

HOUSING AUTHORITY OF THE
TOWN OF SECAUCUS
Secaucus, New Jersey

FINANCIAL STATEMENTS
For the Years Ended
March 31, 2020 and 2019

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
 Secaucus, New Jersey
 COMPARATIVE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

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**HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020**

As management of the Housing Authority of the Town of Secaucus, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activity of the Authority for the fiscal year ended March 31, 2020. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities as of March 31, 2020 by \$4,973,848.
- As of the close of the current fiscal year, the Authority's Proprietary Funds reported a deficit in Unrestricted Net Position of \$2,017,398, a decrease in the deficit of \$953,595 from March 31, 2019.
- The Authority's cash and cash equivalents balance as of March 31, 2020 totaled \$3,974,942, representing an increase of \$648,495 from March 31, 2019.
- The Authority had intergovernmental revenue of \$3,602,284 in HUD operating grants pertaining to its housing choice voucher program for the year ended March 31, 2020.
- The Authority's capital outlays for the year totaled \$299,995. The change in Capital Assets is detailed in the section entitled Analysis of Capital Assets.

USING THE ANNUAL REPORT

Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Comparative Statements of Net Position, Comparative Statements of Revenue, Expenses and Changes in Net Position and the Comparative Statements of Cash Flows.

The Comparative Statements of Net Position present information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Comparative Statements of Revenue, Expenses and Changes in Net Position present information showing how the Authority's net position changed during the most recent two fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. depreciation and earned but unused vacation leave).

The Comparative Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the year. The statements classify cash receipts and cash payments as resulting from operating activities, capital and related financing activities and investing activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found on pages 12 through 28 of this report.

**HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
March 31, 2020**

Supplemental Information

The Schedule of Expenditures of Federal Awards (SEFA) is presented for purpose of additional analysis as required by Government Auditing Standards issued by the Comptroller General of the United States. The SEFA can be found on page 29 of this report. Additional supplemental information can be found on pages 30-38.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

Total Net Position increased by \$987,304. This increase is primarily due to net operating income of \$397,575 and a prior period adjustment of \$589,729, which resulted from changes in the actuarial assumptions used to compute the OPEB Liability and the related deferred inflows and outflows.

The Authority reported net operating revenues over expenses of \$347,156, and investment income of \$50,419 for the fiscal year ended March 31, 2020.

Total cash including security deposits increased \$648,495 due primarily to increased government funding and the maturity of investments.

Capital Assets (net of accumulated depreciation) decreased \$88,218 as capital asset acquisitions of \$299,995 were offset by \$388,213 of depreciation expense.

Accrued Pension and OPEB liability decreased \$1,850,304 from March 31, 2019 to March 31, 2020. GASB 68 assets and liabilities related to pensions also reflect a decrease in Deferred Outflow of Resources of \$117,838 and an increase in Deferred Inflows of Resources of \$1,062,113. More information about OPEB and Pension liabilities can be found in Notes 12 and 13 respectively.

The following table summarizes the changes in Net Position between March 31, 2020 and 2019 for the Authority as a whole:

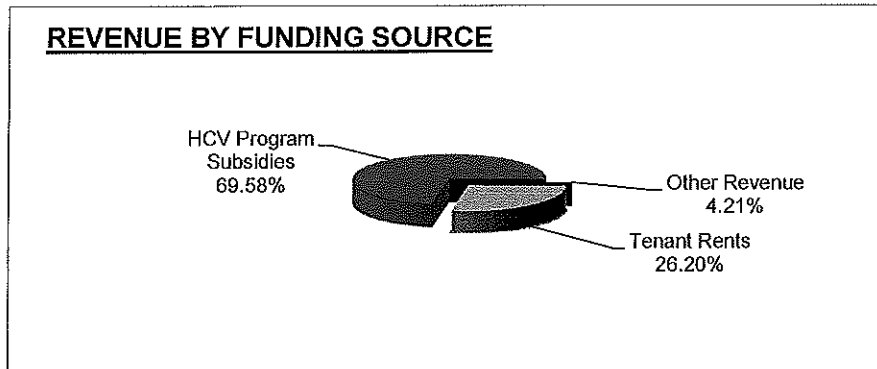
| | <u>2020</u> | <u>2019</u> | <u>Variance</u> | <u>% Var</u> |
|----------------------------------|---------------------|---------------------|--------------------|----------------|
| Cash & Cash Equivalents | \$ 3,974,942 | \$ 3,326,447 | \$ 648,495 | 19.50% |
| Other Current Assets | 68,204 | 282,556 | (214,352) | -75.86% |
| Capital Assets | 7,577,234 | 7,665,452 | (88,218) | -1.15% |
| Deferred Outflow of Resources | 228,987 | 346,825 | (117,838) | -33.98% |
| Total Assets | <u>11,849,367</u> | <u>11,621,280</u> | <u>228,087</u> | <u>1.96%</u> |
| Current Liabilities | 441,498 | 366,451 | 75,047 | 20.48% |
| Long-term Debt | 2,286,317 | 2,339,051 | (52,734) | -2.25% |
| Other Noncurrent Liabilities | 2,598,031 | 4,441,674 | (1,843,643) | -41.51% |
| Total Liabilities | <u>5,325,846</u> | <u>7,147,176</u> | <u>(1,821,330)</u> | <u>-25.48%</u> |
| Deferred Inflow of Resources | 1,549,673 | 487,560 | 1,062,113 | 217.84% |
| Net Investment in Capital Assets | 5,237,397 | 5,273,442 | (36,045) | -0.68% |
| Restricted Net Position | 1,753,849 | 1,684,095 | 69,754 | 4.14% |
| Unrestricted Net Position | (2,017,398) | (2,970,993) | 953,595 | -32.10% |
| Total Net Position | <u>\$ 4,973,848</u> | <u>\$ 3,986,544</u> | <u>\$ 987,304</u> | <u>-24.77%</u> |

**HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
March 31, 2020**

Total operating revenue increased \$270,922 (5.52%), due primarily to the increase of \$195,372 (5.73%) in HUD Operating Grants within the Housing Choice Voucher Program. Total Unit Months Leased increased from 5813 in 2019 to 5915 in 2020. The average HAP Payment increased from \$534 in 2019 to \$543 in 2020.

Total operating expenses decreased \$11,703(0.24%). Changes in the major expense categories are discussed below.

Operating Revenues generated by major category are detailed in the following chart:



The following table summarizes the changes in Operating Income between fiscal years 2020 and 2019 for the Authority as a whole:

| | 2020 | 2019 | Variance | % Var |
|--------------------------------------|---------------------|---------------------|-----------------------|----------------|
| Rental Revenue | \$ 1,356,615 | \$ 1,302,441 | \$ 54,174 | 4.16% |
| HUD Operating Grants | 3,602,284 | 3,406,912 | 195,372 | 5.73% |
| Other | 218,107 | 196,731 | 21,376 | 10.87% |
| Total Operating Revenue | 5,177,006 | 4,906,084 | 270,922 | 5.52% |
| Operating Expenses: | | | | |
| Administrative | 621,243 | 725,779 | (104,536) | -14.40% |
| Tenant Services | 77,383 | 87,383 | (10,000) | -11.44% |
| Utilities | 357,252 | 415,758 | (58,506) | -14.07% |
| Maintenance | 810,048 | 791,420 | 18,628 | 2.35% |
| General Expenses, including interest | 279,781 | 258,483 | 21,298 | 8.24% |
| Housing Assistance Payments | 2,295,929 | 2,187,400 | 108,529 | 4.96% |
| Depreciation | 388,214 | 375,330 | 12,884 | 3.43% |
| Total Operating Expenses | 4,829,850 | 4,841,553 | (11,703) | -0.24% |
| Operating Income/(Loss) | 347,156 | 64,531 | 282,625 | 437.97% |
| Non-operating Revenue (Expenses): | | | | |
| Interest and Other | 50,419 | 49,100 | 1,319 | 2.69% |
| Net Income/(Loss) | 397,575 | 113,631 | 283,944 | 249.88% |
| Beginning Net Position | 3,986,544 | 6,172,490 | (2,185,946) | -35.41% |
| Prior Period Adjustment | 589,729 | (2,299,577) | 2,889,306 | 100.00% |
| Ending Net Position | \$ 4,973,848 | \$ 3,986,544 | \$ (1,902,002) | -47.71% |

**HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
March 31, 2020**

As previously discussed, the average monthly HAP payment increased by \$9 during the current fiscal year, and unit months under leased increased by 109. Consequently, grants increased from \$3,406,912 in 2019 to \$3,602,284 during the year ended March 31, 2020.

Other Revenues consist primarily of receipts for portability housing assistance payments, fees charged to other housing authorities for the performance of management services, charges to tenants for maintenance and other miscellaneous services; and the addition of cell phone antenna revenue. Other revenue increased by \$21,376, or 10.76%.

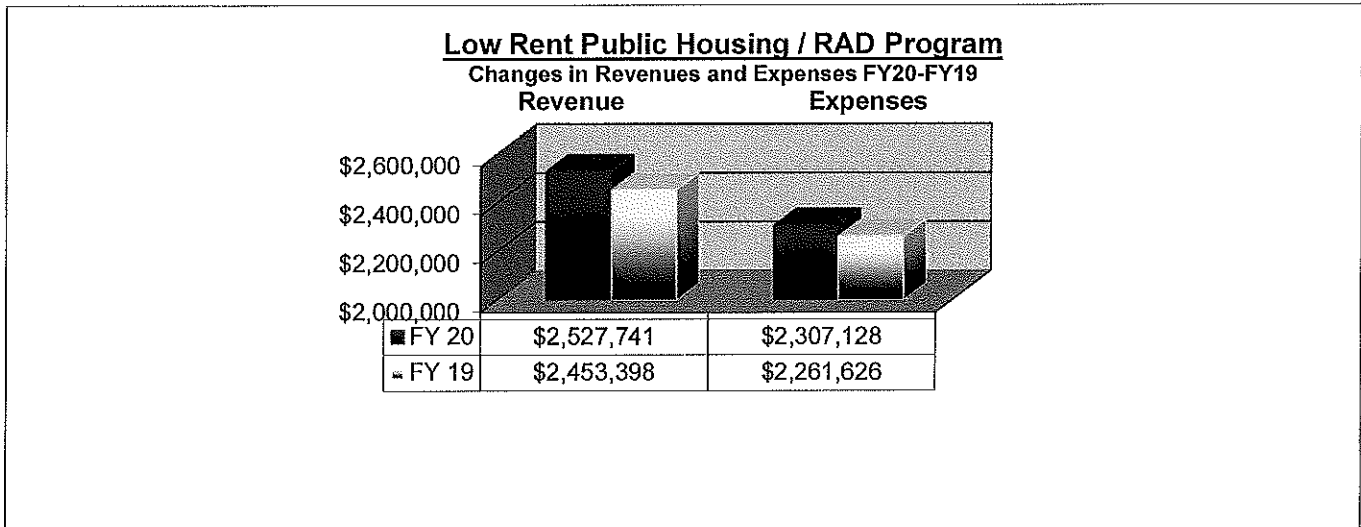
Administrative expenses trended downward from 2019 to 2020. Administrative expenses totaled \$725,779 in 2019 vs. \$621,243 in 2020, a decrease of \$104,536, or 14.40%. This decrease is mainly attributed to a drop in employee benefit costs due to administration.

General expenses increased \$22,843, or 12.99%, due primarily to an increase in the Payment in Lieu of Taxes paid to the town of Secaucus, as well as an increase in compensated absense expense being paid out to employees.

Utility Expenses decreased by \$58,506, or 14.07% from the previous fiscal year mainly from a \$42,492 decrease in electricity costs.

Maintenance expense increased by \$18,628 (2.35%) due primarily to the replacement of stoves and air conditioning units due to normal wear and tear. As these items do not exceed the Authority's capitalization policy threshold, they are expensed when purchased. The Authority also replaced carpeting and wood flooring in apartments that were turned over during the current fiscal year.

Changes in total income and expense attributable to the low rent public housing / RAD program are as follows:



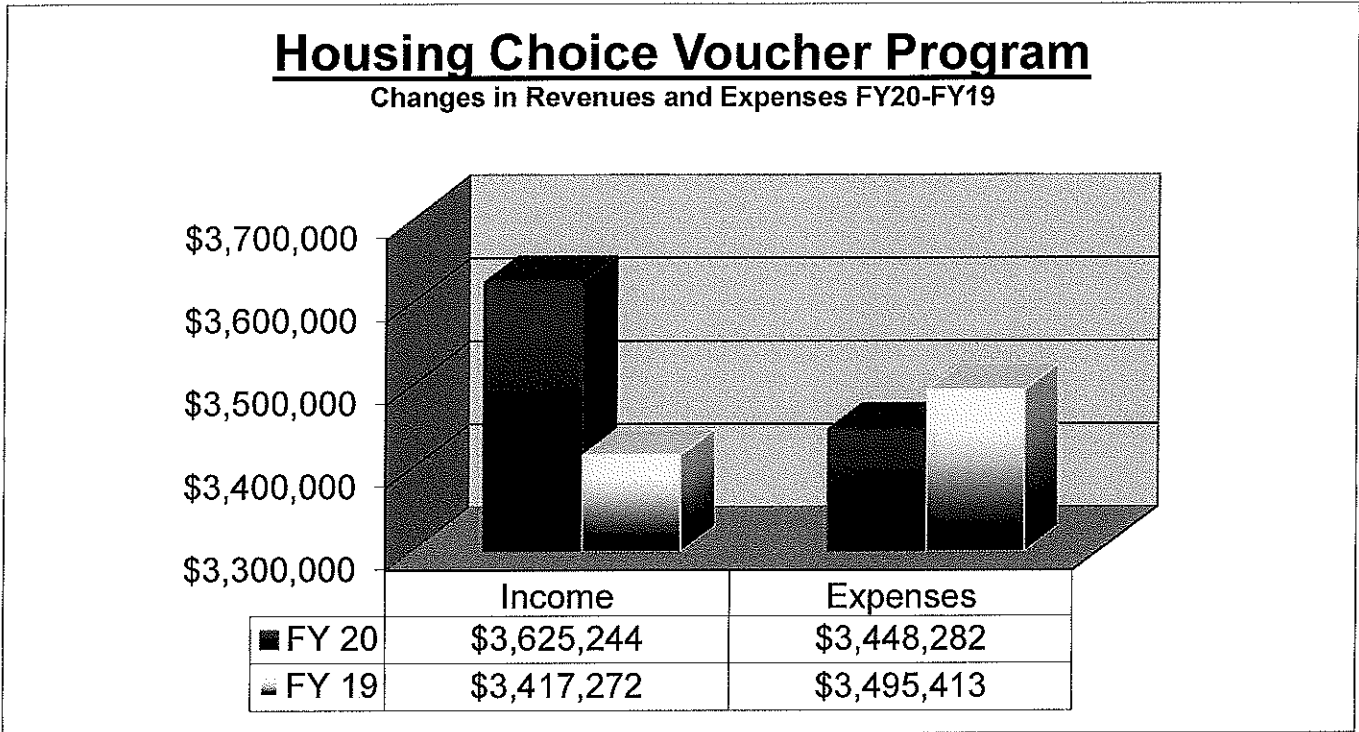
Note: Expense amounts include depreciation expense and exclude Capital fund revenue and expenses.

FYE 2020 LRP/RAD operating revenue increased by 3.03% compared to FYE 2019.

FYE 2020 LRP/RAD operating expenses increased by 2.01% compared to FYE 2019.

**HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
March 31, 2020**

Changes in total income and expense attributable to the Housing Choice Voucher program are as follows:



HCV revenues increased \$207,972 primarily due to an increase in Operating Grants received. The amount of units leased in the program during the fiscal year increased, resulting in a larger subsidy received.

Total HCV expenses decreased \$47,131 or 1.3%. As previously noted, Housing Assistance Payments (HAP) payments made to the business activities program for former public housing tenants increased from \$915,486 in 2019 to \$925,560 in 2020, an increase of \$10,074.

**HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

March 31, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The following table summarizes the changes in capital assets from March 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> | <u>Incr. / Decr.</u> | <u>% Change</u> |
|--------------------------|---------------------|---------------------|----------------------|-----------------|
| Land | \$ 620,838 | \$ 620,838 | \$ - | 0.00% |
| Buildings & Improvements | 23,632,635 | 23,421,140 | 211,495 | 0.90% |
| Equipment & Furniture | 1,829,462 | 1,740,962 | 88,500 | 5.08% |
| Construction in Progress | - | - | - | #DIV/0! |
| Total | <u>26,082,935</u> | <u>25,782,940</u> | <u>299,995</u> | <u>1.16%</u> |
| Accumulated Depreciation | <u>(18,505,701)</u> | <u>(18,117,488)</u> | <u>(388,213)</u> | <u>2.14%</u> |
| Net Capital Assets | <u>\$ 7,577,234</u> | <u>\$ 7,665,452</u> | <u>(88,218)</u> | <u>-1.15%</u> |

As previously noted, the decrease in capital assets is due primarily to the expenditure of capital funds less the Authority's current year depreciation expense.

Debt:

During 2007, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, secured by the future capital fund grants of participating housing authorities. The Authority's share of the funds from the bond pool amounted to \$1,360,000. As previously noted, the Housing Authority converted its public housing portfolio to RAD during the fiscal year ended March 31, 2017. In connection with that conversion, the Authority borrowed \$2,500,000 under a thirty year mortgage. The proceeds from that loan together with capital fund grants of \$217,714 and approximately of \$900,000 of operating reserves, were used to repay the outstanding bonds plus accrued interest totaling approx. \$943,000, provide escrow deposits for repairs and rehabilitation of approximately \$2,400,000 and pay debt issuance costs of approximately \$175,000. At March 31, 2020 and March 31, 2019 respectively, the outstanding balance of the mortgage debt was \$2,339,837 and \$2,392,010. The current portion of the mortgage was \$53,520 and \$52,959 at March 31, 2020 and March 31, 2019, respectively. The loan is payable in 360 monthly installments of \$11,120, including interest at 3.375% per annum, with the final payment due March 1, 2047.

As of March 31, 2020 the Authority had \$111,153 in non-current accrued compensated absences, \$1,275,588 in accrued pension liabilities and \$1,211,290 in accrued OPEB liabilities.

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 information should be addressed to the Executive Director, Housing Authority of the Town of Secaucus, 700 County Avenue, Secaucus, NJ 07094, or call (201) 867-2957.



Polcari & Co.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Secaucus
Secaucus, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Town of Secaucus (the Authority), which comprise the Comparative Statements of Net Position as of March 31, 2020 and 2019 and the related Comparative Statements of Revenue, Expenses and Changes in Net Position and Cash Flows for the years then 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 entity's 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 entity's 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Secaucus, as of March 31, 2020 and 2019, and the changes in net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-6 and the Supplemental Schedules pertaining to the Public Employees Retirement System presented on pages 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the Town of Secaucus. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes 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*, and is also not a required part of the basic financial statements.

The information referred to in the preceding paragraph is the responsibility of management and was derived from and directly relate to the underlying accounting and other records used to prepare the basic financial statements. Such 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 general accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated September 21, 2020 on our consideration of the Housing Authority of the Town of Secaucus's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 the Authority's internal control over financial reporting and compliance.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
September 21, 2020

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
Secaucus, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
At March 31, 2020 and 2019

| | 2020 | 2019 |
|---|---------------|---------------|
| <u>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash and Cash Equivalents - Unrestricted | \$ 2,092,077 | \$ 1,517,829 |
| Cash and Cash Equivalents - Restricted | 1,753,849 | 1,684,095 |
| Cash - Tenant Security Deposits | 129,016 | 124,523 |
| Total Cash | 3,974,942 | 3,326,447 |
| Investments | - | 206,361 |
| Accounts Receivable | 6,934 | 2 |
| Accounts Receivable - HUD | 37,534 | - |
| Prepaid Expenses and Other Current Assets | 23,736 | 76,193 |
| Total Current Assets | 4,043,146 | 3,609,003 |
| <u>FIXED ASSETS</u> | | |
| Land | 620,838 | 620,838 |
| Buildings and Improvements | 23,632,635 | 23,421,140 |
| Furniture, Equipment and Machinery | 1,829,462 | 1,740,962 |
| Total Fixed Assets | 26,082,935 | 25,782,940 |
| Less: Accumulated Depreciation | (18,505,701) | (18,117,488) |
| Net Fixed Assets | 7,577,234 | 7,665,452 |
| Deferred Outflow of Resources | 228,987 | 346,825 |
| Total Assets and Deferred Outflow of Resources | \$ 11,849,367 | \$ 11,621,280 |
| <u>LIABILITIES AND DEFERRED INFLOW OF RESOURCES</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts Payable: | | |
| Vendors and Contractors | \$ 26,536 | \$ 27,059 |
| Accrued Payroll and Related Taxes | 41,143 | 27,357 |
| Security Deposits | 129,016 | 124,523 |
| Accounts Payable - HUD | 5,300 | 2,682 |
| Deferred Revenue | 23,176 | - |
| Current Portion of Long-Term Debt | 53,520 | 52,959 |
| Accrued Liabilities: | | |
| Compensated Absences - Current Portion | 12,350 | 11,611 |
| Accrued Interest Payable | 6,801 | 6,952 |
| Other Accrued Liabilities | 44,751 | 25,119 |
| Payment in Lieu of Taxes | 98,905 | 88,189 |
| Total Current Liabilities | 441,498 | 366,451 |
| Long-Term Debt, Net of Current Portion | 2,286,317 | 2,339,051 |
| Accrued Compensated Absences - Noncurrent | 111,153 | 104,492 |
| Accrued Pension and OPEB Liabilities | 2,486,878 | 4,337,182 |
| Total Non-Current Liabilities | 4,884,348 | 6,780,725 |
| Deferred Inflow of Resources | 1,549,673 | 487,560 |
| Total Liabilities and Deferred Inflow of Resources | 6,875,519 | 7,634,736 |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | 5,237,397 | 5,273,442 |
| Restricted | 1,753,849 | 1,684,095 |
| Unrestricted | (2,017,398) | (2,970,993) |
| Total Net Position | \$ 4,973,848 | \$ 3,986,544 |

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
Secaucus, New Jersey
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended March 31, 2020 and 2019

| | For the Year Ended | |
|--|--------------------|--------------|
| | 2020 | 2019 |
| <u>OPERATING REVENUES</u> | | |
| Tenant Rental & Other Revenue | \$ 1,356,615 | \$ 1,302,441 |
| HUD Grants - Operating | 3,602,284 | 3,406,912 |
| Other | 218,107 | 196,731 |
| Total Operating Revenues | 5,177,006 | 4,906,084 |
| <u>OPERATING EXPENSES</u> | | |
| Administration | 621,243 | 725,779 |
| Housing Assistance Payments | 2,295,929 | 2,187,400 |
| Tenant Services | 77,383 | 87,383 |
| Utilities | 357,252 | 415,758 |
| Ordinary Maintenance & Operations | 810,048 | 791,420 |
| General Expense | 198,662 | 175,819 |
| Depreciation and Amortization Expense | 388,214 | 375,330 |
| Interest Expense | 81,119 | 82,664 |
| Total Operating Expenses | 4,829,850 | 4,841,553 |
| <u>EXCESS OF OPERATING REVENUE OVER EXPENSES</u> | 347,156 | 64,531 |
| Non Operating Revenues/(Expenses): | | |
| Interest Income | 50,419 | 49,100 |
| Increase/(Decrease) in Net Position | 397,575 | 113,631 |
| Beginning Net Position | 3,986,544 | 6,172,490 |
| Prior Period Adjustment | 589,729 | (2,299,577) |
| Ending Net Position | \$ 4,973,848 | \$ 3,986,544 |

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS

Secaucus, New Jersey

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2020 and 2019

| | <u>For the Year Ended</u> | |
|---|---------------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>CASH FLOWS FORM OPERATING ACTIVITIES</u> | | |
| Cash Received: | | |
| From Tenants for Rental & Other Revenue | \$ 1,379,791 | \$ 1,302,423 |
| From Government Agencies for Operating Grants | 3,564,750 | 3,406,912 |
| From Other Operating Revenues | 211,175 | 206,156 |
| Cash Paid: | | |
| To Employees for Operations | (800,423) | (581,624) |
| To Suppliers for Operations | (1,318,099) | (1,664,119) |
| To Landlords For Housing Assistance | <u>(2,293,311)</u> | <u>(2,185,957)</u> |
| Net Cash Provided by Operating Activities | 743,883 | 483,791 |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | |
| Acquisition of Property and Equipment | (299,995) | (717,850) |
| Repayments of Long-term Debt | <u>(52,173)</u> | <u>(50,633)</u> |
| Net Cash Provided/(Used) by Capital and Related Financing Activities | (352,168) | (768,483) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchase/Sale of Investments | 206,361 | (4,621) |
| Investment Income | <u>50,419</u> | <u>49,100</u> |
| Net Cash Provided by Investing Activities | <u>256,780</u> | <u>44,479</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 648,495 | (240,213) |
| Cash and Equivalents at Beginning of Period | <u>3,326,447</u> | <u>3,566,660</u> |
| Cash and Equivalents at End of Period | <u>\$ 3,974,942</u> | <u>\$ 3,326,447</u> |
| Reconciliation of Operating Loss to Net Cash Used by Operations | | |
| Operating Loss | \$ 347,156 | \$ 64,531 |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities | | |
| Depreciation | 388,213 | 375,330 |
| Other General Expenses | - | - |
| Deferred Outflow of Resources | 117,838 | 165,113 |
| Deferred Inflow of Resources | 1,062,113 | 135,869 |
| Decrease/(Increase) in Assets | | |
| Accounts Receivable - HUD | (37,534) | - |
| Accounts Receivable - Misc. | (6,932) | 9,425 |
| Prepaid Expenses and Other Current Assets | 52,457 | (6,688) |
| Increase/(Decrease) in Liabilities | | |
| Accounts Payable | (523) | 4,855 |
| Accrued Payroll and Related Taxes | 13,786 | 11,683 |
| Security Deposits | 4,493 | 2,248 |
| Compensated Absences | 7,400 | 19,727 |
| Accounts Payable - HUD | 2,618 | 1,443 |
| Deferred Revenue | 23,176 | (18) |
| Interest Payable | (151) | (147) |
| PILOT Payable | 10,716 | (87,937) |
| Other Accrued Liabilities | 19,632 | (3,913) |
| Accrued Pension and OPEB Liabilities | <u>(1,260,575)</u> | <u>(207,730)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 743,883</u> | <u>\$ 483,791</u> |
| Supplemental Information: | | |
| Cash Paid For Interest | <u>\$ 81,270</u> | <u>\$ 82,811</u> |

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies:

1. **Organization and Activities** – The Housing Authority of The Town of Secaucus (the Authority) is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq., the "Housing Authority Act"). The Authority is governed by a board of seven members who serve five year terms. The governing board is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An executive director is appointed by the housing authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the Town of Secaucus, New Jersey. Operating subsidies are provided to the Authority by the federal government. Rent subsidies are provided to eligible tenants under the Federal Housing Assistance Payments (Section 8) Program.

The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The Authority has concluded that it is excluded from the Town's reporting entity since the Town does not designate management, does not influence operations, does not have responsibility for fiscal matters and does not have a funding relationship with the Authority.

The combined financial statements include all 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 federally funded programs administered by the Authority are detailed on the Financial Data Schedule and the Schedule of Expenditures of Federal Awards, both of which are included as Supplemental Information.

2. **Significant Accounting Policies**

- a. **Basis of Accounting** – The financial statements of the Authority are prepared using the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues are recognized in the accounting period in which they are earned and become -measurable, and expenses recognized in the period incurred, if measurable. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net position, revenue and expenses are accounted for using a single enterprise fund for the primary government.

Revenue – The major sources of revenue are various subsidies received from the United States Department of Housing and Urban Development, charges to tenants and other miscellaneous revenues discussed below.

Federal Grant Revenue –Section Eight Housing Choice Voucher Program subsidies received from HUD are recorded under the accrual method of accounting and are recognized in the period earned in accordance with applicable HUD guidelines. During the fiscal year ended March 31, 2018 the Authority converted its entire portfolio of public housing units from conventional public housing to HUD's Rental Assistance Demonstration (RAD). Under RAD, the Authority receives project-based voucher funding for each of its public housing units rather than performance operating funding subsidy and capital fund grants. Tenants continue to pay 30% of adjusted income as rent while HUD provides housing assistance payments for the difference between agreed upon HUD-established market rent and tenant paid rent for each unit.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies (Continued):

Previously, under the Section Eight Program, a year-end settlement was computed, and the over-funded or under-funded amount, if any, was considered to be an amount due to or from HUD. Currently, the Voucher Program is funded based on actual expenditures reported in the Voucher Management system (VMS). Over-funded amounts are retained by the Authority, but may only be used for Voucher Program activities and under-funded amounts must be funded from the Authority's operating reserves.

Tenant Charges – Rental charges to tenants are determined and billed monthly and are recognized as revenue when billed since they are measurable and collectible within the current period. Amounts not collected at year-end are included in the balance sheet as accounts receivable, and amounts paid by tenants for the subsequent fiscal year are recorded as deferred revenue.

Other Revenue – Other revenue consists primarily of miscellaneous service fees. The revenue is recorded as earned since it is measurable and available.

b. Report Presentation – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority also adopted the provisions of Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures", which supplement Statement No. 34. GASB Statement No. 63 has superseded GASB Statement No. 34 and requires the classification of net position into three components – Net Investment in Capital Assets; Restricted Net Position and Unrestricted Net Position. These classifications are defined as follows:

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

Restricted Net Position – This component includes net position subject to restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by the law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net position that does not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 have no significant effect on the basic financial statements, except for the classification of net assets in accordance with Statement No. 34.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies (Continued):

Significant accounting policies are as follows:

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

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. Interest costs necessary to place a Capital Asset in its intended location and condition are capitalized.

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

5 – The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

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

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

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

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower of first-in first-out, cost or market.

10 - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

11 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

12 – The Authority does not have any infrastructure assets for its Proprietary Fund.

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

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies (Continued):

14 – Long-lived assets to be held and used are tested for recoverability whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of March 31, 2020 the Authority has not recognized any reduction in the carrying value of its fixed assets when considering AU 360.

c. Budgetary Policy and Control – The housing 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.

d. New Accounting Pronouncements – During the fiscal year ended March 31, 2018, the Authority was required to adopt GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which requires employers to recognize and measure their proportionate share of the total net OPEB liability and total OPEB expenses. GASB 75 replaces the requirements of Statement No. 45. Additional information regarding the adoption of GASB 75 can be found in Note 12 to these financial statements..

NOTE 2 – Cash and Cash Equivalents

The Authority maintains cash and cash equivalents in local banks. These funds are covered by the Governmental Unit Deposit Protection Act of the state of New Jersey, which requires the institutions to pool collateral for all of governmental deposits and have the collateral held by an approved custodian in the institution's name. Cash and Cash Equivalents (including tenant security deposits) of \$3,974,942 and \$3,326,447 at March 31, 2020 and 2019 respectively, consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|---------------------|---------------------|
| Checking Accounts | \$ 2,091,978 | \$ 1,517,729 |
| Petty Cash | 100 | 100 |
| Unrestricted Cash | <u>2,092,078</u> | <u>1,517,829</u> |
| Debt Service and Replacement Reserves | | |
| Checking Accounts | 1,753,848 | 1,663,085 |
| Voucher Program HAP Reserves | - | 21,010 |
| Restricted Cash | <u>1,753,848</u> | <u>1,684,095</u> |
| Tenant Security Deposits | 129,016 | 124,523 |
| TOTAL CASH | <u>\$ 3,974,942</u> | <u>\$ 3,326,447</u> |

The carrying amount of the Authority's cash and cash equivalents on deposit at banks as of March 31, 2020 was \$3,974,842 and the bank balances were \$4,137,901. Of the bank balances, \$592,040 was covered by FDIC insurance and \$3,545,862 was covered by a collateral pool maintained by the banks as required by New Jersey statutes. Cash and cash equivalents, except petty cash are held in the Authority's name.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 3 – Deferred Revenue

Deferred revenue of \$23,176 at March 31, 2020 consists entirely of prepaid rooftop antenna rental revenue. There was no deferred revenue at March 31, 2019.

NOTE 4 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost, less accumulated depreciation. The following is a summary of the changes in general fixed assets for the fiscal year ended March 31, 2020 and 2019:

| | Apr. 1, 2019 | Additions | Disposals | Transfers/Other | Mar. 31, 2020 |
|----------------------------|--------------|-------------|-----------|-----------------|---------------|
| Land | \$ 620,838 | \$ - | \$ - | \$ - | \$ 620,838 |
| Buildings and Improvements | 23,421,140 | 211,495 | - | - | 23,632,635 |
| Dwelling Equipment | 649,204 | 52,067 | - | - | 701,271 |
| Furniture and Equipment | 1,091,758 | 36,433 | - | - | 1,128,191 |
| Construction in Progress | - | - | - | - | - |
| Total Fixed Assets | 25,782,940 | 299,995 | - | - | 26,082,935 |
| Accumulated Depreciation | (18,117,488) | (388,213) | - | - | (18,505,701) |
| Net Fixed Assets | \$ 7,665,452 | \$ (88,218) | \$ - | \$ - | \$ 7,577,234 |

| | Apr. 1, 2018 | Additions | Disposals | Transfers/Other | Mar. 31, 2019 |
|----------------------------|--------------|------------|-----------|-----------------|---------------|
| Land | \$ 620,838 | \$ - | \$ - | \$ - | \$ 620,838 |
| Buildings and Improvements | 22,353,124 | 683,524 | - | 384,492 | 23,421,140 |
| Dwelling Equipment | 620,476 | 28,728 | - | - | 649,204 |
| Furniture and Equipment | 1,086,160 | 5,598 | - | - | 1,091,758 |
| Construction in Progress | 384,492 | - | - | (384,492) | - |
| Total Fixed Assets | 25,065,090 | 717,850 | - | - | 25,782,940 |
| Accumulated Depreciation | (17,742,158) | (375,330) | - | - | (18,117,488) |
| Net Fixed Assets | \$ 7,322,932 | \$ 342,520 | \$ - | \$ - | \$ 7,665,452 |

Depreciation expense for the fiscal years ended March 31, 2020 and 2019 amounted to \$388,213 and \$375,330, respectively.

Expenditures are capitalized when they meet the Authority's Capitalization policy. Under that policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred.

Depreciation of fixed assets is calculated using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

| | <u>Years</u> |
|--------------|--------------|
| Buildings | 40 |
| Improvements | 15 |
| Furniture | 5-10 |
| Equipment | 5-20 |
| Vehicles | 5 |
| Computers | 3 |

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 5 – Payment in Lieu of Taxes (PILOT)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Town. Under the Cooperation Agreement, the Authority must pay the Town the lower of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended March 31, 2020 and 2019, PILOT expense was accrued in the amount of \$99,404 and \$88,668, respectively.

NOTE 6 – Accrued Compensated Absences

Accrued compensated absences of \$123,503 and \$116,103 at March 31, 2020 and 2019, respectively, represent amounts of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. Employees may carry over up to two weeks of vacation each year; any such vacation not taken in the second year shall be lost. Employees may be compensated for accrued vacation leave earned in the current year only in the event of retirement or termination of service. Employees may be compensated for sick leave at retirement at the rate of one day for every two days accumulated, payable at the salary rate earned at the time of separation.

NOTE 7 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the years ended March 31, 2020 and 2019, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

NOTE 8 – Construction Commitments

At March 31, 2020 and 2019, the Authority's outstanding construction commitments pertained to capital improvements to be funded by restricted cash accounts that were established pursuant to the Authority's RAD conversion.

NOTE 9 – Economic Dependency

For the years ended March 31, 2020 and 2019, a substantial portion of the Authority's revenues were received from the United States Department of Housing and Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2020

NOTE 10 – Restricted Net Position

Restricted Net Position at March 31, 2020 and 2019 consists of the following components:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|---------------------|---------------------|
| Capital and Replacement Reserves | 1,753,849 | 1,663,085 |
| Housing Assistance Payment Equity | - | 21,010 |
| | <u>\$ 1,753,849</u> | <u>\$ 1,684,095</u> |

Capital and Replacement Reserves

In connection with the \$2,500,000 mortgage loan discussed in Note 11 to the financial statements, the Authority entered into a rehabilitation escrow agreement with the lender. Under the terms of that agreement, the Authority deposited \$2,500,000 of the loan proceeds into rehabilitation escrow accounts to be used for repairs of the Projects and also agreed to make deposits to a capital repairs escrow account. During the fiscal year ended March 31, 2020, additional escrow deposits of \$63,984 were made to the replacement reserve account, and \$26,780 of interest income was added to the account. No disbursements from the replacement reserve account were made for the year ended March 31, 2020. During the fiscal year ended March 31, 2019, disbursements for repairs of \$631,919 were paid from the escrow account; and interest income and additional escrow deposits of \$30,800 and \$67,958, respectively, were deposited to the accounts.

Housing Assistance Payment Equity

Prior to January 1, 2005 excess funds advanced by HUD to the Authority for the payment of housing assistance payments were returned to HUD at the end of the Authority's fiscal 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 Housing Assistance Payments that are not so 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. As of November 2007, HUD is reverting to treating these funds as restricted in order to comply with generally accepted accounting principles. HUD has indicated that any HAP amounts received by a PHA and not expended should be reported as restricted cash and restricted net position.

Administrative fees paid by HUD to the Authority in excess of administrative expenses are part of the undesignated fund balance and are considered to be "administrative fee reserves". Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR982.155 – i.e. "other housing purposes permitted by state or local law". Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 10 – Restricted Net Position (continued)

In accordance with HUD requirements, the Authority’s restricted and unrestricted fund balance consists of the following components as of March 31, 2020 and 2019:

| | | | |
|---|--------------|-----------------|------------------|
| Administrative Fee Equity - included in Unrestricted Net Position | | | |
| Administrative Fee Reserves at March 31, 2019 | \$ (416,484) | | |
| Net Administrative Fee Reserves Expended | 274,389 | | |
| Fraud Recoveries | <u>6,145</u> | \$ | (135,950) |
| Housing Assistance Payment Reserves - included in Restricted Net Position | | | |
| Housing Assistance Payment Reserves at March 31, 2019 | 21,010 | | |
| Unexpended HAP Subsidy | (27,155) | | |
| Fraud Recoveries | <u>6,145</u> | <u> </u> | <u> </u> |
| Total HCV Program Net Position at March 31, 2020 | | <u>\$</u> | <u>(135,950)</u> |
| Administrative Fee Equity - included in Unrestricted Net Position | | | |
| Administrative Fee Reserves at March 31, 2018 | \$ (158,756) | | |
| Net Administrative Fee Reserves Expended | (261,991) | | |
| Fraud Recoveries | <u>4,263</u> | \$ | (416,484) |
| Housing Assistance Payment Reserves - included in Restricted Net Position | | | |
| Housing Assistance Payment Reserves at March 31, 2018 | 163,566 | | |
| Unexpended HAP Subsidy | (146,819) | | |
| Fraud Recoveries | <u>4,263</u> | <u> </u> | <u>21,010</u> |
| Total HCV Program Net Position at March 31, 2019 | | <u>\$</u> | <u>(395,474)</u> |

NOTE 11 – Long-Term Debt

In December 2016, the Authority borrowed \$2,500,000 from Bogota Savings Bank in connection with its Rental Assistance Demonstration (RAD) conversion. A portion of the proceeds were used to redeem the bonds outstanding in connection with its 2007 Capital Fund Leveraging Program. The loan is payable in 360 monthly installments of \$11,120, including interest at the bank’s prime rate plus 25 basis points (0.250%), with the final payment due March 1, 2047. The interest rate will be reset on January 1, 2022 and January 1, 2027 to reflect the bank’s prime rate existing at that time. However, the interest rate can be no lower than 3.375% and no higher than 6.00%. The interest rate of 3.375% is in effect through January 1, 2022.

In connection with the loan agreement, the Housing Authority’s debt service coverage ratio must equal or exceed 1.2 annually. The debt service coverage ratio is defined as: Net Operating Income divided by Annual Debt Service Payments.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 11 – Debt Continued

The following schedule represents the required principal and interest payments during the next five years and thereafter.

| | | | |
|------------|---------------------|---------------------|---------------------|
| 2022 | 55,605 | 77,839 | 133,444 |
| 2023 | 58,026 | 75,418 | 133,444 |
| 2024 | 59,543 | 73,901 | 133,444 |
| 2025 | 62,123 | 71,321 | 133,444 |
| 2026-2030 | 344,352 | 322,868 | 667,220 |
| 2031-2035 | 408,542 | 258,678 | 667,220 |
| 2036-2040 | 484,614 | 182,606 | 667,220 |
| 2041-2045 | 575,074 | 92,146 | 667,220 |
| Thereafter | 238,438 | 6,221 | 244,659 |
| Total | <u>\$ 2,339,837</u> | <u>\$ 1,240,922</u> | <u>\$ 3,580,759</u> |

The Authority's long-term liabilities at March 31, 2020 and March 31, 2019 consisted of the following:

| | <u>April 1, 2019</u> | <u>Additions</u> | <u>Payments</u> | <u>Withdrawals</u> | <u>Forfeitures</u> | <u>March 31, 2020</u> |
|--|----------------------|-----------------------|---------------------|--------------------|--------------------|-----------------------|
| Operating Loan | \$ 2,392,010 | \$ - | \$ (52,173) | \$ - | \$ - | \$ 2,339,837 |
| Compensated Absences | 116,103 | 7,400 | - | - | - | 123,503 |
| OPEB Liability | 2,931,191 | (1,719,901) | - | - | - | 1,211,290 |
| Pension Liability | 1,405,991 | (61,542) | (68,861) | - | - | 1,275,588 |
| | <u>\$ 6,845,295</u> | <u>\$ (1,774,043)</u> | <u>\$ (121,034)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,950,218</u> |
| Less Current Portion of Operating Loan | | | | | | (53,520) |
| Less Current Portion of Compensated Absences | | | | | | (12,350) |
| Total Non Current Portion | | | | | | <u>\$ 4,884,348</u> |
| | <u>April 1, 2018</u> | <u>Additions</u> | <u>Payments</u> | <u>Withdrawals</u> | <u>Forfeitures</u> | <u>March 31, 2019</u> |
| Operating Loan | \$ 2,442,643 | \$ - | \$ (50,633) | \$ - | \$ - | \$ 2,392,010 |
| Compensated Absences | 96,376 | 19,727 | - | - | - | 116,103 |
| OPEB Liability | 631,615 | 2,299,576 | - | - | - | 2,931,191 |
| Pension Liability | 1,613,720 | (136,701) | (71,028) | - | - | 1,405,991 |
| | <u>\$ 4,784,354</u> | <u>\$ 2,182,602</u> | <u>\$ (121,661)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,845,295</u> |
| Less Current Portion of Operating Loan | | | | | | (52,959) |
| Less Current Portion of Compensated Absences | | | | | | (11,611) |
| Total Non Current Portion | | | | | | <u>\$ 6,780,725</u> |

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 12 – Other Post Employee Retirement Benefits (OPEB)

PLAN DESCRIPTION

The Authority administers a cost sharing multiple employer defined benefit postemployment health care benefit (OPEB) plan. The Authority was required to adopt a resolution to participate in the Plan. Coverage under the plan is available to employee spouses and benefits may continue to surviving spouses. For additional information about the plan, please refer to the State of New Jersey (the State), Division of Pension and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

BENEFITS PROVIDED

The Plan provides medical and prescription drugs to retirees and their covered dependents of the Authority. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, the Authority elects to provide postretirement medical coverage to its employees and must file a resolution with the Division. Under Chapter 88, the Authority has elected to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows the Authority to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the Authority 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.

BASIS OF PRESENTATION

GASB Statement No. 75 requires the Authority to recognize its proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense.

EMPLOYEES COVERED UNDER THE PLAN

At October 1, 2018, the census date in the most recent plan valuation report, the following employees were covered under the plan:

| | |
|--|-----------|
| Inactive Employees or Beneficiaries Receiving Benefits | 2 |
| Active employees | <u>8</u> |
| Total Employees included in Plan | <u>10</u> |

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2020

NOTE 12 – Other Post Employee Retirement Benefits (OPEB) (Continued)

NET OPEB LIABILITY

The Authority's total other postemployment benefit ("OPEB") liability of \$1,211,290 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date. The components of the net OPEB liability are as of June 30, 2019 are as follows:

| | |
|---|---------------------|
| Total OPEB Liability | \$ 1,235,717 |
| Plan Fiduciary Net Position | 24,427 |
| Net OPEB Liability | <u>\$ 1,211,290</u> |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 1.98% |

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

| | |
|---|----------------|
| Salary Increases (Based on years of service within the respective plan) | |
| Initial Fiscal Year Applied | |
| Rate Through 2026 | 2.00% to 6.00% |
| Rate Thereafter | 3.00% to 7.00% |

Mortality: PERS - Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

HEALTH CARE TREND ASSUMPTIONS

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term trend rate after eight years.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PERS experience studies prepared for July 1, 2014 to June 30, 2018. 100% of active members are considered to participate in the Plan upon retirement.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2020

NOTE 12 – Other Post Employee Retirement Benefits (OPEB) (Continued)

DISCOUNT RATE

The discount rate for June 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State of New Jersey. The source of 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.

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The below presents the total OPEB liability of the Authority as of June 30, 2019, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

| | | | | | |
|----------------------|--------------|----|--------------|----|--------------|
| | <u>2.50%</u> | | <u>3.50%</u> | | <u>4.50%</u> |
| Total OPEB Liability | \$ 1,400,559 | \$ | 1,211,290 | \$ | 1,057,483 |

SENSITIVITY TO NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE TREND RATE

| | Healthcare Cost | | |
|----------------------|-----------------|--------------|--------------|
| | 1% Decrease | Trend Rates | 1% Increase |
| Total OPEB Liability | \$ 1,022,179 | \$ 1,211,290 | \$ 1,452,532 |

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

| | 2019 Deferred Outflows of Resources | 2019 Deferred Inflows of Resources |
|---|--|---|
| Changes of assumptions | \$ - | \$ 429,254 |
| Differences between expected and actual experience | - | 354,228 |
| Net differences between projected and actual earnings on plan investments | 998 | - |
| Changes in proportion | 21,383 | 279,064 |
| Authority's contributions subsequent to the measurement date | - | - |
| TOTAL | <u>\$ 22,381</u> | <u>\$ 1,062,546</u> |

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 12 – Other Post Employee Retirement Benefits (OPEB) (Continued)

For the year ended September 30, 2019, the Authority recognized OPEB benefit of \$55,108. At September 30, 2019 and 2018, the Authority reported deferred outflows of resources of \$22,381 and \$25,664 respectively and deferred inflows of resources for 2019 and 2018 of \$1,062,546 and \$854,357 respectively.

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

| | | |
|-------------------------|-----------|------------------|
| Year Ending June 30: | | |
| 2020 | \$ | (127,442) |
| 2021 | | (127,442) |
| 2022 | | (127,520) |
| 2023 | | (127,646) |
| 2024 | | (127,762) |
| Thereafter | | (144,674) |
| | <u>\$</u> | <u>(782,485)</u> |

NOTE 13 – Pension Plan

General Information about the Pension Plan

Plan Description - The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at the following website: www.state.nj.us/treasury/pensions/financial-reports.shtml

Benefits Provided - 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 following represents the membership tiers for PERS:

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

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2020

NOTE 13 – Pension (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and to tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for the noncontributory group benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 9, 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. The 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.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At the June 30, 2019 and June 30, 2018 measurement dates, the Authority reported \$1,284,461 and \$1,405,990, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2019 and June 30, 2018 were 0.00708% and 0.00714% respectively.

The components of the Authority's net pension liability as of June 30, 2019 and 2018, the most recent evaluation dates, are as follows:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|---------------------|---------------------|
| Total Pension Liability | \$ 2,928,443 | \$ 3,029,959 |
| Less: Plan Fiduciary Net Position | <u>(1,652,855)</u> | <u>(1,623,968)</u> |
| Net Pension Liability | <u>\$ 1,275,588</u> | <u>\$ 1,405,991</u> |

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 13 – Pension (Continued)

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Actuarial Assumptions - The total pension liability for the June 30, 2019 measurement date was determined by an actuarial evaluation as of July 1, 2018, which was rolled forward to June 30, 2019. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

| | |
|---------------------------|---------------------------|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases | 2.00% - 6.00% |
| Through 2026 | based on years of service |
| Thereafter | 3.00% - 7.00% |
| | based on years of service |
| Investment Rate of Return | 7.00% |

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the bases year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

In accordance with State statute, the long term expected rate of return on plan investments (7% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 13 – Pension (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the PERS’s target allocation as of June 30, 2019 are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employer. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining total pension liability.

Sensitivity of the Authority’s proportionate share of the net pension liability to changes in the discount rate - The following presents the net pension liability of the Authority as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | | | | | | |
|------|----|-----------|----|-----------|----|-----------|
| 2019 | \$ | 1,622,483 | \$ | 1,275,588 | \$ | 999,630 |
| 2018 | \$ | 1,767,871 | \$ | 1,405,991 | \$ | 1,102,396 |

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 13 – Pension (Continued)

For the years ended March 31, 2020 and 2019, the Authority recognized pension expense of \$68,861 and \$71,028, respectively.

At March 31, 2020 and 2019, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | 2020 Deferred Outflows of Resources | 2020 Deferred Inflows of Resources | 2019 Deferred Outflows of Resources | 2019 Deferred Inflows of Resources |
|---|--|---|--|---|
| Changes of assumptions | \$ 127,372 | \$ 442,752 | \$ 231,684 | \$ 449,561 |
| Differences between expected and actual experience | 22,895 | 5,635 | 26,812 | 7,250 |
| Net differences between projected and actual earnings on plan investments | - | 20,136 | - | 13,188 |
| Changes in proportion | 56,339 | 18,604 | 88,329 | 17,561 |
| Authority's contributions subsequent to the measurement date | - | - | - | - |
| TOTAL | <u>\$ 206,606</u> | <u>\$ 487,127</u> | <u>\$ 346,825</u> | <u>\$ 487,560</u> |

The amounts reported as deferred outflows and inflows resources (excluding employer specific amounts) relate to pensions will be recognized in pension expense as shown in the below chart. The 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) over the average of the expected remaining service lives which is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Year ended June 30:

| | |
|--------------|---------------------|
| 2020 | \$ (36,833) |
| 2021 | (119,486) |
| 2022 | (106,694) |
| 2023 | (50,098) |
| 2024 | (5,144) |
| Total | <u>\$ (318,256)</u> |

Note 14 – Prior Period Adjustments

Pension and OPEB Liabilities recorded at March 31, 2020 are based on an actuarial study performed for the state of New Jersey Public Employee's Retirement System and the State of New Jersey Health Benefits Program. As a result, a prior period adjustment of \$589,729 was recorded to increase pension liability at March 31, 2019.

Note 15 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through September 21, 2020, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
Secaucus, New Jersey
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2020

| | <u>Funds Expended</u> |
|---|---------------------------|
| DIRECT FEDERAL AWARDS | |
| U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT | |
| Housing Voucher Cluster | |
| Housing Choice Voucher Program Cluster (CFDA #14.871) | <u>\$ 3,602,284</u> |
| Total Federal Awards | <u>\$ 3,602,284</u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
2. There were no subrecipient activities during the audit period.
3. The Authority has elected not to use the 10% de minimis cost rate.
4. The Authority received no non-cash assistance.
5. The Authority did not have any HUD issued mortgages or loans.

Secaucus Housing Authority (NJ083)
SECAUCUS, NJ
Entity Wide Balance Sheet Summary

Fiscal Year End: 03/31/2020

| | Project Total | 14,871 Housing Choice Vouchers | 1 Business Activilles | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--------------------------|---------------|------|---------------|
| 111 Cash - Unrestricted | | \$437,616 | \$1,654,461 | \$2,092,077 | | \$2,092,077 |
| 112 Cash - Restricted - Modernization and Development | | | | | | |
| 113 Cash - Other Restricted | | | \$1,753,849 | \$1,753,849 | | \$1,753,849 |
| 114 Cash - Tenant Security Deposits | | | \$129,016 | \$129,016 | | \$129,016 |
| 115 Cash - Restricted for Payment of Current Liabilities | | | | | | |
| 100 Total Cash | \$0 | \$437,616 | \$3,537,326 | \$3,974,942 | | \$3,974,942 |
| 121 Accounts Receivable - PHA Projects | | | | | | |
| 122 Accounts Receivable - HUD Other Projects | | \$37,534 | \$0 | \$37,534 | | \$37,534 |
| 124 Accounts Receivable - Other Government | | | | | | |
| 125 Accounts Receivable - Miscellaneous | | \$507 | \$6,117 | \$6,624 | | \$6,624 |
| 128 Accounts Receivable - Tenants | | | \$310 | \$310 | | \$310 |
| 126.1 Allowance for Doubtful Accounts - Tenants | | | \$0 | \$0 | | \$0 |
| 126.2 Allowance for Doubtful Accounts - Other | | \$0 | \$0 | \$0 | | \$0 |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | | | |
| 128 Fraud Recovery | | | | | | |
| 128.1 Allowance for Doubtful Accounts - Fraud | | | | | | |
| 129 Accrued Interest Receivable | | | | | | |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$0 | \$38,041 | \$6,427 | \$44,468 | | \$44,468 |
| 131 Investments - Unrestricted | | | | | | |
| 132 Investments - Restricted | | | | | | |
| 135 Investments - Restricted for Payment of Current Liability | | | | | | |
| 142 Prepaid Expenses and Other Assets | | \$396 | \$23,340 | \$23,736 | | \$23,736 |
| 143 Inventories | | | | | | |
| 143.1 Allowance for Obsolete Inventories | | | | | | |
| 144 Inter Program Due From | | \$0 | | \$0 | | \$0 |
| 145 Assets Held for Sale | | | | | | |
| 150 Total Current Assets | \$0 | \$476,053 | \$3,567,093 | \$4,043,146 | | \$4,043,146 |
| 161 Land | | | \$620,838 | \$620,838 | | \$620,838 |
| 162 Buildings | | | \$23,307,769 | \$23,307,769 | | \$23,307,769 |
| 163 Furniture, Equipment & Machinery - Dwellings | | | \$701,271 | \$701,271 | | \$701,271 |
| 164 Furniture, Equipment & Machinery - Administration | | \$4,808 | \$1,123,383 | \$1,128,191 | | \$1,128,191 |
| 165 Leasehold Improvements | | | \$324,866 | \$324,866 | | \$324,866 |
| 166 Accumulated Depreciation | | -\$4,808 | -\$18,500,893 | -\$18,505,701 | | -\$18,505,701 |
| 167 Construction in Progress | | | | | | |
| 168 Infrastructure | | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$0 | \$0 | \$7,577,234 | \$7,577,234 | | \$7,577,234 |
| 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 | \$0 | \$0 | \$7,577,234 | \$7,577,234 | | \$7,577,234 |
| 200 Deferred Outflow of Resources | | \$35,016 | \$193,971 | \$228,987 | | \$228,987 |
| 290 Total Assets and Deferred Outflow of Resources | \$0 | \$511,069 | \$11,338,298 | \$11,849,367 | | \$11,849,367 |
| 311 Bank Overdraft | | | | | | |
| 312 Accounts Payable <= 90 Days | | | \$26,536 | \$26,536 | | \$26,536 |
| 313 Accounts Payable >90 Days Past Due | | | | | | |
| 321 Accrued Wage/Payroll Taxes Payable | | \$4,593 | \$36,650 | \$41,143 | | \$41,143 |
| 322 Accrued Compensated Absences - Current Portion | | \$1,895 | \$10,455 | \$12,350 | | \$12,350 |
| 324 Accrued Contingency Liability | | | | | | |
| 325 Accrued Interest Payable | | | \$6,801 | \$6,801 | | \$6,801 |
| 331 Accounts Payable - HUD PHA Programs | | \$5,300 | | \$5,300 | | \$5,300 |
| 332 Account Payable - PHA Projects | | | | | | |

Secaucus Housing Authority (NJ083)
SECAUCUS, NJ
Entity Wide Balance Sheet Summary

Fiscal Year End: 03/31/2020

| | Project Total | 14,871 Housing Choice Vouchers | 1 Business Activities | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--------------------------|--------------|------|--------------|
| 333 Accounts Payable - Other Government | | | \$98,905 | \$98,905 | | \$98,905 |
| 341 Tenant Security Deposits | | | \$129,016 | \$129,016 | | \$129,016 |
| 342 Unearned Revenue | | | \$23,176 | \$23,176 | | \$23,176 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue | | | | | | |
| 344 Current Portion of Long-term Debt - Operating Borrowings | | | \$53,520 | \$53,520 | | \$53,520 |
| 345 Other Current Liabilities | | | | | | |
| 346 Accrued Liabilities - Other | | | \$44,751 | \$44,751 | | \$44,751 |
| 347 Inter Program - Due To | | | | | | |
| 348 Loan Liability - Current | | | | | | |
| 310 Total Current Liabilities | \$0 | \$11,788 | \$429,710 | \$441,498 | | \$441,498 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | | | | |
| 352 Long-term Debt, Net of Current - Operating Borrowings | | | \$2,286,317 | \$2,286,317 | | \$2,286,317 |
| 353 Non-current Liabilities - Other | | | | | | |
| 354 Accrued Compensated Absences - Non Current | | \$17,058 | \$94,097 | \$111,153 | | \$111,153 |
| 355 Loan Liability - Non Current | | | | | | |
| 356 FASB 5 Liabilities | | | | | | |
| 357 Accrued Pension and OPEB Liabilities | | \$386,431 | \$2,100,447 | \$2,486,878 | | \$2,486,878 |
| 350 Total Non-Current Liabilities | \$0 | \$403,487 | \$4,480,861 | \$4,884,348 | | \$4,884,348 |
| 300 Total Liabilities | \$0 | \$415,275 | \$4,910,571 | \$5,325,846 | | \$5,325,846 |
| 400 Deferred Inflow of Resources | | \$231,744 | \$1,317,929 | \$1,549,673 | | \$1,549,673 |
| 508.4 Net Investment in Capital Assets | | | \$5,237,397 | \$5,237,397 | | \$5,237,397 |
| 511.4 Restricted Net Position | | | \$1,753,849 | \$1,753,849 | | \$1,753,849 |
| 512.4 Unrestricted Net Position | \$0 | -\$135,950 | -\$1,881,448 | -\$2,017,398 | | -\$2,017,398 |
| 513 Total Equity - Net Assets / Position | \$0 | -\$135,950 | \$5,109,708 | \$4,973,848 | | \$4,973,848 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | \$0 | \$511,069 | \$11,338,298 | \$11,849,367 | | \$11,849,367 |

Secaucus Housing Authority (NJ083)
SECAUCUS, NJ
Entity Wide Revenue and Expense Summary

Fiscal Year End: 03/31/2020

| | Project Total | 14,871 Housing Choice Vouchers | 1 Business Activities | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--------------------------|-------------|------------|-------------|
| 70300 Net Tenant Rental Revenue | | | \$2,282,175 | \$2,282,175 | -\$925,560 | \$1,356,615 |
| 70400 Tenant Revenue - Other | | | | | | |
| 70500 Total Tenant Revenue | \$0 | \$0 | \$2,282,175 | \$2,282,175 | -\$925,560 | \$1,356,615 |
| 70600 HUD PHA Operating Grants | | \$3,602,284 | | \$3,602,284 | | \$3,602,284 |
| 70610 Capital Grants | | | | | | |
| 70710 Management Fee | | | | | | |
| 70720 Asset Management Fee | | | | | | |
| 70730 Book Keeping Fee | | | | | | |
| 70740 Front Line Service Fee | | | | | | |
| 70750 Other Fees | | | | | | |
| 70700 Total Fee Revenue | | | | \$0 | \$0 | \$0 |
| 70800 Other Government Grants | | | | | | |
| 71100 Investment Income - Unrestricted | | \$2,058 | \$21,581 | \$23,639 | | \$23,639 |
| 71200 Mortgage Interest Income | | | | | | |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | | |
| 71310 Cost of Sale of Assets | | | | | | |
| 71400 Fraud Recovery | | \$12,290 | \$9,306 | \$21,596 | | \$21,596 |
| 71500 Other Revenue | | \$8,612 | \$187,889 | \$196,511 | | \$196,511 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | | | |
| 72000 Investment Income - Restricted | | | \$26,780 | \$26,780 | | \$26,780 |
| 70000 Total Revenue | \$0 | \$3,625,244 | \$2,527,741 | \$6,152,985 | -\$925,560 | \$5,227,425 |
| 91100 Administrative Salaries | | \$92,668 | \$288,377 | \$381,045 | | \$381,045 |
| 91200 Auditing Fees | | \$6,500 | \$6,280 | \$12,780 | | \$12,780 |
| 91300 Management Fee | | | | | | |
| 91310 Book-keeping Fee | | | | | | |
| 91400 Advertising and Marketing | | | | | | |
| 91500 Employee Benefit Contributions - Administrative | | \$32,493 | \$81,851 | \$114,344 | | \$114,344 |
| 91600 Office Expenses | | \$30,139 | \$87,537 | \$97,676 | | \$97,676 |
| 91700 Legal Expense | | \$11,869 | \$11,669 | \$23,538 | | \$23,538 |
| 91800 Travel | | \$2,039 | \$10,041 | \$12,080 | | \$12,080 |
| 91810 Allocated Overhead | | | | | | |
| 91900 Other | | | | | | |
| 91000 Total Operating - Administrative | \$0 | \$175,508 | \$445,755 | \$621,283 | \$0 | \$621,283 |
| 92000 Asset Management Fee | | | | | | |
| 92100 Tenant Services - Salaries | | \$14,022 | \$41,809 | \$55,831 | | \$55,831 |
| 92200 Relocation Costs | | | | | | |
| 92300 Employee Benefit Contributions - Tenant Services | | \$5,487 | \$12,629 | \$18,116 | | \$18,116 |
| 92400 Tenant Services - Other | | | \$3,636 | \$3,636 | | \$3,636 |
| 92500 Total Tenant Services | \$0 | \$19,509 | \$57,874 | \$77,383 | \$0 | \$77,383 |
| 93100 Water | | | \$86,074 | \$86,074 | | \$86,074 |
| 93200 Electricity | | | \$175,101 | \$175,101 | | \$175,101 |
| 93300 Gas | | | \$30,089 | \$30,089 | | \$30,089 |
| 93400 Fuel | | | | | | |
| 93500 Labor | | | \$44,180 | \$44,180 | | \$44,180 |
| 93600 Sewer | | | \$28,405 | \$28,405 | | \$28,405 |
| 93700 Employee Benefit Contributions - Utilities | | | \$13,018 | \$13,018 | | \$13,018 |
| 93800 Other Utilities Expense | | | \$385 | \$385 | | \$385 |
| 93000 Total Utilities | \$0 | \$0 | \$357,252 | \$357,252 | \$0 | \$357,252 |
| 94100 Ordinary Maintenance and Operations - Labor | | \$10,218 | \$289,811 | \$280,129 | | \$280,129 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | | | \$97,148 | \$97,148 | | \$97,148 |
| 94300 Ordinary Maintenance and Operations Contracts | | | \$347,188 | \$347,188 | | \$347,188 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | | \$3,658 | \$81,925 | \$85,583 | | \$85,583 |
| 94000 Total Maintenance | \$0 | \$13,876 | \$796,172 | \$810,048 | \$0 | \$810,048 |

Secaucus Housing Authority (NJ083)
SECAUCUS, NJ
Entity Wide Revenue and Expense Summary

Fiscal Year End: 03/31/2020

| | Project Total | 14.871 Housing Choice Vouchers | 1 Business Activities | Subtotal | ELIM | Total |
|--|---------------|-----------------------------------|--------------------------|-------------|------------|-------------|
| 95100 Protective Services - Labor | | | | | | |
| 95200 Protective Services - Other Contract Costs | | | | | | |
| 95300 Protective Services - Other | | | | | | |
| 95500 Employee Benefit Contributions - Protective Services | | | | | | |
| 95000 Total Protective Services | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96110 Property Insurance | | | \$36,411 | \$36,411 | | \$36,411 |
| 96120 Liability Insurance | | | \$18,206 | \$18,206 | | \$18,206 |
| 96130 Workmen's Compensation | | \$1,683 | \$9,165 | \$10,848 | | \$10,848 |
| 96140 All Other Insurance | | | | | | |
| 96100 Total Insurance Premiums | \$0 | \$1,683 | \$63,782 | \$65,465 | \$0 | \$65,465 |
| 96200 Other General Expenses | | \$16,217 | | \$16,217 | | \$16,217 |
| 96210 Compensated Absences | | | \$17,556 | \$17,556 | | \$17,556 |
| 96300 Payments in Lieu of Taxes | | | \$99,404 | \$99,404 | | \$99,404 |
| 96400 Bad debt - Tenant Rentals | | | | | | |
| 96500 Bad debt - Mortgages | | | | | | |
| 96600 Bad debt - Other | | | | | | |
| 96800 Severance Expense | | | | | | |
| 96000 Total Other General Expenses | \$0 | \$16,217 | \$116,960 | \$133,177 | \$0 | \$133,177 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | \$81,119 | \$81,119 | | \$81,119 |
| 96720 Interest on Notes Payable (Short and Long Term) | | | | | | |
| 96730 Amortization of Bond Issue Costs | | | | | | |
| 96700 Total Interest Expense and Amortization Cost | \$0 | \$0 | \$81,119 | \$81,119 | \$0 | \$81,119 |
| 96900 Total Operating Expenses | \$0 | \$226,793 | \$1,816,914 | \$2,145,707 | \$0 | \$2,145,707 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$0 | \$3,398,451 | \$508,827 | \$4,007,278 | -\$925,560 | \$3,081,718 |
| 97100 Extraordinary Maintenance | | | | | | |
| 97200 Casualty Losses - Non-capitalized | | | | | | |
| 97300 Housing Assistance Payments | | \$3,213,264 | | \$3,213,264 | -\$925,560 | \$2,287,704 |
| 97350 HAP Portability-In | | \$8,225 | | \$8,225 | | \$8,225 |
| 97400 Depreciation Expense | | | \$388,214 | \$388,214 | | \$388,214 |
| 97500 Fraud Losses | | | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | | | |
| 97800 Dwelling Units Rent Expense | | | | | | |
| 90000 Total Expenses | \$0 | \$3,448,282 | \$2,307,128 | \$5,755,410 | -\$925,560 | \$4,829,850 |
| 10010 Operating Transfer In | | | | | | |
| 10020 Operating transfer Out | | | | | | |
| 10030 Operating Transfers from/to Primary Government | | | | | | |
| 10040 Operating Transfers from/to Component Unit | | | | | | |
| 10050 Proceeds from Notes, Loans and Bonds | | | | | | |
| 10060 Proceeds from Property Sales | | | | | | |
| 10070 Extraordinary Items, Net Gain/Loss | | | | | | |
| 10080 Special Items (Net Gain/Loss) | | | | | | |
| 10091 Inter Project Excess Cash Transfer In | | | | | | |
| 10092 Inter Project Excess Cash Transfer Out | | | | | | |
| 10093 Transfers between Program and Project - In | | | | | | |
| 10094 Transfers between Project and Program - Out | | | | | | |
| 10100 Total Other financing Sources (Uses) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | \$0 | \$176,862 | \$220,613 | \$397,575 | \$0 | \$397,575 |

Secaucus Housing Authority (NJ083)
SECAUCUS, NJ
Entity Wide Revenue and Expense Summary

Fiscal Year End: 03/31/2020

| | Project Total | 14.871 Housing Choice Vouchers | 1 Business Activities | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--------------------------|-------------|------|-------------|
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$52,174 | \$52,174 | \$0 | \$52,174 |
| 11030 Beginning Equity | \$0 | -\$395,474 | \$4,382,018 | \$3,986,544 | \$0 | \$3,986,544 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | | \$82,562 | \$507,167 | \$589,729 | \$0 | \$589,729 |
| 11050 Changes in Compensated Absence Balance | | | | | | |
| 11060 Changes in Contingent Liability Balance | | | | | | |
| 11070 Changes in Unrecognized Pension Transition Liability | | | | | | |
| 11080 Changes in Special Term/Severance Benefits Liability | | | | | | |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents | | | | | | |
| 11100 Changes in Allowance for Doubtful Accounts - Other | | | | | | |
| 11170 Administrative Fee Equity | | -\$135,950 | | -\$135,950 | | -\$135,950 |
| 11180 Housing Assistance Payments Equity | | \$0 | | \$0 | | \$0 |
| 11190 Unit Months Available | 0 | 6240 | 3300 | 9540 | 0 | 9540 |
| 11210 Number of Unit Months Leased | 0 | 5915 | 3278 | 9193 | 0 | 9193 |
| 11270 Excess Cash | \$0 | | | \$0 | | \$0 |
| 11610 Land Purchases | \$0 | | | \$0 | | \$0 |
| 11620 Building Purchases | \$0 | | | \$0 | | \$0 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$0 | | | \$0 | | \$0 |
| 11640 Furniture & Equipment - Administrative Purchases | \$0 | | | \$0 | | \$0 |
| 11650 Leasehold Improvements Purchases | \$0 | | | \$0 | | \$0 |
| 11660 Infrastructure Purchases | \$0 | | | \$0 | | \$0 |
| 13510 CFFP Debt Service Payments | \$0 | | | \$0 | | \$0 |
| 13901 Replacement Housing Factor Funds | \$0 | | | \$0 | | \$0 |

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
Schedule of Proportionate Share of the Net Pension Liability
of the Public Employees Retirement System (PERS)
For the Year Ended March 31, 2020

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|--------------|--------------|
| Housing Authority's Proportion of the Net Pension Liability | 0.00708% | 0.00714% | 0.00693% | 0.68200% |
| Housing Authority's Proportionate Share of the Net Pension Liability | \$ 1,275,588 | \$ 1,405,990 | \$ 1,613,720 | \$ 2,020,058 |
| Housing Authority's Covered Employee Payroll | \$ 740,985 | \$ 706,286 | \$ 672,161 | \$ 626,134 |
| Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll | 172.15% | 199.07% | 240.08% | 322.62% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 56.27% | 53.60% | 48.10% | 40.14% |

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

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
Schedule of Authority Contributions to the
Public Employees Retirement System (PERS)
For The Year Ended March 31, 2020

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 68,861 | \$ 71,028 | \$ 64,220 | \$ 60,593 |
| Contribution in Relation to the Contractually Required Contribution | \$ (68,861) | \$ (71,028) | \$ (64,220) | \$ (60,593) |
| Contribution Deficiency/(Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's Covered Payroll | \$ 740,985 | \$ 706,286 | \$ 706,286 | \$ 626,134 |
| Contribution as a Percentage of Covered Employee Payroll | 9.29% | 10.06% | 9.09% | 9.68% |

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

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
 Schedule of Changes in the Housing Authority's
 Total OPEB Liability and Related Ratios
 For the Year Ended March 31, 2020

| <u>Total OPEB Liability</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Housing Authority's Proportion of the Net OPEB Liability | 0.00894% | 0.96560% |
| Housing Authority's Proportionate Share of the Net OPEB Liability | 1,211,290 | 1,512,769 |
| Housing Authority's Covered Employee Payroll | 740,985 | 706,286 |
| Housing Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll | 163% | 214% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 1.98% | 1.97% |

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

For the Year Ended March 31, 2020
HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
Other Post-Employment Benefits Plan (OPEB)
Schedule of Authority Contributions to the

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|------------------|
| Contractually Required Contribution | \$ 175,404 | \$ 170,142 |
| Contribution in Relation to the Contractually Required Contribution | <u>\$(175,404)</u> | <u>(170,142)</u> |
| Contribution Deficiency/(Excess) | <u>\$ -</u> | <u>\$ -</u> |
| Authority's Covered Payroll | 740,985 | 706,286 |
| Contribution as a Percentage of Covered Employee Payroll | 23.67% | 24.09% |



Polcari & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Housing Authority of the Town of Secaucus
Secaucus, New Jersey

We have audited, 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 Controller General of the United States, the financial statements of the Housing Authority of the Town of Secaucus as of and for the year ended March 31, 2020 and have issued our report thereon dated September 21, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or 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 the internal control over financial reporting 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, as defined above. However, material weakness may exist that have not been identified.

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Secaucus's financial statements are free of 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 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.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
September 21, 2020



Polcari & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Housing Authority of the Town of Secaucus
Secaucus, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the Town of Secaucus's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the entity's major federal programs for the year ended March 31, 2020. The Housing Authority of the Town of Secaucus's 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 federal statutes, regulations, and the terms and conditions of grants of its federal awards applicable to each of its major federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the Town of Secaucus 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 March 31, 2020.

Report on Internal Control Over Compliance

Management of the Housing Authority of the Town of Secaucus 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 the Housing Authority of the Town of Secaucus'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 the Authority's internal control over compliance.

A deficiency in internal control over compliance 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, 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 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 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.

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.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
September 21, 2020

HOUSING AUTHORITY OF THE TOWN OF SECAUCUS
 Secaucus, New Jersey
 March 31, 2020

STATUS OF PRIOR AUDIT FINDINGS

The prior audit contained no findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Financial Statements

| | |
|---|--------------------------------------|
| Type of Auditor's Report Issued: | <u>Unmodified</u> |
| Internal Control over Financial Reporting: | |
| Material Weaknesses Identified? | _____ yes <u> X </u> no |
| Significant Deficiencies identified that are not considered to be material weakness(es)? | _____ yes <u> X </u> none reported |
| Noncompliance Material to Financial Statements Noted? | _____ yes <u> X </u> no |

Federal Awards

| | |
|---|--------------------------------------|
| Internal Control over Major Programs: | |
| Material Weaknesses Identified? | _____ yes <u> X </u> no |
| Significant Deficiencies identified that are not considered to be material weakness(es)? | _____ yes <u> X </u> none reported |

| | |
|--|-------------------|
| Type of audit report issued on compliance for major programs: | <u>Unmodified</u> |
|--|-------------------|

| | |
|---|---------------------------|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance | _____ yes <u> X </u> no |
|---|---------------------------|

Identification of Major Programs

CFDA

| | |
|---------------|---|
| <u>Number</u> | <u>Name of Federal Program or Cluster</u> |
| 14.871 | Housing Choice Voucher Program |

| | |
|--|------------------|
| Dollar Threshold used to distinguish between type A and type B Programs | <u>\$750,000</u> |
|--|------------------|

| | |
|--------------------------------|------------------------------|
| Auditee qualified as low-risk? | <u> X </u> yes _____ no |
|--------------------------------|------------------------------|

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.