other Current Assets	341,429	324,697	16,732
Capital Assets - Net	14,012,930	13,551,295	461,635
Other Non Current Assets	1,769,575	1,881,421	(111,846)
Deferred Outflows	1,714,894	679,416	1,035,478
Total Assets	<u>40,559,264</u>	<u>36,785,892</u>	<u>3,773,372</u>
Less: Current Liabilities	(652,381)	(635,201)	(17,180)
Less: Non Current Liabilities	(6,072,563)	(5,364,005)	(708,558)
Less: Deferred Inflows	(7,050,005)	(5,127,033)	(1,922,972)
Net Position	<u>\$ 26,784,315</u>	<u>\$ 25,659,653</u>	<u>\$ 1,124,662</u>
Net Investment in Capital Assets	\$ 14,012,930	\$ 13,551,295	\$ 461,635
Restricted Net Position	968,164	952,481	15,683
Unrestricted Net Position	11,803,221	11,155,877	647,344
Net Position	<u>\$ 26,784,315</u>	<u>\$ 25,659,653</u>	<u>\$ 1,124,662</u>

Cash increased by \$2,371,373 or 12% percent. Net cash provided by operating activities was \$3,591,243, net cash used by capital and related financing activities was \$1,688,563, and net cash provided by investing activities was \$468,693. The full detail of this amount can be found in the Statements of Cash Flows on page 22-23 of this audit report.

Other current assets increased \$16,732 or 5% percent. Accounts receivables increased by \$16,650, and prepaid expenses increased by \$82.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$461,635 or 3% percent for an ending balance of \$14,012,930. The major factor that contributed to the increase was the purchase of fixed assets in the amount of \$944,954, less the recording of depreciation expense in the amount of \$483,319.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

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

Other non-current assets decreased \$111,846. Right to use assets decreased by \$5,762 or 19% percent. A full detail of the Authority's right to use assets can be found in the Notes to the Financial Statements Section Note – 9 Right to Use Assets. Non-current leases receivable decreased by \$106,084 or 6% percent during the fiscal year. A full detail of the Authority's non-current leases receivable can be found in the Notes to the Financial Statements Section Note – 10 Leases Receivable- Non-Current.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$1,035,478 for an ending balance of \$1,714,894. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$2,054,842 for an ending balance of \$5,587,769. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 11 Deferred Outflows/Inflows of Resources. Deferred inflows due to lease revenue decreased \$131,870 for an ending balance of \$1,462,236. A full detail of the Authority's non-current leases receivable can be found in the Notes to the Financial Statements Section Note – 10 Leases Receivable- Non-Current.

Total current liabilities increased from the previous year by \$17,180 or 3% percent. Accounts payable increased by \$67,947, accrued liabilities decreased by \$43,287, tenant security deposit payable increased \$1,124 from the prior year, unearned revenue decreased \$8,611, and the current portion of the lease payable increased \$7.

Total noncurrent liabilities increased by \$708,558 or 13% percent. The decrease was comprised of three accounts, accrued compensated absences – long term with no offsetting assets decreased \$46,308 from the prior fiscal year for an ending balance of \$203,892. The Authority's non-current portion of the lease payable decreased by \$7,878. A full detail of the Authority's right to use assets can be found in the Notes to the Financial Statements Section Note – 9 Right to Use Assets.

Accrued other post-employment benefits (OPEB) and pension liabilities increased \$762,744 for ending balance of \$5,850,339. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB and pension liabilities on June 30, 2023 can be found in Notes 17-18 to the financial statements, which is included in this report.

The Authority's reported net position of \$26,784,315 is made up of three categories. The net investment in capital assets in the amount of \$14,012,930 represents 52% percent 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.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

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

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, 2022	\$ 13,551,295
Acquisition in Fixed Assets	944,954
Depreciation Expense	<u>(483,319)</u>
Balance June 30, 2023	<u>\$ 14,012,930</u>

The Authority reported a restricted net position of \$968,164, an increase of \$15,683 or 2% percent from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The Authority placed CFP funds into a repair and replacement account for future use by the Authority as per HUD drawdown requirement 24 of CFR Part 990 regarding CFP Funds.

The Housing Authority of the Town of Phillipsburg operating results for June 30, 2023, reported an increase in the unrestricted position of \$647,344 or 6% percent for an ending balance of \$11,803,221. A full detail of these accounts can be found in the Notes to the Financial Statements Section Note – 21 Unrestricted Net Position. During the 2023 fiscal year, the Authority had a prior period adjustment in the credit amount of \$1,782,110 to adjust the opening OPEB expense and deferred inflow balance.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

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

The following summarizes the changes in Net Position between June 30, 2023 and June 30, 2022:

Computation of Changes in Net Position of the primary government are as follows:

	<u>Year Ended</u>		Increase
	June-23	June-22	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 3,253,520	\$ 3,103,469	\$ 150,051
HUD Subsidies	3,542,610	3,809,258	(266,648)
Other Revenues	373,418	306,925	66,493
Total Operating Income	<u>7,169,548</u>	<u>7,219,652</u>	<u>(50,104)</u>
<u>Expenses</u>			
Operating Expenses	5,181,552	4,575,625	605,927
Depreciation Expense	483,319	505,743	(22,424)
Total Operating Expenses	<u>5,664,871</u>	<u>5,081,368</u>	<u>583,503</u>
Operating Income before Non Operating Income	1,504,677	2,138,284	(633,607)
Interest Income	468,693	113,657	355,036
Capital Grants	933,402	95,682	837,720
Change in Net Position	<u>2,906,772</u>	<u>2,347,623</u>	<u>559,149</u>
Net Position Prior Year	25,659,653	22,954,171	2,705,482
Prior Period Adjustments	(1,782,110)	357,859	(2,139,969)
Total Net Position	<u>\$ 26,784,315</u>	<u>\$ 25,659,653</u>	<u>\$ 1,124,662</u>

Approximately 50% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 45% percent resulted from tenant revenue. Charges for various services provided the remaining 5% percent of the total operating income.

Housing Authority of the Town of Phillipsburg received from the Capital Fund Program \$933,402 in grant money representing an increase of \$837,720 from the prior fiscal year. The Authority had capital expenditures of \$944,954. The current year additions included exterior upgrades, a maintenance vehicle, hot water heaters, and elevator renovations.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

**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 35% percent of total operating expenses. Administrative expenses accounted for 20% percent, tenant services expense accounted for 2% percent, utilities expense accounted for 23% percent, other operating expenses accounted for 12% percent, and depreciation accounted for the remaining 8% percent of the total operating expenses.

The Authority operating revenue exceeded its operating expenses resulting in excess revenue from operations in the amount of \$1,504,677 from operations as compared to excess revenue from operations of \$2,138,284 for the previous year. The key elements for the decrease in the excess revenue from operations in comparison to the prior year are as follows:

- Tenant dwelling rental revenue increased \$150,051 or 5% percent mainly due to an increase in tenant household income.
- The Authority reported a decrease in HUD PHA operating grants in the amount of \$266,648 or 7% percent.
- Other income increased \$66,493 or 22% percent as compared to the prior year.
- The Authority experienced an increase in the following expense accounts:
  - Maintenance expenses increased \$586,668 or 42% percent.
  - Utilities increased \$47,071 or 4% percent.
  - Other Operating expenses increased \$165,708 or 32% percent.
- The Authority experienced a decrease in the following expense accounts:
  - Administrative expenses decreased \$122,561 or 10% percent.
  - Depreciation expense decreased \$22,424 or 4% percent.
  - Tenant services expense decreased \$70,959 or 40% percent.

Total net cash provided in operating activities during the year was \$3,591,243 as compared to cash provided by in the amount of \$3,379,352 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flows on page 22-23 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, 2023**

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

The following are financial highlights of significant items for a four-year period ending on June 30, 2023:

	June-23	June-22	June-21	June-20
<b>Significant Income</b>				
Total Tenant Revenue	\$ 3,253,520	\$ 3,103,469	\$ 2,926,341	\$ 2,773,337
HUD Operating Grants	3,542,610	3,809,258	3,415,442	2,550,685
HUD Capital Grants	933,402	95,682	1,299,783	818,560
Investment Income	468,693	113,657	91,422	85,210
Other Income	373,418	306,925	417,435	530,649
<b>Total</b>	<b>\$ 8,571,643</b>	<b>\$ 7,428,991</b>	<b>\$ 8,150,423</b>	<b>\$ 6,758,441</b>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 541,985	\$ 695,818	\$ 579,258	\$ 607,942
Maintenance Labor	606,986	602,243	550,479	618,211
Employee Benefits Expense	746,417	472,764	580,069	930,342
<b>Total Payroll Expense</b>	<b>\$ 1,895,388</b>	<b>\$ 1,770,825</b>	<b>\$ 1,709,806</b>	<b>\$ 2,156,495</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 363,184	\$ 507,382	\$ 507,592	\$ 537,567
Utilities Expense	1,275,472	1,228,401	1,337,342	1,106,154
Maintenance Supplies	167,316	160,069	113,901	146,700
Maintenance Contract Cost	792,012	608,632	410,627	270,250
Insurance Premiums	280,931	255,888	254,159	252,851
Bad Debt Expense	186,288	215,799	242,537	234,394
<b>Total</b>	<b>\$ 3,065,203</b>	<b>\$ 2,976,171</b>	<b>\$ 2,866,158</b>	<b>\$ 2,547,916</b>
<b>Total Operating Expenses</b>	<b>\$ 5,664,871</b>	<b>\$ 5,081,368</b>	<b>\$ 5,498,295</b>	<b>\$ 6,003,485</b>
<b>Total of Federal Awards</b>	<b>\$ 4,476,012</b>	<b>\$ 3,904,940</b>	<b>\$ 4,715,225</b>	<b>\$ 3,369,245</b>

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

Public and Indian Housing Program:

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

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

**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 2023 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 52% percent of its revenue from the Department of Housing and Urban Development, (2022 fiscal year was 53% 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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2023 was \$14,012,930 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The major factor that contributed to the increase was the purchase of fixed assets in the amount of \$944,954, less the recording of depreciation expense in the amount of \$483,319.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

**CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED**

Major capital asset events during the fiscal year included the following:

- Elevator Renovations
- Exterior Site Improvements
- Maintenance Vehicle
- Hot Water Heaters

The Primary Government:

	June-23	June-22	Increase (Decrease)
Land	\$ 1,594,339	\$ 1,594,339	\$ -
Building & Improvements	20,625,755	20,625,755	-
Furniture, Equipment - Dwelling	1,400,834	1,400,834	-
Furniture, Equipment - Administration	841,539	841,539	-
Leasehold Improvements	1,320,759	1,320,759	
Construction in Process	5,587,261	4,642,307	944,954
Total Fixed Assets	31,370,487	30,425,533	944,954
Accumulated Depreciation	(17,357,557)	(16,874,238)	(483,319)
Net Book Value	<u>\$ 14,012,930</u>	<u>\$ 13,551,295</u>	<u>\$ 461,635</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.

**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 2024 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.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON JUNE 30, 2023**

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

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2024.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Converting Low Income Housing Program rental units into RAD subsidy units.
- Even if HUD was to fully fund both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Thomas F. McGuire – 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, 2023**

	2023
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	
Operating	\$ 21,682,830
Restricted	1,037,606
Total cash and equivalents	22,720,436
Accounts Receivables, Net of Allowances	197,907
Prepaid Expenses	143,522
Total Current Assets	23,061,865
<b>Noncurrent Assets</b>	
Capital Assets	
Land	1,594,339
Building	20,625,755
Furniture, Equipment - Dwelling	1,400,834
Furniture, Equipment - Administration	841,539
Leasehold Improvements	1,320,759
Construction in Process	5,587,261
Total Capital Assets	31,370,487
Less: Accumulated Depreciation	(17,357,557)
Net Book Value	14,012,930
Other Assets	
Right to Use Assets	24,615
Leases Receivable -Non Current	1,744,960
Total Other Assets	1,769,575
Total Assets	38,844,370
<b>Deferred Outflow of Resources</b>	
State of New Jersey P.E.R.S. and OPEB	1,714,894
Total Assets and Deferred Outflow of Resources	\$ 40,559,264

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**  
**STATEMENT OF NET POSITION - 2**  
**AS OF JUNE 30, 2023**

	2023
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$ 317,614
Accrued Liabilities	176,708
Tenant Security Deposit Payable	69,442
Unearned Revenue	81,826
Lease Payable - Current Portion	6,791
Total Current Liabilities	652,381
 <b>Noncurrent Liabilities</b>	
Accrued Compensated Absences - Long-Term	203,892
Lease Payable - Noncurrent	18,332
Accrued Net Pension and OPEB Liabilities	5,850,339
Total Noncurrent Liabilities	6,072,563
Total Liabilities	6,724,944
 <b>Deferred Inflow of Resources</b>	
State of New Jersey P.E.R.S. and OPEB	5,587,769
Lease Revenue	1,462,236
Total Deferred Inflow of Resources	7,050,005
 <b>Net Position:</b>	
Net Investment in Capital Assets	14,012,930
Restricted	968,164
Unrestricted	11,803,221
Total Net Position	26,784,315
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 40,559,264

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, 2023**

	2023
<b>Revenue:</b>	
Tenant Rental Revenue	\$ 3,253,520
HUD PHA Operating Grants	3,542,610
Other Revenue	373,418
Total Revenue	7,169,548
 <b>Operating Expenses:</b>	
Administrative Expenses	1,114,556
Tenant Services	104,280
Utilities Expense	1,275,472
Maintenance Expense	1,997,910
Other Operating Expenses	689,334
Depreciation Expense	483,319
Total Operating Expenses	5,664,871
 Excess Revenue From Operations	1,504,677
 <b>Non Operating Income:</b>	
Investment Income	468,693
Excess Operating Revenue Before Capital Grant Contributions	1,973,370
 Capital Grants	933,402
 <b>Change in Net Position</b>	2,906,772
 Beginning Net Position	25,659,653
Prior Period Adjustments	(1,782,110)
Beginning Net Position, Restated	23,877,543
 Ending Net Position	\$ 26,784,315

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, 2023**

	2023
<b>Cash Flow From Operating Activities</b>	
Receipts from Tenants	\$ 3,311,642
Receipts from Federal Grants	3,545,775
Receipts from Other Sources	373,418
Payments to Vendors and Suppliers	(337,672)
Payments to Employees	(1,252,012)
Payment of Employee Benefits	(746,417)
Payment of Utilities Expenses	(1,303,491)
Net Cash Provided by Operating Activities	3,591,243
<b>Cash Flow From Capital and Related Financing Activities</b>	
Receipts from Capital Grants	933,402
Acquisitions and Construction of Capital Assets	(944,954)
Security Deposit (Paid) Received	1,124
Prior Period Adjustment	(1,782,110)
Right to Use Assets - Copiers	5,762
Lease Receivable - Non Current	106,084
Lease Payable	(7,871)
Net Cash (Used) by and Related Financing Activities	(1,688,563)
<b>Cash Flow From Investing Activities</b>	
Interest Income	468,693
Net Cash Provided by Investing Activities	468,693
Net Increase in Cash and Cash Equivalents	2,371,373
<b>Beginning Cash, Cash Equivalents and Restricted Cash</b>	20,349,063
<b>Ending Cash, Cash Equivalents and Restricted Cash</b>	\$ 22,720,436
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 21,682,830
Cash and Cash Equivalents - Restricted	1,037,606
Total Cash and Cash Equivalents	\$ 22,720,436

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, 2023**

	2023
<b>Reconciliation of Operating Income to Net Cash</b>	
Provided by Operating Activities	
Excess Revenue From Operations	\$ 1,504,677
Adjustments to reconcile excess revenue to net cash provided by operating activities:	
Depreciation Expense	483,319
(Increase) Decrease in:	
Accounts Receivables	(16,650)
Prepaid Expenses	(82)
Deferred Outflow of Resources	(1,035,478)
Increase (Decrease) in:	
Accounts Payable	67,947
Accrued Liabilities	(43,287)
Unearned Revenue	(8,611)
OPEB and Pension Liability	762,744
Accrued Compensated Absences	(46,308)
Deferred Inflows of Resources	1,922,972
Net Cash Provided by Operating Activities	\$ 3,591,243
Supplementary information	
Interest expense paid during the year	\$ 851
Lease Payments received during the year	\$ 106,084

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

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

**Organization** - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low- and moderate-income families residing in the Town of Phillipsburg in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

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

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

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

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **Significant Accounting Policies**

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

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

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

The Authority adopted in July 2021, GASB Statement No. 87, *Accounting for Leases*. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease receivables and liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

### **Basis of Accounting –**

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

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

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

### Revenue Recognition

The Authority's major sources of revenue are HUD operating subsidies, tenants dwelling rents, and other revenue. Other revenue composed primarily of miscellaneous fees from the tenant, laundry income, and cell phone tower rental income. The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development with durations of less than one year. The Authority records revenue for such leases as prescribed by HUD. This standard indicates that government subsidy and tenant payments are to be considered subject to ASC 606. The Authority believes that such both rental and subsidy income streams are exempt from compliance with ASC 606 due to their inclusion under current and future lease standards. Revenue streams subject to ASC 606 include: tenant reimbursement of consumption-based costs paid by the Authority on behalf of the tenant, such as utilities monthly fees.

Additional revenue includes miscellaneous fees from the tenant, laundry income, cell phone tower income. Such fees are necessary to the primary activities of the operations and are recognized as revenue at the point in time such fees are incurred.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by June 30, are accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **Report Presentation –**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

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

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

1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

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

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

9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

10- Advertising cost is charged to expense when incurred.

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

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

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

#### 14 - Taxes

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

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

#### 15 - Net Position

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

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

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

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

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

The Authority's major sources of revenue are HUD operating subsidies, tenants dwelling rents, and other revenue. Other revenue composed primarily of miscellaneous fees from the tenant, laundry income, and cell phone tower rental income.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

The Authority's nonoperating revenues relate primarily to capital grants provided by HUD and interest income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

#### 17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. No impairment losses were recognized in 2023.

#### 18- Recent Accounting Pronouncements

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

### **Revenue from Rental Contracts**

The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) must be income qualified in accordance with income limitations before allowed to occupy unit.



**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**Revenue from Rental Contracts - Continued**

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.

**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		
ROSS Grant	14.870		

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **Activities -Continued**

#### 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.

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

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

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 2 - ESTIMATES**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates, particularly given that the COVID-19 pandemic continues to create financial uncertainty throughout the economy. The most significant estimates included in the preparation of the financial statements are allowance for doubtful accounts and estimated fixed asset lives.

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

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

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

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925. On the web:  
<http://www.state.nj.us/treasury/pensions/pdf/financial/2016divisioncombined.pdf>

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

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

#### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 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 2023 amounted to \$171,355.

#### 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 18 - Accrued Pension Liability.

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

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

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

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

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

#### **Risk Disclosures**

##### Collateral for Deposits

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

##### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. On June 30, 2023, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

##### Credit Risk

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

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

<u>Depository Accounts</u>	<u>June-23</u>	<u>June-22</u>
Insured	\$ 500,550	\$ 500,550
Collateralized held by pledging bank's trust department in the Authority's name	22,219,886	19,848,513
Total	<u>\$ 22,720,436</u>	<u>\$ 20,349,063</u>

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements June 30, 2023

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

#### **Restricted Cash**

The Authority has total restricted cash on June 30, 2023, in the amount of \$1,020,799 which consists of the following:

	June-23	June-22
Repair and Replacement Reserve Fund	\$ 968,164	\$ 952,481
Tenant Security Deposit	69,442	68,318
Total Restricted Cash	<u>\$ 1,037,606</u>	<u>\$ 1,020,799</u>

The tenant security deposit restricted cash on June 30, 2023, was \$69,442. 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, 2023, included the following:

Investment	Maturity Date	Interest Rate	Fair Value
Money Market Account	Upon Demand	4.14%	\$ 5,867,989
Total Investments			<u>\$ 5,867,989</u>

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

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

Accounts Receivable on June 30, 2023, and 2022 consisted of the following:

	June-23	June-22
Tenants Accounts Receivable - Present	\$ 415,919	\$ 411,936
Tenants Accounts Receivable - Fraud Recovery	4,453	10,322
Tenants Accounts Receivable - Vacated	36,609	98,714
Less Allowance for Doubtful Accounts	(365,158)	(444,001)
Net Tenants Accounts Receivable	91,823	76,971
HUD Receivable	-	3,165
Cell Phone Tower Receivable -Current	106,084	101,121
Net Accounts Receivable	\$ 197,907	\$ 181,257

Tenant 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. The Authority carries its accounts receivable at cost less an allowance for doubtful accounts. An allowance for doubtful accounts is established, as necessary, based on experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include growth and composition of accounts receivable, the relationship of the allowance for doubtful accounts to accounts receivable, and current economic conditions. The determination of the collectability of amounts due requires the Authority to make judgments regarding future events and trends. Allowances for doubtful accounts are determined based on assessing the Authority's portfolio on an individual tenants and on an overall basis. This process consists of a review of historical collection experience, current aging status of the tenant's account. Based on a review of these factors, the Authority establishes or adjusts the allowance for specific tenants and the accounts receivable portfolio as a whole. The Authority increased its allowance for doubtful accounts primary due to the economic disruption caused by COVID-19 which is reflected in bad debt expense. 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.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **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, 2023, and 2022 consisted of prepaid the following:

	June-23	June-22
Prepaid Insurance Premiums	\$ 143,522	\$ 137,410
Prepaid Payroll Taxes	-	6,030
Total Prepaid Expenses	<u>\$ 143,522</u>	<u>\$ 143,440</u>

### **NOTE 7 – INTERFUND ACTIVITY**

Interfund activity is reported as short-term loans, services provided during operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority on June 30, 2023, are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

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

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

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

#### Depreciation Expense

Depreciation expense for June 30, 2023, was \$483,319 and \$505,743 for 2022.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

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



## HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

### Notes to Financial Statements

June 30, 2023

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

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. No impairment losses were recognized in 2023.

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2023:

	<u>Balance June-22</u>	<u>Additions</u>	<u>Balance June-23</u>
Land and Improvements	\$ 1,594,339	\$ -	\$ 1,594,339
Buildings & Improvements	20,625,755	-	20,625,755
Furniture & Equipment - Dwelling	1,400,834	-	1,400,834
Furniture & Equipment - Administration	841,539	-	841,539
Leasehold Improvements	1,320,759	-	1,320,759
Construction in Progress	4,642,307	944,954	5,587,261
Totals	30,425,533	944,954	31,370,487
Accumulated Depreciation	(16,874,238)	(483,319)	(17,357,557)
Net Book Value	<u>\$ 13,551,295</u>	<u>\$ 461,635</u>	<u>\$ 14,012,930</u>

Below is a schedule of the net book value of the fixed assets for the Housing Authority of the Town of Phillipsburg as of June 30, 2023:

<u>Net Book Value of the Assets</u>	<u>Balance June-23</u>
Land and Improvements	\$ 1,594,339
Buildings & Improvements	6,795,027
Furniture & Equipment - Dwelling	-
Furniture & Equipment - Administration	36,303
Leasehold Improvements	-
Construction in Progress	5,587,261
Net Book Value	<u>\$ 14,012,930</u>

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**NOTE 9 – RIGHT TO USE ASSETS**

In March 2022, the Authority entered into a lease with a copy company to lease 2 color copiers. The agreement requires 63 monthly payments of \$565. The Authority has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The discount rate used was 3%. The right to use assets are amortized on a straight-line basis over the life of the related lease. The amount of amortization expense for June 2023 was \$5,762.

Initial Copiers Present Value	\$	32,994
Less Accumulated Depreciation		(8,379)
Net Right to Use Asset	\$	<u>24,615</u>

Future minimum lease payments under operating leases as of June 30, 2023, are as follows

June-24	\$	6,791
June-25		6,999
June-26		7,219
June-27		3,606
Total Lease Payable	\$	<u>24,615</u>

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 10 – LEASE RECEIVABLE**

The Authority entered five (5) leases to rent roof top space for cell phone tower for 300 months. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5%. As of June 30, 2023, the weighted average discount rate for the remaining lease term is 4.65%.

As of June 30, 2023, the Authority has recognized lease receivables totaling \$1,851,044 related to finance leases. The components of the lease receivable include unearned revenue of \$1,462,236. In fiscal year 2023, the Authority recognized \$106,084 of lease revenue.

The significant assumptions and judgments made in applying the accounting policies related to lease receivables include discount rate of the interest rate.

Future minimum lease receivable under operating leases as of June 30, 2023, are as follows

June-24	106,084
June-25	111,511
June-26	117,217
June-27	121,214
June-28	125,491
Subtotal	<u>581,517</u>
Thereafter	<u>1,269,527</u>
Total Lease Receivable	<u>\$ 1,851,044</u>

### **NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

The OPEB and Pension Liability discussed in Note 17 and 18 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience 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, 2023, are as follows:

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED**

<b>Deferred Outflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 196,219	\$ 14,801	\$ 211,020
Changes in Assumptions	507,083	6,354	513,437
Net Difference Between Projected and Actual Earning on Pension Plan Investments	1,000	84,875	85,875
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	881,392	23,170	904,562
Total	<u>\$ 1,585,694</u>	<u>\$ 129,200</u>	<u>\$ 1,714,894</u>

<b>Deferred Inflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 901,507	\$ 42,608	\$ 944,115
Changes in Assumptions	1,659,857	1,002,401	2,662,258
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	1,057,164	924,232	1,981,396
Total	<u>\$ 3,618,528</u>	<u>\$ 1,969,241</u>	<u>\$ 5,587,769</u>

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 \$211,020 and \$944,115.

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 \$513,437 and \$2,662,258.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED**

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 \$85,875 and \$-0-.

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

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of PERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$904,562 and \$1,981,396.

**NOTE 12 – ACCOUNTS PAYABLE**

Accounts payable is a liability account that represents the amount owed by the Authority to its creditors for goods or services received but not yet paid for. When the Authority receives goods or services on credit, it incurs a liability to pay the vendor or supplier in the future. This liability is recorded as an accounts payable on the Authority's financial statements, specifically on the Statement of Net Position under the category of current liabilities. Accounts payable is an important aspect of a company's financial management, as it represents its short-term obligations to its vendors and suppliers. Accounts payable on June 30, 2023, and 2022, consisted of the following:

	June-23	June-22
Accounts Payable Vendors	\$ 119,854	\$ 62,160
Accounts Payable - Other Government	197,760	187,507
Total Accounts Payable	<u>\$ 317,614</u>	<u>\$ 249,667</u>

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 13 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the 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, 2023, the PILOT expense of \$197,830 was accrued. PILOT payable on June 30, 2023, consists of \$197,760.

### **NOTE 14 – ACCRUED EXPENSES**

Accrued expenses are Authority expenses that have been incurred but not yet paid. These expenses are recognized in the financial statements before payment has actually been made, and typically refer to items such as salaries, interest, and taxes. Accrued liabilities on June 30, 2023, and 2022, consist of the following:

	<u>June-23</u>	<u>June-22</u>
Compensated Absences - Current Portion	\$ 22,655	\$ 27,799
Wages and Payroll Taxes Payable	38,315	48,439
Accrued Expense - Utilities	115,738	143,757
Total Accrued Liabilities	<u>\$ 176,708</u>	<u>\$ 219,995</u>

### **NOTE 15 – UNEARNED REVENUE**

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. Subject to ASC 606, rental payments with acceptance provisions and future delivery commitments, wherein the Authority has not completed its obligations under the lease, are also offset against the associated accounts receivable since the requirements for revenue recognition have not been met. 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, 2023, consisted of the prepaid July 2023 tenant rents.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**NOTE 16 – 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

All permanent employees shall be entitled, upon retirement, to receive a lump sum payment as supplemental compensation for each full day of earned and unused accumulated sick leave, which is credited to him/her on the effective date of his/her retirement. Retirement is defined as applying for and receiving benefits from The Public Employees Retirement System.

Employees must leave employment in good standing after giving proper notice to be eligible for such payment.

The supplemental compensation payment to be paid hereunder, shall be computed at the rate of one-half (1/2) of the employees daily base rate of pay for each day of earned and unused accumulated sick leave based upon the average annual base rate compensation received during the last year of his/her employment, prior to the effective date of his/her retirement, provided however, that no such lump sum payment of supplemental compensation shall exceed \$15,000.00. This limitation does not apply to the current Executive Director.

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.

The Authority has determined that the potential liability for accumulated vacation and sick time on June 30, 2023, is as follows:

Balance on 30-Jun-22	Additions	Payments	Balance on 30-Jun-23	Current Portion
\$ 277,999	\$ 24,285	\$ (75,737)	\$ 226,547	\$ 22,655

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**NOTE 17 – OTHER POST EMPLOYMENT BENEFITS**

The Authority as of June 30, 2023, reported accrued pension and OPEB liability amounts as follows:

	<u>June-23</u>	<u>June-22</u>
Accrued OPEB Payable	\$ 3,799,677	\$ 3,410,779
Accrued Pension Payable	2,050,662	1,676,816
Total OPEB and Pension Payable	<u>\$ 5,850,339</u>	<u>\$ 5,087,595</u>

These amounts arose due to adoption of GASB #75 in 2018 year as well as GASB #68 which was adopted in 2016 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note – 18 will discuss the effect of GASB #68 and the pension liability which arose from that.

**OPEB Liability**

The Authority as of June 30, 2023, reported a net OPEB liability in the amount of \$3,799,677 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	<u>June-23</u>	<u>June-22</u>
Employer OPEB Liability	\$ 3,785,873	\$ 3,420,305
Plan Net Position	13,804	(9,526)
Employer Net OPEB Liability	<u>\$ 3,799,677</u>	<u>\$ 3,410,779</u>

The Authority allocation percentage is 0.0235280% as of June 30, 2022.

**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>.



# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 17 – OTHER POST EMPLOYMENT BENEFITS – CONTINUED**

#### **Plan Description and Benefits Provided**

*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.

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.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 17 – OTHER POST EMPLOYMENT BENEFITS -CONTINUED**

#### 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, 2023 was \$3,799,677.

*Employees covered by benefits terms:* On June 30, 2022 (the census date), the following employees were covered by the benefits terms:

Plan Members

25

#### Net OPEB Liability

The total OPEB liability as of June 30, 2022, latest report, was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2022. 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, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.16%

Salary Increases

Through 2026 = 2.75% to 6..55%

Thereafter = 3.00% to 7.00%

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale.

Certain actuarial assumptions used in the June 30, 2022, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013, to June 30, 2022 and July 1, 2014 to June 30, 2022, respectively. 100% of active members are considered to participate in the Plan upon retirement.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**NOTE 17 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED**

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2022, was 3.54%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.54%	3.54%	4.54%
Total OPEB Liability	\$ 4,404,590	\$ 3,799,677	\$ 3,312,967

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	\$ 3,223,380	\$ 3,799,677	\$ 4,537,750

Change in Assumptions: Effective June 30, 2022.

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**NOTE 17 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED**

*Changes in Proportion*

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 year for the 2022.

*Changes in Net OPEB Liability:*

<b><u>Total OPEB Liability</u></b>	<b><u>2023</u></b>
Service Cost	\$ 187,437
Interest on Total OPEB liability	94,435
Expected Investment Return	10
Administrative Expenses	2,902
Changes in Benefits Term	94,694
Current Period Deferred Inflows/Outflows of Resources	205,068
Changes in Assumptions or Other Inputs	(196,597)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	949
Benefit Payments	-
Change in Plan	-
Net Change in Total OPEB Liability	<u>388,898</u>
Total OPEB Liability, Beginning	<u>3,410,779</u>
Total OPEB Liability, Ending	<u><u>\$ 3,799,677</u></u>

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements  
June 30, 2023

**NOTE 17 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED**

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

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

Year Ending June 30, 2023	\$ (344,304)
Year Ending June 30, 2024	(344,608)
Year Ending June 30, 2025	(272,132)
Year Ending June 30, 2026	(121,536)
Year Ending June 30, 2027	(27,248)
Therafter	<u>(186,925)</u>
Total	<u>\$ (1,296,753)</u>

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 18 – ACCRUED PENSION LIABILITY**

#### Net Pension Liability Information

The Authority as of June 30, 2023, reported a net pension liability in the amount of \$2,050,662 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	June-23	June-22
Employer Total Pension Liability	\$ 9,535,473	\$ 5,712,707
Plan Net Position	(7,484,811)	(4,035,891)
Employer Net Pension Liability	<u>\$ 2,050,662</u>	<u>\$ 1,676,816</u>

The Authority allocation percentage is 0.0135883009% as of June 30, 2022.

#### Plan Description

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

For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.gov/treasury/pensions/financial-reports.shtml](http://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, 2023

### **NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED**

#### Net Pension Liability Information - Continued

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

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

#### Allocation Percentage Methodology

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2022, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2022.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2022 the State's pension contribution was less than the actuarial determined amount.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED**

#### Actuarial Assumptions

The total pension liability for June 30, 2022, measurement dates were determined by using an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The actuarial valuations used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

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

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



**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED**

Actuarial Assumptions - Continued

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

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

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED**

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

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0% percent) or 1 percentage-point higher (8.0% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,451,184	\$ 2,050,662	\$ 1,697,869

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

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

Year Ending June 30, 2023	\$ (175,904)
Year Ending June 30, 2024	\$ (89,617)
Year Ending June 30, 2025	\$ (43,704)
Year Ending June 30, 2026	\$ 95,347
Year Ending June 30, 2027	\$ (209)
Total	\$ (214,088)

#### Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED**

#### Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2022, are as follows:

Service Cost	\$	153,830
Interest on the Total Pension Liability		648,369
Benefits Changes		
Member Contributions		(627,504)
Administrative Expenses		2,631
Expected Investment Return Net of Investment Expenses		(22,587)
Pension Expense Related to Specific Liabilities of Individual Employers		(2,116)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		(60,007)
Changes of Assumptions		(34,036)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		59,767
Total	\$	<u>118,347</u>

### **NOTE 19 – NET INVESTMENT IN CAPITAL ASSETS**

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

Balance June 30, 2022	\$ 13,551,295
Acquisition in Fixed Assets	944,954
Depreciation Expense	<u>(483,319)</u>
Balance June 30, 2023	<u>\$ 14,012,930</u>

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Notes to Financial Statements

June 30, 2023

**NOTE 20 – RESTRICTED NET POSITION**

The Authority restricted net position account balance on June 30, 2023, is \$968,164. 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 21 – UNRESTRICTED NET POSITION**

The Authority’s unrestricted net position account balance on June 30, 2023, is \$11,803,221. The detail of the account balance is as follows:

	PIH Program		
	Reserves	COCC	Total
Balance June 30, 2022	\$12,302,995	\$(1,147,118)	\$ 11,155,877
Increase During the Year	2,290,702	138,752	2,429,454
Prior Period Adjustment	(2,185,439)	403,329	(1,782,110)
Balance June 30, 2023	<u>\$12,408,258</u>	<u>\$ (605,037)</u>	<u>\$ 11,803,221</u>

**NOTE 22 - 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, 2023, were \$2,777,392.

**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 \$4,476,012 to the Authority which represents approximately 50% percent of the Authority's total revenue for the year ended June 30, 2023.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **NOTE 24 - CONTINGENCIES**

Litigation – On June 30, 2023, the Authority was not involved in any threatened litigation.

#### Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended June 30, 2023.

#### Other Insurance

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

#### Construction Commitments

On June 30, 2023, 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.

### **NOTE 25 - PRIOR PERIOD ADJUSTMENTS**

#### For year ending June 30, 2023

As of June 30, 2023, the Authority had a prior period adjustment in the amount of \$(1,782,110) while recording GASB #68 and #75 Net Pension and OPEB Liability from the State of New Jersey audit report for the Pension and OPEB liability as of June 30, 2021.

# HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG

## Notes to Financial Statements

June 30, 2023

### **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.

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

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru January 5, 2024, 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, 2023

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

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

<b><u>Total OPEB Liability</u></b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Service Cost	\$ 187,437	\$ 160,323	\$ 116,306
Interest on Total OPEB liability	94,435	78,418	95,480
Expected Investment Return	10	(451)	(1,465)
Administrative Expenses	2,902	2,148	1,903
Changes in Benefits Term	94,694	384	198
Current Period Deferred Inflows/Outflows of Resources	205,068	(133,319)	(105,682)
Changes in Assumptions or Other Inputs	(196,597)	(142,309)	672,250
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	949	942	870
Benefit Payments	-	-	-
Change in Plan	-	-	-
Net Change in Total OPEB Liability	388,898	(33,864)	779,860
Total OPEB Liability, Beginning	3,410,779	3,444,643	2,664,783
Total OPEB Liability, Ending	<u>\$ 3,799,677</u>	<u>\$ 3,410,779</u>	<u>\$ 3,444,643</u>
Covered, Employee Payroll	\$ 1,252,012	\$ 1,455,581	\$ 1,229,879
covered employee payroll	303.49%	234.32%	280.08%

*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, 2023

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

<u>Total OPEB Liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
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	\$ 1,288,723	\$ 1,288,723	
covered employee payroll	206.78%	255.90%	



**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Required Supplementary Information

June 30, 2023

**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.

	2023	2022	2021	2020
Housing Authority's proportion of the net pension liability	0.01358830%	0.01414453%	0.01422744%	0.01630206%
Housing Authority's proportionate share of the net pension liability	\$ 2,050,662	\$ 1,676,816	\$ 2,320,123	\$ 2,937,382
Housing Authority's covered employee payroll	\$ 1,252,012	\$ 1,455,581	\$ 1,229,879	\$ 1,201,304
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.79%	115.20%	188.65%	244.52%
Plan fiduciary net position as a percentage of the total pension liability	21.50%	29.35%	24.08%	56.57%

*\*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, 2023

**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.

	2019	2018	2017	2016
Housing Authority's proportion of the net pension liability	0.01586160%	0.01586000%	0.01675000%	0.01903000%
Housing Authority's proportionate share of the net pension liability	\$ 3,123,076	\$ 3,123,076	\$ 3,898,683	\$ 5,635,847
Housing Authority's covered employee payroll	\$ 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	242.34%	242.34%	299.83%	445.54%
Plan fiduciary net position as a percentage of the total pension liability	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.*

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Required Supplementary Information  
June 30, 2023

**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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 171,355	\$ 165,766	\$ 155,641	\$ 158,571
Contribution in relation to the contractually required contribution	(171,355)	(165,766)	(155,641)	(158,571)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,229,879	\$ 1,229,879	\$ 1,229,879	\$ 1,201,304
Contribution as a percentage of covered employee payroll	13.93%	13.48%	12.65%	13.20%

*\*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, 2023

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

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

*Additional years will be displayed as they become available.*

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE TWELVE MONTHS ENDED JUNE 30, 2023**

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

<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>Public and Indian Housing Program</u>				
NJ024	-	\$ 2,777,392	\$ 2,777,392	-
Grant Total 14.850	-	<u>2,777,392</u>	<u>2,777,392</u>	-
<u>Public Housing Capital Fund Program</u>				
NJ39P024501	-	1,595,295	1,595,295	-
Grant Total 14.872	-	<u>1,595,295</u>	<u>1,595,295</u>	-
<u>Resident Opportunity &amp; Self Sufficiency</u>				
ROSS181182	-	103,325	103,325	-
Grant Total 14.870	-	<u>103,325</u>	<u>103,325</u>	-
Total Expenditures of Federal Awards	\$ -	\$ 4,476,012	\$ 4,476,012	\$ -

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023**

**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, 2023. 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:**

The Housing Authority Town of Phillipsburg had no loans outstanding on June 30, 2023.

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

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2023.

**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.

Phillipsburg Housing Authority (NJ024)  
PHILLIPSBURG, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2023

	Project Total	14.870 Resident Opportunity and	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$20,885,051		\$797,779	\$21,682,830		\$21,682,830
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted	\$968,164			\$968,164		\$968,164
114 Cash - Tenant Security Deposits	\$69,442			\$69,442		\$69,442
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$21,922,657	\$0	\$797,779	\$22,720,436		\$22,720,436
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$106,084			\$106,084		\$106,084
126 Accounts Receivable - Tenants	\$452,528			\$452,528		\$452,528
126.1 Allowance for Doubtful Accounts - Tenants	-\$365,158			-\$365,158		-\$365,158
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery	\$4,453			\$4,453		\$4,453
128.1 Allowance for Doubtful Accounts - Fraud	\$0			\$0		\$0
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$197,907	\$0	\$0	\$197,907		\$197,907
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$126,299		\$17,223	\$143,522		\$143,522
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From						
145 Assets Held for Sale						
150 Total Current Assets	\$22,246,863	\$0	\$815,002	\$23,061,865		\$23,061,865
161 Land	\$1,594,339			\$1,594,339		\$1,594,339

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	14.870 Resident Opportunity and	COCC	Subtotal	ELIM	Total
162 Buildings	\$20,625,755			\$20,625,755		\$20,625,755
163 Furniture, Equipment & Machinery - Dwellings	\$1,400,834			\$1,400,834		\$1,400,834
164 Furniture, Equipment & Machinery - Administration	\$802,706		\$38,833	\$841,539		\$841,539
165 Leasehold Improvements	\$1,320,759			\$1,320,759		\$1,320,759
166 Accumulated Depreciation	-\$17,318,724		-\$38,833	-\$17,357,557		-\$17,357,557
167 Construction in Progress	\$5,587,261			\$5,587,261		\$5,587,261
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$14,012,930	\$0	\$0	\$14,012,930		\$14,012,930
171 Notes, Loans and Mortgages Receivable - Non-Current	\$1,744,960			\$1,744,960		\$1,744,960
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets	\$24,615			\$24,615		\$24,615
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$15,782,505	\$0	\$0	\$15,782,505		\$15,782,505
200 Deferred Outflow of Resources	\$1,534,794		\$180,100	\$1,714,894		\$1,714,894
290 Total Assets and Deferred Outflow of Resources	\$39,564,162	\$0	\$995,102	\$40,559,264		\$40,559,264
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$113,350		\$6,504	\$119,854		\$119,854
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$28,090		\$10,225	\$38,315		\$38,315
322 Accrued Compensated Absences - Current Portion	\$14,303		\$8,352	\$22,655		\$22,655
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$197,760			\$197,760		\$197,760
341 Tenant Security Deposits	\$69,442			\$69,442		\$69,442



Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	14.870 Resident Opportunity and	COCC	Subtotal	ELIM	Total
342 Unearned Revenue	\$81,826			\$81,826		\$81,826
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	\$115,738			\$115,738		\$115,738
347 Inter Program - Due To						
348 Loan Liability - Current	\$6,113		\$678	\$6,791		\$6,791
310 Total Current Liabilities	\$626,622	\$0	\$25,759	\$652,381		\$652,381
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	\$128,725		\$75,167	\$203,892		\$203,892
355 Loan Liability - Non Current	\$17,072		\$1,260	\$18,332		\$18,332
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$4,849,775		\$1,000,564	\$5,850,339		\$5,850,339
350 Total Non-Current Liabilities	\$4,995,572	\$0	\$1,076,991	\$6,072,563		\$6,072,563
300 Total Liabilities	\$5,622,194	\$0	\$1,102,750	\$6,724,944		\$6,724,944
400 Deferred Inflow of Resources	\$6,552,616		\$497,389	\$7,050,005		\$7,050,005
508.4 Net Investment in Capital Assets	\$14,012,930			\$14,012,930		\$14,012,930
511.4 Restricted Net Position	\$968,164			\$968,164		\$968,164
512.4 Unrestricted Net Position	\$12,408,258	\$0	-\$605,037	\$11,803,221		\$11,803,221
513 Total Equity - Net Assets / Position	\$27,389,352	\$0	-\$605,037	\$26,784,315		\$26,784,315
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$39,564,162	\$0	\$995,102	\$40,559,264		\$40,559,264

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	14:870 Resident Opportunity and	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$3,133,701			\$3,133,701		\$3,133,701
70400 Tenant Revenue - Other	\$119,819			\$119,819		\$119,819
70500 Total Tenant Revenue	\$3,253,520	\$0	\$0	\$3,253,520	\$0	\$3,253,520
70600 HUD PHA Operating Grants	\$3,439,285	\$103,325		\$3,542,610		\$3,542,610
70610 Capital Grants	\$933,402			\$933,402		\$933,402
70710 Management Fee			\$708,499	\$708,499	-\$708,499	\$0
70720 Asset Management Fee			\$69,360	\$69,360	-\$69,360	\$0
70730 Book Keeping Fee			\$50,131	\$50,131	-\$50,131	\$0
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue			\$827,990	\$827,990	-\$827,990	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$445,504		\$7,506	\$453,010		\$453,010
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	\$363,561		\$9,857	\$373,418		\$373,418
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted	\$15,683			\$15,683		\$15,683
70000 Total Revenue	\$8,450,955	\$103,325	\$845,353	\$9,399,633	-\$827,990	\$8,571,643
91100 Administrative Salaries	\$295,795		\$246,190	\$541,985		\$541,985
91200 Auditing Fees	\$4,358		\$4,722	\$9,080		\$9,080
91300 Management Fee	\$708,499	\$0		\$708,499	-\$708,499	\$0
91310 Book-keeping Fee	\$50,131			\$50,131	-\$50,131	\$0
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$208,448		\$106,373	\$314,821		\$314,821
91600 Office Expenses	\$116,669		\$20,488	\$137,157		\$137,157

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	Resident Opportunity and	COCC	Subtotal	ELIM	Total
		14,870				
91700 Legal Expense	\$7,339		\$99,927	\$107,266		\$107,266
91800 Travel			\$4,247	\$4,247		\$4,247
91810 Allocated Overhead						
91900 Other						
91000 Total Operating - Administrative	\$1,391,239	\$0	\$481,947	\$1,873,186	-\$758,630	\$1,114,556
92000 Asset Management Fee	\$69,360			\$69,360	-\$69,360	\$0
92100 Tenant Services - Salaries	\$955	\$103,325		\$104,280		\$104,280
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other						
92500 Total Tenant Services	\$955	\$103,325	\$0	\$104,280	\$0	\$104,280
93100 Water	\$215,131			\$215,131		\$215,131
93200 Electricity	\$493,767			\$493,767		\$493,767
93300 Gas	\$368,455			\$368,455		\$368,455
93400 Fuel						
93500 Labor						
93600 Sewer	\$197,869			\$197,869		\$197,869
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense			\$250	\$250		\$250
93000 Total Utilities	\$1,275,222	\$0	\$250	\$1,275,472	\$0	\$1,275,472
94100 Ordinary Maintenance and Operations - Labor	\$606,986			\$606,986		\$606,986
94200 Ordinary Maintenance and Operations - Materials and Other	\$167,316			\$167,316		\$167,316
94300 Ordinary Maintenance and Operations Contracts	\$662,540		\$129,472	\$792,012		\$792,012
94500 Employee Benefit Contributions - Ordinary Maintenance	\$431,596			\$431,596		\$431,596
94000 Total Maintenance	\$1,868,438	\$0	\$129,472	\$1,997,910	\$0	\$1,997,910
95100 Protective Services - Labor						

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	14,870 Resident Opportunity and	COCC	Subtotal	ELIM	Total
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	\$105,142			\$105,142		\$105,142
96120 Liability Insurance	\$52,571			\$52,571		\$52,571
96130 Workmen's Compensation	\$52,571		\$70,647	\$123,218		\$123,218
96140 All Other Insurance						
96100 Total Insurance Premiums	\$210,284	\$0	\$70,647	\$280,931	\$0	\$280,931
96200 Other General Expenses						
96210 Compensated Absences			\$24,285	\$24,285		\$24,285
96300 Payments in Lieu of Taxes	\$197,830			\$197,830		\$197,830
96400 Bad debt - Tenant Rents	\$186,288			\$186,288		\$186,288
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$384,118	\$0	\$24,285	\$408,403	\$0	\$408,403
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
96900 Total Operating Expenses	\$5,199,616	\$103,325	\$706,601	\$6,009,542	-\$827,990	\$5,181,552
97000 Excess of Operating Revenue over Operating Expenses	\$3,251,339	\$0	\$138,752	\$3,390,091	\$0	\$3,390,091
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						

Phillipsburg Housing Authority (NJ024)  
PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2023

	Project Total	Resident Opportunity and	COCC	Subtotal	ELIM	Total
97300 Housing Assistance Payments		14,870				
97350 HAP Portability-In						
97400 Depreciation Expense	\$483,319			\$483,319		\$483,319
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$5,682,935	\$103,325	\$706,601	\$6,492,861	-\$827,990	\$5,664,871
10010 Operating Transfer In	\$423,629			\$423,629		\$423,629
10020 Operating transfer Out	-\$423,629			-\$423,629		-\$423,629
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
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$2,768,020	\$0	\$138,752	\$2,906,772	\$0	\$2,906,772
Total Expenses						
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$26,806,771	\$0	-\$1,147,118	\$25,659,653	\$0	\$25,659,653
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$2,185,439		\$403,329	-\$1,782,110	\$0	-\$1,782,110
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						

Phillipsburg Housing Authority (NJ024)  
 PHILLIPSBURG, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2023

	Project Total	COCC	Subtotal	ELIM	Total
11070 Changes in Unrecognized Pension Transition Liability	14,870				
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	6936	0	6936
11210 Number of Unit Months Leased	6684	0	6684	0	6684
11270 Excess Cash	\$20,112,333		\$20,112,333		\$20,112,333
11610 Land Purchases	\$0	\$0	\$0		\$0
11620 Building Purchases	\$933,402	\$0	\$933,402		\$933,402
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

**PHILLIPSBURG HOUSING AUTHORITY  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND GRANT COST  
AS OF JUNE 30, 2023**

	NJ39PO24501-18		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 315,882	\$ 315,882	\$ -
Management Improvement	45,409	45,409	-
Administration	157,941	157,941	
General Capital Activity	1,060,180	1,060,180	-
Total	\$ 1,579,412	\$ 1,579,412	\$ -
Funds Advanced	\$ 1,579,412		
Funds Expended	1,579,412		
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 501-18 was completed on February 7, 2023.
4. There were no budget overruns noted.

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

Board of Commissioners  
Housing Authority of the 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 the governmental activities of Housing Authority of the Town of Phillipsburg, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Housing Authority of the Town of Phillipsburg's basic financial statements, and have issued our report thereon dated January 5, 2024.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the Town of Phillipsburg's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

**Giampaolo & Associates**

Lincroft, New Jersey

Date: January 5, 2024

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

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

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

We have audited Housing Authority of the Town of Phillipsburg's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the Town of Phillipsburg's major federal programs for the year ended June 30, 2023. Housing Authority of the Town of Phillipsburg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Authority of the 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the Town of Phillipsburg's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Authority of the Town of Phillipsburg's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the Town of Phillipsburg's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

**Giampaolo & Associates**

Lincroft, New Jersey

Date: January 5, 2024

**HOUSING AUTHORITY OF THE TOWN OF PHILLIPSBURG**

Schedule of Findings and Questioned Cost

Year Ended June 30, 2023

**Prior Audit Findings**

None reported

**Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

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

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

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

**Federal Awards**

Internal Control over Major Programs:

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

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

Type of audit report issued on compliance for major programs:

Unmodified

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

**Identification of Major Programs**

CFDA#	Name of Federal Program	Amount
14.872	Public Housing Capital Fund Program	\$ 1,595,295

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

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

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported

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

None reported

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

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

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

We were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by The PHA as of and for the year ended June 30, 2023, and have issued our report thereon dated January 5, 2024. 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 January 5, 2024, was expressed in relation to the basic financial statements of the PHA taken as a whole.

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

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

***Giampaolo & Associates***

Lincroft, New Jersey

January 5, 2024

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