

**Report On Audit**

**HOUSING AUTHORITY OF THE  
TOWNSHIP OF EDISON**

**For the Year Ended  
June 30, 2019**

**Housing Authority of the Township of Edison**  
Table of Contents

	<u>Page Number</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-17
<b>Financial Statements</b>	
Statement of Net Position	18-19
Statement of Revenue, Expenses and Changes in Net Position	20
Statement of Cash Flows	21-22
Notes to Financial Statements	23-59
<b>Required Supplementary Information</b>	
Schedule of Changes in Total OPEB Liabilities and Ratios	60
Schedule of Proportionate Share of the Net Pension Liability Of the Public Employee Retirement System (PERS)	61-62
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards	63-64
Financial Data Schedule	66-71
<b>Other Reports and Comments</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	72-73
Independent Auditors Report on Compliance for each Major Program and on Internal Control over Compliance Required by Uniform Guidance	74-76
Schedule of Findings and Questioned Cost	77
Independent Accountant's Report on Applying Agreed-upon Procedures – REAC	78-79



# Hymanson, Parnes & Giampaolo

## Certified Public Accountants

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

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the Township of Edison  
14 Rev. Samuel Carpenter Blvd.  
Edison, New Jersey 08820

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the aggregate discretely present components units of the Housing Authority of the Township of Edison (a governmental public corporation) in Edison, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of June 30, 2019 and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

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

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

#### **Auditor's Responsibility**

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

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Township of Edison as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 17 and pages 60-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the Township of Edison. The accompanying supplemental information on pages 63-71 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 Schedule of Expenditures of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 reports dated February 10, 2020 on our consideration of the Housing Authority of the Township of Edison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

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

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: February 10, 2020

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

As Management of the Housing Authority of the Township of Edison (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 18 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**FINANCIAL HIGHLIGHTS**

The assets of the Authority primary government exceeded its liabilities at the close of the most recent fiscal year by \$281,815 an increase in the financial position of \$306,509 as compared to the prior year.

As noted above, the net position of the Authority primary government was \$281,815 as of June 30, 2019. Of this amount, the primary government unrestricted net position is a negative (\$2,636,801) representing a decrease in the deficit of \$357,003 or 12% percent from the previous year. During the year, the Authority recorded a prior period adjustment for the State of NJ GASB #75 report in the amount of \$269,756. Additional information on the Authority's unrestricted net positions can be found in Note 19 the financial statements, which is included in this report.

The Authority primary government net investment in capital assets decreased \$56,414 or 2% percent for an ending balance of \$2,854,520

The Authority primary government restricted net position increased \$5,920 from the previous year for an ending balance of \$64,096. Additional information on the Authority's restricted net position can be found in Note 18 to the financial statements, which is included in this report.

The Authority's primary government unrestricted cash and cash equivalent at June 30, 2019 is \$702,726 representing an increase of \$157,333 or 29% percent from the prior fiscal year. Total primary government restricted cash and funded reserves increased \$106 or less than 1% percent for an ending balance of \$109,553. The full detail of this amount can be found in the Statement of Cash Flows on pages 21-22 of this report.

The Authority's primary government total assets and deferred outflows are \$5,628,183 of which capital assets net book value is \$3,354,520, deferred outflows in the amount of \$441,968 and restricted cash and funded reserves is \$109,553, leaving total current assets at \$1,722,142.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current assets increased from the previous year by \$226,314 or 15% percent. Unrestricted cash and cash equivalents increased by \$157,333, accounts receivables increased by \$62,870, investments increased by \$1,892 and prepaid expenses increased by \$4,219.

The Authority primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$106,414 or 3% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$180,021 less the recording of depreciation expense in the amount of \$286,435. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note - 8 Fixed Assets.

The Authority primary government reported a decrease in the deferred outflow for the pension cost in the amount of \$84,011 for an ending balance of \$441,968. The Authority primary government reported an increase in the deferred inflow for the pension cost in the amount of \$899,009 for an ending balance of \$1,384,654. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note - 9 Deferred Outflows/Inflows of Resources.

The Authority's primary government total liabilities are reported at \$3,961,714 of which noncurrent liabilities are stated at \$3,641,544. Total liabilities decrease during the year as compared to the prior year in the amount of \$1,169,523 or 23% percent. Total current liabilities increased during the year by \$124,706, leaving non-current liabilities for a decrease of \$1,294,229 as compared to the previous year.

Total primary government current liabilities increased from the previous year by \$124,706 or 64% percent. Accounts payables increased by \$85,801, accrued liabilities increased by \$34,822, tenant security deposit payable increased by \$3,789, unearned revenue increased by \$294. The current portion of the Capital Project Bonds payable remained the same from the prior year.

The Authority primary government total noncurrent liabilities decreased by \$1,294,229 or 26% percent. The decrease was comprised of three accounts, long-term note payable which decreased by \$50,000 for an ending balance of \$450,000, accrued compensated absences - long term with no offsetting assets increased \$8,549 from the prior fiscal year for an ending balance of \$40,367.

Accrued pension and other post-employment benefits (OPEB) liabilities decreased \$1,252,778 for an ending balance of \$3,151,177. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at June 30, 2019 can be found in Notes 16-17 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority primary government had total operating revenue of \$6,789,057 as compared to \$6,760,090 from the prior year for an increase of \$28,967 or less than 1% percent.

The Authority primary government had total operating expenses of \$6,860,119 as compared to \$7,149,822 from the previous year for a decrease of \$289,703 or 4% percent, resulting in a deficiency of revenue from operations in the amount of \$71,062 for the current year as compared to a deficiency of revenue from operations in the amount of \$389,732 for a decrease in the deficit of \$318,670 or 82% percent from the previous year.

Total primary government capital improvements contributions from HUD were in the amount of \$92,773 as compared to \$127,629 from the previous year for a decrease of \$34,856 or 27% percent. The Authority's had capital outlays in the amount of \$92,773 for the fiscal year.

The Authority's Expenditures of Federal Awards amounted to \$5,499,437 for the fiscal year 2019 as compared to \$4,657,802 for the previous fiscal year 2018 for an increase of \$841,635 or 18% 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. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program
4. Shelter Care Plus Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

This discussion and analysis are intended to serves as an introduction to the Housing Authority's primary government financial statements.



**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

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

The financial statements are prepared on an entity wide basis excluding the discretely presented component units 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 18 through 22.

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 23 through 59.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

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

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

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 63-64 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 Township of Edison are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended June 30, 2019. Type B programs for the Housing Authority of the Township of Edison are those which are less than \$750,000 in expenditures for the fiscal year ended June 30, 2019.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

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

The following summarizes the computation of Net Position of the primary government between June 30, 2019 and June 30, 2018:

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

	<u>Year Ended</u>		Increase (Decrease)
	June-19	June-18	
Cash	\$ 812,279	\$ 654,840	\$ 157,439
Other Current Assets	1,019,416	950,435	68,981
Capital Assets - Net	3,354,520	3,460,934	(106,414)
Deferred Outflows	441,968	525,979	(84,011)
Total Assets	5,628,183	5,592,188	35,995
Less: Current Liabilities	(320,170)	(195,464)	(124,706)
Less: Non Current Liabilities	(3,641,544)	(4,935,773)	1,294,229
Less: Deferred Inflows	(1,384,654)	(485,645)	(899,009)
Net Position	\$ 281,815	\$ (24,694)	\$ 306,509
Net Investment in Capital Assets	\$ 2,854,520	\$ 2,910,934	\$ (56,414)
Restricted Net Position	64,096	58,176	5,920
Unrestricted Net Position	(2,636,801)	(2,993,804)	357,003
Net Position	\$ 281,815	\$ (24,694)	\$ 306,509

Cash and restricted cash increased by \$157,439 or 24% percent. Net cash provided by operating activities was \$269,199, net cash used by capital and related financing activities was \$119,096, and net cash provided by investing activities was \$7,336. The full detail of this amount can be found in the Statement of Cash Flows on pages 21-22 of this audit report.

Other current assets increased \$68,981. Accounts receivables increased by \$62,870, investments increased by \$1,892 and prepaid expenses increased by \$4,219.

The Authority primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$106,414 or 3% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$180,021 less the recording of depreciation expense in the amount of \$286,435.

The Authority primary government reported a decrease in the deferred outflow for the pension cost in the amount of \$84,011 for an ending balance of \$441,968. The Authority primary government reported an increase in the deferred inflow for the pension cost in the amount of \$899,009 for an ending balance of \$1,384,654.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

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

Total primary government current liabilities increased from the previous year by \$124,706 or 64% percent. Accounts payables increased by \$85,801, accrued liabilities increased by \$34,822, tenant security deposit payable increased by \$3,789, unearned revenue increased by \$294. The current portion of the Capital Project Bonds payable remained the same from the prior year.

The Authority primary government total noncurrent liabilities decreased by \$1,294,229 or 26% percent. The decrease was comprised of three accounts, long-term note payable which decreased by \$50,000 for an ending balance of \$450,000, accrued compensated absences – long term with no offsetting assets increased \$8,549 from the prior fiscal year for an ending balance of \$40,367.

Accrued pension and other post-employment benefits (OPEB) liabilities decreased \$1,252,778 for an ending balance of \$3,151,177. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at June 30, 2019 can be found in Notes 16-17 to the financial statements, which is included in this report.

The Authority's primary government reported a net position is \$281,815 which is made up of three categories. The net investment in capital assets in the amount of \$2,854,520. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance June 30, 2018	\$ 2,910,934
Acquisition in Fixed Assets	180,021
Payment of Debt	50,000
Depreciation Expense	(286,435)
Balance June 30, 2019	<u>\$ 2,854,520</u>

The Housing Authority of the Township of Edison primary government operating results for June 30, 2019 reported an increase in unrestricted net position of \$357,003 or 12% percent for an ending balance of negative (\$2,636,801). A full detail of this account can be found in the Notes to the Financial Statements Section Note 19.

The primary government restricted net position increased \$5,920 from the previous year for an ending balance of \$64,096. Additional information on the Authority's restricted net position can be found in Note 18 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

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

The following summarizes the changes in Net Position of the primary government between June 30, 2019 and June 30, 2018:

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

	<u>Year Ended</u>		Increase
	June-19	June-18	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 690,237	\$ 640,727	\$ 49,510
HUD Subsidies	5,406,664	4,530,173	876,491
Other Revenues	692,156	1,589,190	(897,034)
Total Operating Income	6,789,057	6,760,090	28,967
<u>Expenses</u>			
Operating Expenses	6,573,686	6,870,003	(296,317)
Depreciation Expense	286,433	279,819	6,614
Total Operating Expenses	6,860,119	7,149,822	(289,703)
Operating Income before Non Operating Income	(71,062)	(389,732)	318,670
Interest Income	5,439	4,784	655
Capital Grants	92,773	127,629	(34,856)
Change in Net Position	27,150	(257,319)	284,469
Net Position Prior Year	(24,694)	2,188,154	(2,212,848)
Prior Period Adjustments	279,359	(1,955,529)	2,234,888
Total Net Position	\$ 281,815	\$ (24,694)	\$ 306,509

Approximately 80% percent of the Authority's primary government total operating revenue was provided by HUD operating subsidy, while 10% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 10% percent of the total income.

The Housing Authority of the Township of Edison received from the capital fund program \$92,773 in grant money a decrease of \$34,856 from the prior fiscal year. The Authority had capital expenditures of \$180,021. The current year additions included vacant unit upgrades, a new playground equipment, and computer upgrades.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

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

The Authority's primary government operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 69% percent of total operating expenses. Administrative expenses accounted for 12% percent, tenant services less than 1% percent, utilities expense accounted for 5% percent, maintenance expense accounted for 7% percent, other operating expenses accounted for 2% percent, and depreciation accounted for the remaining 4% percent of the total operating expenses.

The Authority primary government operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$71,062 from operations as compared to excess expenses from operations of \$389,732 for the previous year. The key elements for the decrease in deficit in comparison to the prior year are as follow:

- The Authority primary government reported an increase in HUD PHA operating grants in the amount of \$876,491 or 19% percent. The Authority also reported an increase in the tenants dwelling rental revenue in the amount of \$49,510 or 8% percent.
- Total other revenue decreased in the amount of \$897,034 or 56% percent.
- The Authority reported increases in the tenant services in the amount of \$9,822.
- The Authority reported decreases in the following accounts:
  - Administrative expenses decreased \$1,988 or less than 1% percent
  - Utilities expense decreased \$13,182 or 4% percent
  - Maintenance expense decreased \$244,075 or 33% percent
  - Housing Assistance Payments decreased \$46,889 or 1% percent.

Total net cash provided by operating activities during the year was \$269,199 as compared to cash used in the amount of \$72,438 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flows on pages 21-22 of this report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

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

The following are financial highlights of significant items for the primary government for a four-year period of time ending on June 30, 2019:

	June-19	June-18	June-17	June-16
<b>Significant Income</b>				
Total Tenant Revenue	\$ 690,237	\$ 640,727	\$ 645,006	\$ 630,147
HUD Operating Grants	5,406,664	4,530,173	4,572,626	4,513,145
HUD Capital Grants	92,773	127,629	108,595	67,779
Investment Income	5,439	4,784	3,193	4,472
Other Income	692,156	1,589,190	1,726,236	1,637,200
Total	<u>6,887,269</u>	<u>6,892,503</u>	<u>7,055,656</u>	<u>6,852,743</u>
<b>Payroll Expense</b>				
Administrative Salaries	305,426	332,649	391,585	347,644
Maintenance Labor	179,904	251,587	274,171	257,837
Employee Benefits Expense	418,289	546,518	676,683	542,417
Total Payroll Expense	<u>903,619</u>	<u>1,130,754</u>	<u>1,342,439</u>	<u>1,147,898</u>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	246,466	244,834	304,726	248,644
Utilities Expense	351,730	364,912	372,598	331,253
Maintenance Supplies	27,970	30,482	23,070	36,768
Maintenance Contract Cost	171,922	177,834	195,045	177,618
Insurance Premiums	63,045	61,682	65,887	67,748
Housing Assistance Payments	4,725,253	4,772,142	4,880,307	4,855,425
Total	<u>5,586,386</u>	<u>5,651,886</u>	<u>5,841,633</u>	<u>5,717,456</u>
<b>Total Operating Expenses</b>	<u>6,860,119</u>	<u>7,149,822</u>	<u>7,535,721</u>	<u>7,178,879</u>
<b>Total of Federal Awards</b>	<u>\$5,499,437</u>	<u>\$4,657,802</u>	<u>\$ 4,681,221</u>	<u>\$4,580,924</u>

**THE AUTHORITY AS A WHOLE**

The Authority's primary government revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. By far, the largest portion of the Authority's primary government net position reflects its net investment in capital assets. The net investment in capital assets (e.g., land, buildings, equipment, and construction in progress) uses these capital assets to provide housing services to its tenants.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON PROGRAMS**

Public and Indian Housing Program:

Under the Public 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) the Housing Authority of the Township of Edison 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). 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.

Housing Choice Voucher Program

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Shelter Plus Care Program

Shelter Plus Care (S+C) is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters. The program allows for a variety of housing choices, and a range of supportive services funded by other sources, in response to the needs of the hard-to-reach homeless population with disabilities



**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

**BUDGETARY HIGHLIGHTS**

For the year ended June 30, 2019, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The Authority 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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's primary government net investment in capital assets as of June 30, 2019 was \$3,354,520 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$106,414 or 3% percent. Major capital expenditures of \$180,021 were made during the year. Major capital assets events during the fiscal year included the following:

- Vacant Apartment Upgrades
- New Playground Equipment
- Computer Upgrades

The Primary Government

	June-19	June-18	Increase (Decrease)
Land	\$ 400,000	\$ 400,000	\$ -
Building	10,024,158	9,902,604	121,554
Furniture, Equipment - Dwelling	270,297	269,565	732
Furniture, Equipment - Administration	570,639	558,769	11,870
Construction in Process	275,879	230,014	45,865
Total Fixed Assets	11,540,973	11,360,952	180,021
Accumulated Depreciation	(8,186,453)	(7,900,018)	(286,435)
Net Book Value	<u>\$3,354,520</u>	<u>\$3,460,934</u>	<u>\$ (106,414)</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.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

**CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED**  
**2 - Debt Administration**

The Authority has participated in the New Jersey pooled leveraging program. The Capital Project Bond payable in the amount of \$500,000 was outstanding as of June 30, 2019. A full disclosure of loans payable at June 30, 2019 can be found in Note 15.

**NEW INITIATIVES**

For the fiscal year 2019 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 80% percent of its revenue from the Department of Housing and Urban Development, (2018 was 68% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has been exploring a Rental Assistance Application (RAD) which would involve converting current public housing units to a Section 8 platform. While this process takes time the Authority has remained diligent in being proactive in regards to maintaining the condition of their buildings.

The Authority has made steady progress in various phases of the operations, all the while increasing the occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

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 Township of Edison all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

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

The Housing Authority of the Township of Edison is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2019 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 TOWNSHIP OF EDISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2019**

**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, 2020.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Converting Public and Indian Housing Program rental units into RAD subsidy units.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ms. Deborah Hurley, Executive Director, Housing Authority Township of Edison, 14 Rev. Samuel Carpenter Blvd. Edison, NJ or call (908) 561-2525.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON**  
**STATEMENT OF NET POSITION - 1**  
**AS OF JUNE 30, 2019**

	Primary Government	Component Unit June-19	Total (Memorandum)
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents -Unrestricted	\$ 702,726	\$ 539,707	\$ 1,242,433
Accounts Receivables, Net of Allowances	219,776	7,030	226,806
Investments	766,007	-	766,007
Prepaid Expenses	33,633	-	33,633
Total Current Assets	<u>1,722,142</u>	<u>546,737</u>	<u>2,268,879</u>
<b>Restricted Deposits and Funded Reserves</b>			
Tenant Security Deposit	55,060	991	56,051
Section 8 HAP Reserve	54,493	-	54,493
Total Restricted Deposits and Funded Reserves	<u>109,553</u>	<u>991</u>	<u>110,544</u>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Land			
Building	400,000	20,000	420,000
Furniture, Equipment - Dwelling	10,024,158	81,521	10,105,679
Furniture, Equipment - Administration	270,297	-	270,297
Construction in Process	570,639	-	570,639
Total Capital Assets	<u>275,879</u>	<u>-</u>	<u>275,879</u>
Less: Accumulated Depreciation	11,540,973	101,521	11,642,494
Net Book Value	<u>(8,186,453)</u>	<u>(11,190)</u>	<u>(8,197,643)</u>
	<u>3,354,520</u>	<u>90,331</u>	<u>3,444,851</u>
 Total Assets	 <u>5,186,215</u>	 <u>638,059</u>	 <u>5,824,274</u>
<b>Deferred Outflow of Resources</b>			
NJ Pension and OPEB	441,968	-	441,968
 Total Assets and Deferred Outflow of Resources	 <u>5,628,183</u>	 <u>638,059</u>	 <u>6,266,242</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON**  
**STATEMENT OF NET POSITION - 2**  
**AS OF JUNE 30, 2019**

	Primary Government	Component Unit June-19	Total (Memorandum)
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 153,764	\$ 5,500	\$ 159,264
Accrued Liabilities	54,565	134,724	189,289
Tenant Security Deposit Payable	55,060	991	56,051
Unearned Revenue	6,781	-	6,781
Current Portion - Long Term Debt	50,000	-	50,000
Total Current Liabilities	<u>320,170</u>	<u>141,215</u>	<u>461,385</u>
<b>Noncurrent Liabilities</b>			
Long Term Debt - CFFP	450,000	-	450,000
Accrued Compensated Absences - Long-Term	40,367	-	40,367
Accrued Other Post-Employment Benefits (OPEB)	3,151,177	-	3,151,177
Total Noncurrent Liabilities	<u>3,641,544</u>	<u>-</u>	<u>3,641,544</u>
<b>Total Liabilities</b>	<u>3,961,714</u>	<u>141,215</u>	<u>4,102,929</u>
<b>Deferred Inflow of Resources</b>			
NJ Pension and OPEB	1,384,654	-	1,384,654
<b>Net Position:</b>			
Net Investment in Capital Assets	2,854,520	90,331	2,944,851
Restricted	64,096	-	64,096
Unrestricted	(2,636,801)	406,513	(2,230,288)
Total Net Position	<u>281,815</u>	<u>496,844</u>	<u>778,659</u>
<b>Total Liabilities, Deferred Inflow of Resources, and Net Position</b>	<u>\$ 5,628,183</u>	<u>\$ 638,059</u>	<u>\$ 6,266,242</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2019**

	Primary Government	Component Unit June-19	Total (Memorandum)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 690,237	\$ 20,133	\$ 710,370
HUD PHA Operating Grants	5,406,664	-	5,406,664
Other Revenue	692,156	32,339	724,495
Total Revenue	<u>6,789,057</u>	<u>52,472</u>	<u>6,841,529</u>
<b>Operating Expenses:</b>			
Administrative Expenses	842,150	12,147	854,297
Tenant Services	19,471	-	19,471
Utilities Expense	351,730	-	351,730
Maintenance Expense	495,691	12,136	507,827
Other Operating Expenses	139,391	12,050	151,441
Housing Assistance Payments	4,725,253	-	4,725,253
Depreciation Expense	286,433	2,038	288,471
Total Operating Expenses	<u>6,860,119</u>	<u>38,371</u>	<u>6,898,490</u>
Excess (Expenses) Revenue From Operations	<u>(71,062)</u>	<u>14,101</u>	<u>(56,961)</u>
<b>Nonoperating Revenue (Expenses)</b>			
Investment Income	5,439	2,460	7,899
Capital Grant Contributions	92,773	-	92,773
Total Nonoperating Revenue	<u>98,212</u>	<u>2,460</u>	<u>100,672</u>
<b>Change in Net Position</b>	<u>27,150</u>	<u>16,561</u>	<u>43,711</u>
Beginning Net Position	(24,694)	480,283	455,589
Prior Period Adjustment	279,359	-	279,359
Beginning Net Position - Restated	<u>254,665</u>	<u>480,283</u>	<u>734,948</u>
Ending Net Position	<u>\$ 281,815</u>	<u>\$ 496,844</u>	<u>\$ 778,659</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON**  
**STATEMENT OF CASH FLOWS-1**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2019**

	Primary Government	Component Unit June-19	Total (Memorandum)
<b>Cash Flow From Operating Activities</b>			
Receipts from Tenants	\$ 670,099	\$ 17,121	\$ 687,220
Receipts from Federal Grants	5,412,099		5,412,099
Receipts from Misc. Sources	621,340	32,339	653,679
Payments to Vendors and Suppliers	(411,137)	(28,550)	(439,687)
Payments for Housing Assistance Payments	(4,725,253)		(4,725,253)
Payments to Employees	(527,930)		(527,930)
Payment of Employee Benefits	(418,289)		(418,289)
Payment of Utilities Expenses	(351,730)		(351,730)
Net Cash Provided by Operating Activities	<u>269,199</u>	<u>20,910</u>	<u>290,109</u>
<b>Cash Flow From Capital and Related Financing Activities</b>			
Receipts from Capital Grants	92,773		92,773
Acquisitions and Construction of Capital Assets	(180,021)		(180,021)
Change in Long Term Compensated Absences	8,549		8,549
Net Effect of Deferred Inflows and Outflows	983,022		983,022
Prior Period Adjustment	279,359	-	279,359
Accrued Other Post-Employment Benefits (OPEB) Liabilities	(1,252,778)		(1,252,778)
Principal Payment on Debt	(50,000)		(50,000)
Net Cash (Used) by Capital and Related Financing Activities	<u>(119,096)</u>	<u>-</u>	<u>(119,096)</u>
<b>Cash Flow From Investing Activities</b>			
Interest Income	5,439	2,460	7,899
Receipts (Payment) in Tenant Security Deposit	3,789		3,789
Receipt (Purchase) of Investment	(1,892)		(1,892)
Net Cash Provided by Investing Activities	<u>7,336</u>	<u>2,460</u>	<u>9,796</u>
Net Increase in Cash and Cash Equivalents	157,439	23,370	180,809
Beginning Cash	<u>654,840</u>	<u>517,328</u>	<u>1,172,168</u>
Ending Cash	<u>\$ 812,279</u>	<u>\$ 540,698</u>	<u>\$ 1,352,977</u>
<b>Reconciliation of Cash Balances:</b>			
Cash and Cash Equivalents - Unrestricted	702,726	\$ 539,707	\$ 1,242,433
Cash and Cash Equivalents - Restricted	109,553	991	110,544
Total Ending Cash	<u>\$ 812,279</u>	<u>\$ 540,698</u>	<u>\$ 1,352,977</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON**  
**STATEMENT OF CASH FLOWS -2**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2019**

	<u>Primary Government</u>	<u>Component Unit June-19</u>	<u>Total (Memorandum)</u>
<b>Reconciliation of Operating Income to Net Cash</b>			
(Used) by Operating Activities			
Excess of Expenses Over Revenue	\$ (71,062)	\$ 14,101	\$ (56,961)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:			
Depreciation Expense	286,433	2,038	288,471
(Increase) Decrease in:			
Accounts Receivables	(62,870)	(3,012)	(65,882)
Prepaid Expenses	(4,219)	-	(4,219)
Increase (Decrease) in:			
Accounts Payable	-	-	-
Accrued Liabilities	85,801	2,750	88,551
Unearned Revenue	34,822	5,033	39,855
	294	-	294
Net Cash Provided by Operating Activities	<u>\$ 269,199</u>	<u>\$ 20,910</u>	<u>\$ 290,109</u>

See accompanying notes to the financial statements.



# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

**Organization** - The Authority is a governmental public corporation which was organized under the public corporation law created under federal and state housing law as defined by State statute (N.J., S.A. 40A:12A-1 et al the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Township of Edison 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 Edison. 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 Edison and Township 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 Township of Edison reporting entity.

Based on the following criteria, the Authority has identified one (1) entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

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

The Authority manages the financial affairs of Edison Affordable Housing Inc.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements

June 30, 2019

### **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.

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

On January 30, 2008, HUD issued *PIH Notice 2008-9* which among other things requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both administrative fees and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fees and HAP revenue in the reporting period as revenue for financial statement reporting.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **Significant Accounting Policies -Continued**

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

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

### **Basis of Accounting –**

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

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low income families.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

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

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

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 considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

Other revenue composed primarily of miscellaneous services fees and resident's late charges. The revenue is recorded as earned since it is measurable and available. Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

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

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **Report Presentation –**

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

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

The Authority's financial statements are prepared 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.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

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.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements

June 30, 2019

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

- 1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- 2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.
- 3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.
- 4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.
- 5 – Operating subsidies received from HUD are recorded as income when earned.
- 6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.
- 7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.
- 8 – The Authority does not have any infrastructure assets for its Enterprise Fund.
- 9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.
- 10- Advertising cost is charged to expense when incurred.
- 11- 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.
- 12- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

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

### **14 - Taxes**

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

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

### **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:

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements

June 30, 2019

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

#### 15 - Net Position -Continued

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

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

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

#### 16-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2019.

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

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



# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements

June 30, 2019

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

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-43	160
Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-43	328
Shelter Plus Care	14.238		68

### 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) the Housing Authority of the Township of Edison 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). 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.

### Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **Activities - Continued**

#### Shelter Plus Care Program

Shelter Plus Care (S+C) is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters. The program allows for a variety of housing choices, and a range of supportive services funded by other sources, in response to the needs of the hard-to-reach homeless population with disabilities

### **Component Unit**

Edison Affordable Housing Inc. entity is legally separate from the Housing Authority of the Township of Edison but is considered part of the reporting entity. The Authority owns 100% and manages the financial affairs for the Edison Affordable Housing Inc. The purpose of the Corporation was to promote additional affordable housing in the Township of Edison. This corporation operates on a fiscal year that ended on June 30. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this nonprofit corporation; this entity is being reported as a discretely presented component unit.

**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.

**Grants** - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 2 - ESTIMATES**

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

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

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer 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/2014divisioncombined.pdf>

### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.20% of base wages.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2019 amounted to \$75,124.

#### 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 17 - Accrued Pension Liability.

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

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes 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 collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

#### **Risk Disclosures**

##### Collateral for Deposits

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

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

#### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At June 30, 2019, 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 of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

The Authority's primary government 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>Bank Balances</u>	
	<u>Primary Government</u>	<u>Component Unit</u>
<u>Depository Accounts</u>		
Insured		
Collateralized held by pledging bank's trust department in the Authority's name	\$ 708,570	\$ 295,994
Uninsured	869,716	-
Total Cash, Cash Equivalents	\$ 1,578,286	\$ 540,698

The Edison Affordable Housing Inc. maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Edison Affordable Housing Inc. has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

#### **Restricted Cash**

The Authority has total noncurrent restricted cash at June 30, 2019 which consists of the following:

	Primary Government	Component Unit
Tenant Security Deposits	\$ 55,060	\$ 991
HAP Reserve	54,493	-
Total Restricted Cash	<u>\$ 109,553</u>	<u>\$ 991</u>

The restricted cash in the amount of \$54,493 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. The Authority invested these funds with Provident Bank. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

#### **Investments**

The Authority's primary government investments at June 30, 2019 included the following:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	30-Jul-19	\$ 105,238
Certificate of Deposit	30-Jul-19	158,968
Certificate of Deposit	30-Jul-19	27,362
Certificate of Deposit	26-Jul-19	103,012
Money Market Account	Upon Demand	101,907
Money Market Account	Upon Demand	269,520
Total		<u>\$ 766,007</u>

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

Accounts Receivable at June 30, 2019 consisted of the following:

	Primary Government	Component Unit
Tenants Accounts Receivable - Present	\$ 31,953	\$ 35,150
Accounts Receivable - Repayment Agreements	30,897	-
Less: Allowance for Doubtful Accounts - Tenants	(50,068)	(28,120)
Net Tenants Accounts Receivable	12,782	7,030
Accounts Receivable - HUD	10,057	-
Accounts Receivable - Other Government's	14,213	-
Accounts Receivable - Fees	182,724	-
Net Other Receivables	206,994	-
Net Accounts Receivables Total	\$ 219,776	\$ 7,030

The Housing Authority of the Township of Edison carries its accounts receivable at cost less an allowance for doubtful accounts. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2019, the primary government allowance for doubtful accounts was \$50,068.

### **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 written off on a monthly basis. Prepaid expenses at June 30, 2019 consisted of prepaid insurance in the amount of \$33,633.

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

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at June 30, 2019 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements

June 30, 2019

### **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 \$1,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

#### Depreciation

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

Depreciation expense for the primary government for the period ended June 30, 2019 was \$286,433.

The Housing Authority of the Township of Edison reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery's reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended June 30, 2019.



# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### NOTE 8 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2019

#### Primary Government

	June-18	Additions	June-19
Land	\$ 400,000	\$ -	\$ 400,000
Building	9,902,604	121,554	10,024,158
Furniture, Equipment - Dwelling	269,565	732	270,297
Furniture, Equipment - Administration	558,769	11,870	570,639
Construction in Process	230,014	45,865	275,879
Total Fixed Assets	11,360,952	180,021	11,540,973
Accumulated Depreciation	(7,900,018)	(286,435)	(8,186,453)
Net Book Value	\$ 3,460,934	\$ (106,414)	\$ 3,354,520

#### Component Unit

	June-18	Additions	June-19
Land	\$ 20,000	\$ -	\$ 20,000
Building	81,521	-	81,521
Total Fixed Assets	101,521	-	101,521
Accumulated Depreciation	(9,152)	(2,038)	(11,190)
Net Book Value	\$ 92,369	\$ (2,038)	\$ 90,331

Below is a schedule of the net book value of the fixed assets for the Housing Authority of the Township of Edison as of June 30, 2019:

	Primary Government	Component Unit
Net Book Value of Fixed Assets		
Land	\$ 400,000	\$ 20,000
Building	2,527,248	70,331
Furniture, Equipment - Dwelling	58,446	-
Furniture, Equipment - Administration	92,947	-
Construction in Process	275,879	-
Net Book Value	\$ 3,354,520	\$ 90,331

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements

June 30, 2019

### NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

The OPEB and Pension Liability discussed in Note 16 and 17 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows are as follows:

<b>Deferred Outflows of Resources</b>			
	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 28,359	\$ 28,359
Changes in Assumptions	-	245,044	245,044
Net Difference Between Projected and Actual Earning on Pension Plan Investments	879	-	879
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	27,252	140,434	167,686
Contributions Subsequent to the Measurement	-	-	-
Total	\$ 28,131	\$ 413,837	\$ 441,968
<b>Deferred Inflows of Resources</b>			
	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 337,872	\$ 7,668	\$ 345,540
Changes in Assumptions	422,123	475,486	897,609
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	13,949	13,949
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	7,831	119,725	127,556
Contributions Subsequent to the Measurement	-	-	-
Total	\$ 767,826	\$ 616,828	\$ 1,384,654

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

#### Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as 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 \$28,359 and \$345,540.

#### 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 \$245,044 and \$897,609.

#### 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 GASB #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 \$879 and \$13,949.

#### 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 OPEB and 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 \$167,686 and \$127,556.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 10 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of June 30, 2019. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at June 30, 2019 consist of the following:

	Primary Government	Component Unit
Accounts Payable Vendors	\$ 30,043	\$ 5,500
Accounts Payable - Other Government	53,666	-
Accounts Payable - Other Authorities	70,055	-
Total Accounts Payable	<u>\$ 153,764</u>	<u>\$ 5,500</u>

### **NOTE 11 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Township of Edison. 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, 2019, PILOT expense of \$30,772 was accrued. PILOT payable at June 30, 2019 consist of the following:

	Primary Government
PILOT Payable as of June 30, 2018	\$ 44,319
PILOT Expense for June 30, 2019	30,772
Less Payments Made During the Year	(21,425)
Total PILOT Payable as of June 30, 2019	<u>\$ 53,666</u>

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### NOTE 12 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before June 30, and are payable at some future date. Accrued liabilities at June 30, 2019 consist of the following:

	Primary Government	Component Unit
Compensated Absences - Current Portion	\$ 4,485	\$ -
Accrued Interest Payable	4,146	-
Accrued Expenses - Utilities	45,934	-
Accrued Expenses - Fees	-	134,724
Total Accrued Liabilities	<u>\$ 54,565</u>	<u>\$ 134,724</u>

### NOTE 13 – 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. Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of retirement, an employee is compensated for one for two unused sick days up to a maximum of \$15,000 under the Authority's current personnel policy. Generally, unused vacation may be carried over for a one-year period. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

The Authority has determined that the potential liability for accumulated vacation and sick time at June 30, 2019 as follows:

	Primary Government
Accumulated Sick Time	\$ 22,366
Accumulated Vacation Time	19,298
Accrued Payroll Taxes	3,188
Total	<u>44,852</u>
Compensated Absences - Current Portion	(4,485)
Total Compensated Absences - Noncurrent	<u>\$ 40,367</u>

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements

June 30, 2019

### **NOTE 14 – UNEARNED REVENUE**

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The deferred revenue for June 30, 2019 in the amount of \$6,781 represented the July 2019 prepaid rents.

### **NOTE 15 – LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND**

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of \$18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is \$990,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2027.

The faith and credit of the Housing Authority of the Township of Edison was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2008. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD. Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Wells Fargo Bank, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

The interest payable for November 1, 2019 is \$14,344 and May 1, 2020 is \$14,344.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements

June 30, 2019

### **NOTE 15 – LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND - CONTINUED**

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

June 30, 2020	\$ 50,000
June 30, 2021	55,000
June 30, 2022	60,000
June 30, 2023	60,000
June 30, 2024	65,000
Sub Total	<u>290,000</u>
Till Maturity June, 2027	210,000
Total Capital Project Bonds	<u><u>\$ 500,000</u></u>

### **NOTE 16 – ACCRUED PENSION AND OPEB LIABILITIES**

The Authority as of June 30, 2019 reported accrued pension and OPEB liability amounts as follows:

	<u>June-19</u>
Accrued OPEB Liability	\$ 1,664,107
Accrued Pension Liability	<u>1,487,070</u>
Total OPEB and Pension Liability	<u><u>\$ 3,151,177</u></u>

These amounts arose due to adoption of GASB #75 in 2018 year as well as GASB #68 which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 17 will discuss the effect of GASB #68 and the liability which arose from that.

### **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 TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 16 –OPEB LIABILITIES - CONTINUED**

*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 negotiations agreement.

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

#### Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended June 30, 2018 were \$1,664,107.



# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 16 –OPEB LIABILITIES - CONTINUED**

*Employees covered by benefits terms:* At June 30, 2018 (the census date), the following employees were covered by the benefits terms:

Retired Employees Receiving Benefits	1
Actives Eligible for Benefits	0
Active Employees	10
Total Employees	<u>11</u>

#### Net OPEB Liability

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.5%

Salary Increases

Through 2026 = 1.65% to 8.98%

Thereafter = 2.65% to 9.98%

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-2017 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-2017 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-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 16 –OPEB LIABILITIES - CONTINUED**

#### Actuarial Assumptions – Continued

#### Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% 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 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

#### Discount Rate

The discount rate for June 30, 2018 was 3.87%. 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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

<u>Discount Rate Sensitivity</u>			
	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	\$ 1,952,438	\$ 1,664,107	\$ 1,433,797

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	\$ 1,388,133	\$ 1,664,107	\$ 2,021,261

Change in Assumptions: Effective June 30, 2018.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 16 -OPEB LIABILITIES - 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 8.14 and 8.04 years for the 2018 and 2017 amounts, respectively.

#### *Changes in Net OPEB Liability:*

Service Cost	\$ 95,198
Interest on Total OPEB liability	81,161
Expected Investment Return	(997)
Administrative Expenses	871
Current Period Deferred	
Inflows/Outflows of Resources	(47,321)
Changes in Assumptions or Other	
Inputs	(64,388)
Net Difference Between Projected and	
Actual Investments Earning on	243
Pension Plan Investments	
Benefit Payments	-
Change in Plan	(1,161,294)
Net Change in Total OPEB Liability	(1,096,527)
Total OPEB Liability, Beginning	2,760,634
Total OPEB Liability, Ending	\$ 1,664,107

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 16 - OPEB LIABILITIES - CONTINUED**

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

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

Year Ending June 30, 2019	\$ (111,466)
Year Ending June 30, 2020	(111,466)
Year Ending June 30, 2021	(111,466)
Year Ending June 30, 2022	(111,559)
Year Ending June 30, 2023	(111,709)
Therafter	(201,450)
Total	<u>\$ (759,116)</u>

### **NOTE 17 - ACCRUED PENSION LIABILITY**

#### Net Pension Liability Information

The Authority as of June 30, 2019 reported a net pension liability in the amount of \$1,487,070 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2018, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 3,204,688
Plan Net Position	(1,717,618)
Employer Net Pension Liability	<u>\$ 1,487,070</u>

The Authority allocation percentage is 0.0075526031% as of June 30, 2018.

#### Plan Description

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

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

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Net Pension Liability Information

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

The following represents the membership tiers for PERS:

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

#### 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, 2018 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2018.

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 2018 the State's pension contribution was less than the actuarial determined amount.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements

June 30, 2019

### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Net Pension Liability Information

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

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

#### Actuarial Assumptions

The total pension liability for June 30, 2018 measurement dates were determined by using an actuarial valuation as of July 1, 2016, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial valuations used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65-4.15%, based on age
Thereafter	2.65-5.15%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Actuarial Assumptions – Continued

The actuarial assumptions used in the July 1, 2017 evaluation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100%</u>	

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 5.66% 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 (4.66% percent) or 1 percentage-point higher (6.66% 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 (4.66%)	Current Discount (5.66%)	1% Increase (6.66%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,869,819	\$ 1,487,070	\$ 1,165,968



# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED**

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

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

Year Ending June 30, 2019	\$ 10,321
Year Ending June 30, 2020	(14,290)
Year Ending June 30, 2021	(102,468)
Year Ending June 30, 2022	(88,821)
Year Ending June 30, 2023	(28,442)
Total	<u>\$ (223,699)</u>

#### Changes in Proportion

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

#### Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2018, are as follows:

Service Cost	\$ 82,004
Interest on the Total Pension Liability	148,807
Member Contributions	(39,008)
Administrative Expenses	1,021
Expected Investment Return Net of Investment Expenses	(106,247)
Pension Expense Related to Specific Liabilities of Individual Employers	(1,154)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:	
Difference Between Expected and Actual Experience	13,039
Changes of Assumptions	30,384
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	(2,035)
Total	<u>\$ 126,810</u>

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

The Authority restricted net position for the Authority primary government account balance at June 30, 2019 is \$64,096 which pertains to the HAP reserve.

#### Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets.

#### Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority at June 30, 2019 was \$1.

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

The Authority's primary government unrestricted net position account balance at June 30, 2019 is a negative (\$2,636,801) and the component unit with a balance of \$406,513 is as follows:

Primary Government	PIH Program Reserves	HCV Reserve	COCC Center	Business Activities	Shelter Care Plus	Total
Balance June 30, 2018	\$ (2,222,469)	\$ (364,517)	\$ (1,016,164)	\$ 747,461	\$ (138,115)	\$ (2,993,804)
Increase During the Year	186,617	41,154	-	1,943	-	229,714
Decrease During the Year	-	-	(141,859)	-	(10,211)	(152,070)
Prior Period Adjustment	413,883	(311,902)	177,378	-	-	279,359
Balance June 30, 2019	<u>\$ (1,621,969)</u>	<u>\$ (635,265)</u>	<u>\$ (980,645)</u>	<u>\$ 749,404</u>	<u>\$ (148,326)</u>	<u>\$ (2,636,801)</u>

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

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

	Component Unit
Balance June 30, 2018	<u>\$ 387,914</u>
Increase During the Year	<u>18,599</u>
Balance June 30, 2019	<u><u>\$ 406,513</u></u>

The Authority primary government unrestricted net position reflects a negative (\$2,636,801) balance, as of June 30, 2019, because of the requirement to adopt GASB #75 (OPEB) and GASB #68 pension liability. The Authority recorded OPEB liability to date of \$1,644,107 which has a direct effect on the reserves. The Authority recorded an accrued pension liability to date of \$1,487,070 which also has a direct effect on the reserves. GASB #75 and GASB #68 do not require the Authority to fund the liability.

### **NOTE 20 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended June 30, 2019, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its building for the purpose of determining potential liability issues.

### **NOTE 21 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended June 30, 2019 were \$807,882

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The program provides for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for June 30, 2019 was in the amount of \$3,555,823.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 22 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

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

Total financial support by HUD was \$5,499,437 to the Authority which represents approximately 80% percent of the Authority's total revenue for the year ended June 30, 2019.

### **NOTE 23 - CONTINGENCIES**

Litigation – At June 30, 2019, the Authority was not involved in any threatening litigation.

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

### **NOTE 24 - PRIOR PERIOD ADJUSTMENTS**

#### For year ending June 30, 2019

As of June 30, 2019 the Authority had a prior period adjustment in the amount of \$265,756 while recording GASB #75 Net OPEB Liability from the State of New Jersey audit report for the OPEB liability as of June 30, 2018.

#### For year ending June 30, 2019

As of June 30, 2019 the Authority Section 8 Housing Choice Vouchers Program had a prior period adjustment in the amount of \$9,603 which came about from the HUD VMS review.

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Notes to Financial Statements June 30, 2019

### **NOTE 25 – SUBSEQUENT EVENTS**

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru February 10, 2020; 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 TOWNSHIP OF EDISON

## Required Supplementary Information June 30, 2019

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

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

<u>Total OPEB Liability</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 95,198	\$ 57,753
Interest on Total OPEB liability	81,161	91,543
Expected Investment Return	(997)	-
Administrative Expenses	871	-
Current Period Deferred		
Inflows/Outflows of Resources	(47,321)	
Changes in Assumptions or Other		
Inputs	(64,388)	-
Net Difference Between Projected and		
Actual Investments Earning on	243	
Pension Plan Investments		
Benefit Payments	-	(8,341)
Change in Plan	(1,161,294)	-
Net Change in Total OPEB Liability	(1,096,527)	140,955
Total OPEB Liability, Beginning	2,760,634	2,619,679
Total OPEB Liability, Ending	\$ 1,664,107	\$ 2,760,634

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

# HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

## Required Supplementary Information June 30, 2019

### 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	2015
Housing Authority's proportion of the net pension liability	0.0075526031%	0.007059442%	0.011778890%	0.007615980%	0.007713260%
Housing Authority's proportionate share of the net pension liability	\$ 1,487,070	\$ 1,643,321	\$ 2,334,870	\$ 1,709,636	\$ 1,444,133
Housing Authority's covered employee payroll	\$ 527,390	\$ 584,236	\$ 665,756	\$ 605,481	\$ 621,122
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	281.97%	281.28%	350.71%	282.36%	232.50%
Plan fiduciary net position as a percentage of the total pension liability	46.41%	48.01%	59.86%	52.07%	52.08%

*\*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 TOWNSHIP OF EDISON

## Required Supplementary Information June 30, 2019

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

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2019	2018	2017	2015	2014
Contractually required contribution	\$ 75,124	\$ 65,398	\$ 70,036	\$ 65,477	\$ 63,587
Contribution in relation to the contractually required contribution	(75,124)	(65,398)	(70,036)	(65,477)	(63,587)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 527,390	\$ 584,236	\$ 665,756	\$ 605,481	\$ 621,122
Contribution as a percentage of covered employee payroll	14.24%	11.19%	10.52%	10.81%	10.24%

*\*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 TOWNSHIP OF EDISON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE TWELVE MONTHS ENDED JUNE 30, 2019

Programs funded by:

U.S. Department of Housing and Urban Development

	CFDA #'s	Grant Period		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
		From	To				
<u>Public and Indian Housing</u>							
NJ043-00000117D	14.850	1/1/2017	12/31/2017	476,636	483	483	476,636
NJ043-00000118D	14.850	1/1/2018	12/31/2018	499,096	279,562	279,562	279,562
NJ043-00000119D	14.850	1/1/2019	12/31/2019	271,814	271,814	271,814	271,814
NJ043-00000217D	14.850	1/1/2017	12/31/2017	219,608	222	222	219,608
NJ043-00000218D	14.850	1/1/2018	12/31/2018	227,103	125,297	125,297	227,103
NJ043-00000219D	14.850	1/1/2019	12/31/2019	130,504	130,504	130,504	130,504
Grant Subtotal				<u>1,824,761</u>	<u>807,882</u>	<u>807,882</u>	<u>1,474,723</u>
<u>Shelter Plus Care</u>							
VARIOUS	14.238	7/1/2018	6/30/2019	937,670	937,670	937,670	937,670
Grant Subtotal				<u>937,670</u>	<u>937,670</u>	<u>937,670</u>	<u>937,670</u>
<u>Public Housing Capital Fund Program</u>							
NJ39P043501-17	14.872	7/6/2017	8/15/2021	190,356	67,774	67,774	142,538
NJ39P043501-18	14.872	5/22/2018	5/28/2022	295,401	130,288	130,288	179,362
Grant Subtotal				<u>485,757</u>	<u>198,062</u>	<u>198,062</u>	<u>321,900</u>
<u>Section 8 Housing Choice Vouchers</u>							
NJ39P043	14.871	7/1/2018	6/30/2019	3,555,823	3,555,823	3,555,823	3,555,823
Grant Subtotal				<u>3,555,823</u>	<u>3,555,823</u>	<u>3,555,823</u>	<u>3,555,823</u>
<u>Total Expenditures of Federal Awards</u>							
				<u>\$ 6,804,011</u>	<u>\$ 5,499,437</u>	<u>\$ 5,499,437</u>	<u>\$ 6,290,116</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2019**

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the Township of Edison is under programs of the federal government for the year ended June 30, 2019. 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 Township of Edison, 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 Township of Edison.

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

**Note 4. Loans Outstanding:**

Housing Authority Township of Edison had Capital Project Bonds payable in the amount of \$500,000, outstanding at June 30, 2019. See Note 15 on pages 44-45 of this report for full detail.

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

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2019.

**Note 6. Sub recipients:**

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

Edison Housing Authority (NJ043)  
Edison, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely	14.238 Shelter Plus Care	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted									
112 Cash - Restricted - Modernization and Development	\$263,918	\$426,842	\$539,707			\$11,966	\$1,242,433		\$1,242,433
113 Cash - Other Restricted									
114 Cash - Tenant Security Deposits	\$55,060	\$54,493	\$991				\$54,493		\$54,493
115 Cash - Restricted for Payment of Current Liabilities							\$56,051		\$56,051
100 Total Cash	\$318,978	\$481,335	\$540,698	\$0	\$0	\$11,966	\$1,352,977	\$0	\$1,352,977
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects									
124 Accounts Receivable - Other Government				\$10,057			\$10,057		\$10,057
125 Accounts Receivable - Miscellaneous	\$78,897								
126 Accounts Receivable - Tenants	\$31,953		\$35,150			\$148,937	\$227,834		\$227,834
126.1 Allowance for Doubtful Accounts - Tenants	-\$19,171		-\$28,120				\$67,103		\$67,103
126.2 Allowance for Doubtful Accounts - Other	-\$30,897			\$0		\$0	-\$47,291		-\$47,291
127 Notes, Loans, & Mortgages Receivable - Current							-\$30,897		-\$30,897
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$60,782	\$0	\$7,030	\$10,057	\$0	\$148,937	\$226,806	\$0	\$226,806
131 Investments - Unrestricted									
132 Investments - Restricted	\$363,373				\$402,634		\$766,007		\$766,007
135 Investments - Restricted for Payment of Current									
142 Prepaid Expenses and Other Assets	\$29,261								
143 Inventories						\$4,372	\$33,633		\$33,633
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From									
145 Assets Held for Sale				\$0	\$346,770	\$158,383	\$505,153	-\$505,153	\$0
150 Total Current Assets	\$772,394	\$481,335	\$547,728	\$10,057	\$749,404	\$323,658	\$2,884,576	-\$505,153	\$2,379,423
161 Land									
162 Buildings	\$400,000		\$20,000				\$420,000		\$420,000
163 Furniture, Equipment & Machinery - Dwellings	\$10,024,158		\$81,521				\$10,105,679		\$10,105,679
164 Furniture, Equipment & Machinery - Administration	\$270,297						\$270,297		\$270,297
165 Leasehold Improvements	\$437,567	\$70,855				\$62,217	\$570,639		\$570,639
166 Accumulated Depreciation									
167 Construction in Progress	-\$8,070,169	-\$70,607	-\$11,190			-\$45,677	-\$8,197,643		-\$8,197,643
168 Infrastructure	\$275,879						\$275,879		\$275,879
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,337,732	\$248	\$90,331	\$0	\$0	\$16,540	\$3,444,851	\$0	\$3,444,851

Edison Housing Authority (NJ043)  
Edison, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	14.871	6.1	14.238	1 Business	COCC	Subtotal	ELIM	Total
	Housing Choice Vouchers	Component Unit - Discretely	Shelter Plus Care	Activities				
Project Total								
171 Notes, Loans and Mortgages Receivable - Non-Current								
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current								
174 Other Assets								
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$248	\$90,331	\$0	\$0	\$16,540	\$3,444,851	\$0	\$3,444,851
200 Deferred Outflow of Resources	\$104,428				\$101,262	\$441,968		\$441,968
290 Total Assets and Deferred Outflow of Resources	\$586,011	\$638,059	\$10,057	\$749,404	\$441,460	\$6,771,395	-\$505,153	\$6,266,242
311 Bank Overdraft								
312 Accounts Payable <= 90 Days								
313 Accounts Payable >90 Days Past Due	\$3,147	\$5,500			\$8,826	\$35,543		\$35,543
321 Accrued Wage/Payroll Taxes Payable								
322 Accrued Compensated Absences - Current Portion	\$1,202				\$1,073	\$4,485		\$4,485
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects						\$4,146		\$4,146
333 Accounts Payable - Other Government								
341 Tenant Security Deposits	\$53,666					\$53,666		\$53,666
342 Unearned Revenue	\$55,060	\$991				\$56,051		\$56,051
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$6,781					\$6,781		\$6,781
344 Current Portion of Long-term Debt - Operating Borrowings	\$50,000					\$50,000		\$50,000
345 Other Current Liabilities								
346 Accrued Liabilities - Other	\$70,055					\$70,055		\$70,055
347 Inter Program - Due To	\$45,934	\$134,724				\$180,658		\$180,658
348 Loan Liability - Current			\$158,383		\$346,770	\$505,153	-\$505,153	\$0
310 Total Current Liabilities	\$235,867	\$141,215	\$158,383	\$0	\$356,669	\$966,538	-\$505,153	\$461,385
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$450,000					\$450,000		\$450,000
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other								
354 Accrued Compensated Absences - Non Current	\$19,891	\$10,816			\$9,660	\$40,367		\$40,367
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$1,684,639				\$721,988	\$3,151,177		\$3,151,177

Edison Housing Authority (NJ043)  
Edison, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	14.871	6.1	14.238	1 Business	COCC	Subtotal	ELIM	Total
	Housing Choice Vouchers	Component Unit - Discretely	Shelter Plus Care	Activities				
350 Total Non-Current Liabilities	\$2,154,530	\$0	\$0	\$0	\$731,648	\$3,641,544	\$0	\$3,641,544
300 Total Liabilities	\$2,390,397	\$141,215	\$158,383	\$0	\$1,088,317	\$4,608,082	-\$505,153	\$4,102,929
400 Deferred Inflow of Resources	\$740,244	\$327,162			\$317,248	\$1,384,654		\$1,384,654
508.4 Net Investment in Capital Assets	\$2,837,732	\$248			\$16,540	\$2,944,851		\$2,944,851
511.4 Restricted Net Position	\$0	\$64,096				\$64,096		\$64,096
512.4 Unrestricted Net Position	-\$1,621,969	-\$635,265	-\$148,326	\$749,404	-\$980,645	-\$2,230,288		-\$2,230,288
513 Total Equity - Net Assets / Position	\$1,215,763	-\$570,921	-\$148,326	\$749,404	-\$984,105	\$778,659	\$0	\$778,659
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,346,404	\$586,011	\$10,057	\$749,404	\$441,460	\$6,771,395	-\$505,153	\$6,266,242

Edison Housing Authority (NJ043)  
Edison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely \$20,133	14,238 Shelter Plus Care	1 Business Activities	COC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$690,237						\$710,370		\$710,370
70400 Tenant Revenue - Other									
70500 Total Tenant Revenue	\$690,237	\$0	\$20,133	\$0	\$0	\$0	\$710,370	\$0	\$710,370
70600 HUD PHA Operating Grants									
70610 Capital Grants	\$913,171	\$3,555,823		\$937,670			\$5,406,664		\$5,406,664
70710 Management Fee	\$92,773						\$92,773		\$92,773
70720 Asset Management Fee						\$125,870	\$125,870	-\$125,870	\$0
70730 Book Keeping Fee						\$19,200	\$19,200	-\$19,200	\$0
70740 Front Line Service Fee						\$14,025	\$14,025	-\$14,025	\$0
70750 Other Fees									
70700 Total Fee Revenue						\$159,095	\$159,095	-\$159,095	\$0
70800 Other Government Grants									
71100 Investment Income - Unrestricted									
71200 Mortgage Interest Income	\$200	\$2,557	\$2,460	\$739	\$1,943		\$7,899		\$7,899
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery		\$165							
71500 Other Revenue	\$74,815	\$600,015	\$32,339				\$165		\$165
71600 Gain or Loss on Sale of Capital Assets						\$17,161	\$724,330		\$724,330
72000 Investment Income - Restricted									
70000 Total Revenue	\$1,771,196	\$4,158,560	\$54,932	\$938,409	\$1,943	\$176,256	\$7,101,296	-\$159,095	\$6,942,201
91100 Administrative Salaries									
91200 Auditing Fees	\$77,142	\$93,983		\$30,627		\$103,674	\$305,426		\$305,426
91300 Management Fee	\$6,040	\$4,026					\$10,066		\$10,066
91310 Book-keeping Fee	\$125,870						\$125,870	-\$125,870	\$0
91400 Advertising and Marketing	\$14,025						\$14,025	-\$14,025	\$0
91500 Employee Benefit contributions - Administrative	\$54,900	\$67,828		\$21,796		\$145,734	\$290,258		\$290,258
91600 Office Expenses				\$17,251			\$17,251		\$17,251
91700 Legal Expense	\$23,105	\$8,267				\$4,290	\$35,662		\$35,662
91800 Travel	\$1,260	\$3,821				\$2,790	\$7,871		\$7,871
91810 Allocated Overhead									
91900 Other	\$36,329	\$86,980	\$12,147						
91000 Total Operating - Administrative	\$338,671	\$264,905	\$12,147	\$69,674	\$0	\$52,307	\$187,763	-\$139,895	\$187,763
92000 Asset Management Fee						\$308,795	\$994,192		\$854,297
92100 Tenant Services - Salaries	\$19,200						\$19,200	-\$19,200	\$0
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									

Edison Housing Authority (NJ043)  
Edison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely	14.238 Shelter Plus Care	1 Business Activities	COCC	Subtotal	ELIM	Total
92400 Tenant Services - Other	\$19,471						\$19,471		\$19,471
92500 Total Tenant Services	\$19,471	\$0	\$0	\$0	\$0	\$0	\$19,471	\$0	\$19,471
93100 Water	\$113,269						\$113,269		\$113,269
93200 Electricity	\$39,129						\$39,129		\$39,129
93300 Gas	\$144,761						\$144,761		\$144,761
93400 Fuel									
93500 Labor	\$41,209						\$41,209		\$41,209
93600 Sewer	\$13,362						\$13,362		\$13,362
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$351,730	\$0	\$0	\$0	\$0	\$0	\$351,730	\$0	\$351,730
94100 Ordinary Maintenance and Operations - Labor	\$179,904						\$179,904		\$179,904
94200 Ordinary Maintenance and Operations - Materials and Other	\$27,970		\$99				\$27,970		\$27,970
94300 Ordinary Maintenance and Operations Contracts	\$159,885		\$12,037				\$171,922		\$171,922
94500 Employee Benefit Contributions - Ordinary Maintenance	\$128,031						\$128,031		\$128,031
94000 Total Maintenance	\$495,691	\$0	\$12,136	\$0	\$0	\$0	\$507,827	\$0	\$507,827
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance									
96120 Liability Insurance									
96130 Workmen's Compensation									
96140 All Other Insurance	\$54,849					\$8,196	\$63,045		\$63,045
96100 Total Insurance Premiums	\$54,849	\$0	\$0	\$0	\$0	\$8,196	\$63,045	\$0	\$63,045
96200 Other General Expenses	\$1,213					\$0	\$1,213		\$1,213
96210 Compensated Absences									
96300 Payments in Lieu of Taxes	\$30,772						\$30,772		\$30,772
96400 Bad debt - Tenant Rents	\$16,981		\$12,050				\$29,031		\$29,031
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$48,966	\$0	\$12,050	\$0	\$0	\$0	\$61,016	\$0	\$61,016

Edison Housing Authority (NJ043)  
Edison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	14.871	6.1	14.238	1 Business	COCC	Subtotal	ELIM	Total
	Housing Choice Vouchers	Component Unit - Discretely	Shelter Plus Care	Activities				
Project Total								
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)						\$27,380		\$27,380
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$27,380	\$0	\$27,380
96900 Total Operating Expenses	\$264,905	\$36,333	\$69,674	\$0	\$316,991	\$2,043,861	-\$159,095	\$1,884,766
97000 Excess of Operating Revenue over Operating Expenses	\$3,893,655	\$18,599	\$868,735	\$1,943	-\$140,735	\$5,057,435	\$0	\$5,057,435
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments	\$3,280,116		\$878,946			\$4,159,062		\$4,159,062
97350 HAP Portability-In	\$566,191				\$975	\$566,191		\$566,191
97400 Depreciation Expense	\$26	\$2,038				\$288,471		\$288,471
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$4,111,238	\$38,371	\$948,620	\$0	\$317,966	\$7,057,585	-\$159,095	\$6,898,490
10010 Operating Transfer In								
10020 Operating Transfer Out	\$43,656					\$43,656		\$43,656
10030 Operating Transfers from/to Primary Government	-\$43,656					-\$43,656		-\$43,656
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$129,806	\$16,561	-\$10,211	\$1,943	-\$141,710	\$43,711	\$0	\$43,711
11020 Required Annual Debt Principal Payments	\$50,000					\$50,000		\$50,000
11030 Beginning Equity	\$672,074	\$480,283	-\$138,115	\$747,461	-\$999,773	\$455,589		\$455,589



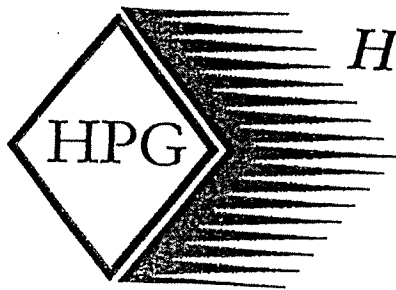
Edison Housing Authority (NJ043)  
Edison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	Housing Choice Vouchers	6.1 Component Unit - Discretely	14.238 Shelter Plus Care	1 Business Activities	COCC	Subtotal	ELIM	Total
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$413,883	\$-311,902				\$177,378	\$279,359		\$279,359
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition									
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		\$-635,017					\$-635,017		\$-635,017
11180 Housing Assistance Payments Equity									
11190 Unit Months Available	1920	\$64,096					\$64,096		\$64,096
11210 Number of Unit Months Leased	1870	3931	24	840			6715		6715
11270 Excess Cash	\$399,482	3739	22	816			6447		6447
11610 Land Purchases	\$0						\$399,482		\$399,482
11620 Building Purchases	\$0					\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$92,773					\$0	\$0		\$0
11660 Infrastructure Purchases	\$0					\$0	\$92,773		\$92,773
13510 CFFP Debt Service Payments	\$78,593					\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0	\$78,593		\$78,593
						\$0	\$0		\$0



*Hymanson, Parnes & Giampaolo*  
*Certified Public Accountants*

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

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

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

Board of Commissioners  
Housing Authority of the Township of Edison  
14 Rev. Samuel Carpenter Blvd.  
Edison, New Jersey 08820

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 Housing Authority of the Township of Edison as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Housing Authority of the Township of Edison basic financial statements, and have issued our report thereon dated February 10, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Housing Authority of the Township of Edison internal control over financial reporting (internal control) to determine the 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 Township of Edison's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the Township of Edison internal control.

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

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

### **Compliance and Other Matters**

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

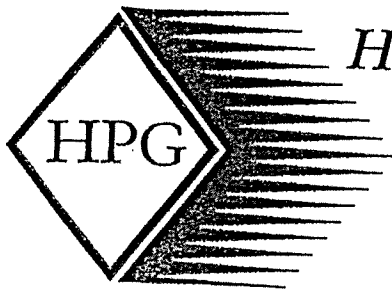
### **Purpose of this Report**

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

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: February 10, 2020



*Hymanson, Parnes & Giampaolo*  
*Certified Public Accountants*

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

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

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

Board of Commissioners  
Housing Authority of the Township of Edison  
14 Rev. Samuel Carpenter Blvd.  
Edison, New Jersey 08820

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

We have audited Housing Authority of the Township of Edison compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the Township of Edison major federal programs for the year ended June 30, 2019. Housing Authority of the Township of Edison major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, Housing Authority of the Township of Edison 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, 2019.

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

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

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

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

**Purpose of This Report**

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

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: February 10, 2020

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON**  
Schedule of Findings and Questioned Cost  
Year Ended June 30, 2019

**Prior Audit Findings**

None reported

**Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified?

\_\_\_\_\_ yes    X no

Significant Deficiency(ies) identified that are  
considered to be material weakness(es)?

\_\_\_\_\_ yes    X none reported

Noncompliance Material to Financial Statements Noted?

\_\_\_\_\_ yes    X no

**Federal Awards**

Internal Control over Major Programs:

Material Weakness (es) Identified?

\_\_\_\_\_ yes    X no

Significant Deficiency(ies) identified that are  
considered to be material weakness(es)?

\_\_\_\_\_ yes    X none reported

Type of audit report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with section Title 2 U.S. Code of Federal Regulation  
Part 200, Uniform Administrative Requirements,

\_\_\_\_\_ yes    X no

**Identification of Major Programs**

CFDA#	Name of Federal Program	Amount
14.850	Public and Indian Housing Program	\$ 807,882
14.872	Public Housing Capital fund Program	\$ 198,062
14.238	Shelter Care Plus Program	\$ 937,670

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

Auditee qualified as a low-risk auditee

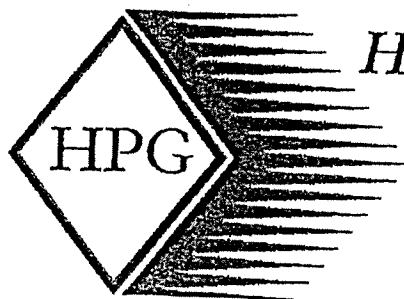
X yes    \_\_\_\_\_ no

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported

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

None reported



# Hymanson, Parnes & Giampaolo

## Certified Public Accountants

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

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

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

Board of Commissioners  
Housing Authority of the Township of Edison  
14 Rev. Samuel Carpenter Blvd.  
Edison, New Jersey 08820

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

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

We were engaged to perform an audit in accordance with the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the Township of Edison as of and for the year ended June 30, 2019, and have issued our reports thereon dated February 10, 2020. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated June 30, 2019, was expressed in relation to the basic financial statements of Housing Authority of the Township of Edison taken as a whole.

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

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey  
February 10, 2020



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

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>