

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**WITH  
REPORT OF INDEPENDENT AUDITORS**

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
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FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of  
Housing Authority of the Borough of Keansburg:

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

We have audited the accompanying financial statements of the Housing Authority of the Borough of Keansburg (the "Authority") as of and for the year ended September 30, 2020, and the related notes to the financial statements, as listed in the accompanying table of contents.

### **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.

### **Auditors' 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 auditors' 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 auditors consider internal control relevant to the Authority'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 Authority'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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for Qualified Opinion**

We were unable to obtain sufficient audit evidence for the balances of the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense relating to the Authority's defined benefit OPEB plan because the OPEB plan for the year ended September 30, 2020 had not yet been audited. Accordingly, the Authority's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are reported at their 2019 amounts. We were unable to obtain sufficient appropriate audit evidence for the balances of the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense relating to the defined benefit OPEB plan by other auditing procedures. Because the audited actuarial report for the OPEB plan has not been released, it is not practicable to quantify the financial effects of this matter.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the net position of the Authority, as of September 30, 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension information and other postemployment benefit information 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements. The accompanying financial data schedule is also not a required part of the basic financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2021 on our consideration of the Authority'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.

*Novogradac & Company LLP*

September 13, 2021  
Toms River, New Jersey

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

As Management of the Housing Authority of the Borough of Keansburg (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A. Financial Highlights

1. The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$673,933 (net position) as opposed to \$353,281 for the prior fiscal year.
2. As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending unrestricted net position of \$472,110, an increase of \$243,632 from the prior fiscal year.
3. The Authority's cash and cash equivalents (including restricted cash) at September 30, 2020 totaled \$861,520 representing an increase of \$386,367 from the prior fiscal year.
4. The Authority had total operating revenues of \$4,923,839 and total operating expenses of \$4,604,346 for the year ended September 30, 2020.
5. The Authority's expenditures of federal awards amounted to \$4,658,098 for the fiscal year.

B. Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

2. 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.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

B. Using the Annual Report (continued)

2. Financial Statements (continued)

They consist of Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this 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 Statement of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 10 through 14.

3. 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 in this Report after the financial statements.

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 36 of this report.



**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

C. The Authority as a Whole

The Authority's net position increased during the fiscal year as detailed on page 7. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on an amount pre-approved by HUD. Grants are drawn down based on need against a pre-authorized funding level.

A portion of the Authority's net position reflects its investment in capital assets (e.g., land). The Authority uses these capital assets to provide housing services to its tenants; consequently, these assets are not available for future spending.

Significant Changes from September 30<sup>th</sup>, 2019 to September 30<sup>th</sup>, 2020

Cash and other current assets increased \$166,118 as the Authority's unrestricted cash and cash equivalents increased \$185,834, which was offset mainly by a decrease of \$16,560 in prepaid expenses.

Restricted cash increased \$200,533 as the Authority had more reserves in the Section 8 Housing Choice Vouchers program during FY20 than in the prior fiscal year. The Authority also received CARES act funds in the amount of that was restricted for use on expenditures directly related to COVID-19 during FY20.

Deferred inflows of resources decreased \$20,275, deferred outflows of resources decreased \$27,195, and the Authority's net pension liability decreased \$77,989. The changes are the result of the Authority recording the results of the State of New Jersey's actuarial valuation of the State of New Jersey Public Employees Retirement System Pension Plan. The amounts related to OPEB deferred outflows of resources and deferred inflows of resources, and the OPEB liability remain unchanged from 2019 due to the State of New Jersey's actuarial valuation of the State of New Jersey Public Employees Retirement System OPEB Plan not being available as of the date of this report.

HUD operating grants increased from \$3,772,266 in 2019 to \$3,836,816 in 2020 or \$64,550. Specifically, Public and Indian Housing Program grant revenues decreased \$251,531 and the portion of the Authority's capital fund that it uses for operations decreased \$203,660, which was offset by an increase of \$519,741 in the Housing Choice Vouchers & HCV CARES Act Programs.

Other revenues decreased \$23,012 from 2019 to 2020 primarily due to the Authority being reimbursed for costs associated with the RAD conversion in the prior year.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

C. The Authority as a Whole (continued)

Significant Changes from September 30<sup>th</sup>, 2019 to September 30<sup>th</sup>, 2020  
(continued)

Total operating expenses (excluding housing assistance payments) decreased from \$688,313 in 2019 to \$301,842 in 2020 or \$386,471. This decrease was primarily due to decreases in utilities (\$142,863), ordinary maintenance labor (\$37,703), ordinary maintenance and operating contracts (\$47,409), ordinary maintenance and operating employee benefit contributions (\$52,981), insurance (\$63,728) and depreciation expense (\$59,261).

Computation of Net Position is as follows:

C. The Authority as a Whole (continued)

Computations of the Changes in Net position is as follows:

	September 30,		Variance	%
	2020	2019		
Cash and Other Current Assets	\$ 601,216	\$ 435,098	\$ 166,118	38.18%
Restricted Cash	263,646	63,113	200,533	317.74%
Capital Assets, Net	61,690	61,690	-	0.00%
Other Non-current Assets	972,496	972,496	-	0.00%
Deferred Outflows of Resources	<u>503,983</u>	<u>531,178</u>	<u>(27,195)</u>	-5.12%
 Total Assets and Deferred Outflows	 2,403,031	 2,063,575	 339,456	 16.45%
Less: Total Liabilities and Deferred				
Inflows of Resources	<u>1,729,098</u>	<u>1,710,294</u>	<u>18,804</u>	1.10%
 Net Position	 <u>\$ 673,933</u>	 <u>\$ 353,281</u>	 <u>\$ 320,652</u>	 90.76%
 Net Investment in Capital Assets	 \$ 61,690	 \$ 61,690	 \$ -	 0.00%
Restricted Net Position	140,133	63,113	77,020	122.04%
Unrestricted Net Position	<u>472,110</u>	<u>228,478</u>	<u>243,632</u>	106.63%
 Total Net Position	 <u>\$ 673,933</u>	 <u>\$ 353,281</u>	 <u>\$ 320,652</u>	 90.76%

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

	September 30,		Variance	%
	2020	2019		
<u>Operating revenues:</u>				
Tenant Revenues	\$ -	\$ 176,206	\$ (176,206)	-100.00%
HUD Operating Grants	3,836,816	3,772,266	64,550	1.71%
Other Revenues	<u>1,087,023</u>	<u>1,110,035</u>	<u>(23,012)</u>	-2.07%
 Total Revenues	 <u>4,923,839</u>	 <u>5,058,507</u>	 <u>(134,668)</u>	 -2.66%
<u>Operating Expenses:</u>				
Other Operating Expenses	301,842	688,313	(386,471)	-56.15%
Housing Assistance Payments	4,302,504	4,022,226	280,278	6.97%
Depreciation	<u>-</u>	<u>59,261</u>	<u>(59,261)</u>	-100.00%
 Total Operating Expenses	 <u>4,604,346</u>	 <u>4,769,800</u>	 <u>(165,454)</u>	 -3.47%
 Operating Income/(Loss)	 <u>319,493</u>	 <u>288,707</u>	 <u>30,786</u>	 10.66%
<u>Other Revenues (Expense):</u>				
Interest Expense	-	(7,055)	7,055	-100.00%
Interest Income	86,116	36,419	49,697	136.46%
Bad Debts - Mortgage Interest	(84,957)	(35,399)	(49,558)	140.00%
Gain on Sale of Capital Assets	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>	-100.00%
 Net Other Revenue (Expense)	 <u>1,159</u>	 <u>(1,035)</u>	 <u>2,194</u>	 -211.98%
 Change in Net Position	 320,652	 287,672	 32,980	 11.46%
 Net Position, Beginning of Year	 <u>353,281</u>	 <u>65,609</u>	 <u>287,672</u>	 438.46%
 Net Position, End of Year	 <u>\$ 673,933</u>	 <u>\$ 353,281</u>	 <u>\$ 320,652</u>	 90.76%

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

D. Budgetary Highlights

For the year ended September 30, 2020, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. Also, the Authority adopted a comprehensive annual budget for the entity as a whole. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the positive change in net position the Authority's net position increased during the fiscal year.

E. Capital Assets and Debt Administration

1. Capital Assets

As of September 30, 2020, the Authority's capital assets for its Proprietary Fund consisted of land in the amount of \$61,690. The Authority sold all of its buildings and equipment during the Authority's conversion to RAD in 2019.

Additional information on the Authority's capital assets can be found in the Notes to the Financial Statements, which is included in this Report.

F. Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2021.

1. The need for Congress to fund the war on terrorism, the Federal budget deficit and the possible cut-back on HUD subsidies and grants.
2. The availability of program reserves to fund any shortfalls rising from a possible economic turndown and reduced subsidies and grants. The Authority's liquidity in the HCV program and the LRP program appears sufficient to cover any shortfall.

G. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Douglas Dzema, Executive Director, Housing Authority of the Borough of Keansburg, 1 Church St., Keansburg, NJ 07734.

**FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2020**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 597,874
Accounts receivable, net	<u>3,342</u>
Total current assets	<u>601,216</u>
Non-current assets:	
Restricted cash	263,646
Notes receivable	972,496
Land	<u>61,690</u>
Total non-current assets	<u>1,297,832</u>
Total assets	<u>1,899,048</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	32,154
State of New Jersey S.H.B.P.	<u>471,829</u>
Total deferred outflows of resources	<u>503,983</u>
Total assets and deferred outflows of resources	<u>\$ 2,403,031</u>

*See accompanying notes to financial statements.*

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
STATEMENT OF NET POSITION (continued)  
AS OF SEPTEMBER 30, 2020**

LIABILITIES

Current liabilities:	
Accounts payable	\$ 20,146
Accrued compensated absences, current portion	1,679
Unearned revenues	<u>123,513</u>
Total current liabilities	<u>145,338</u>
Non-current liabilities:	
Net OPEB liability	605,645
Net pension liability	<u>200,706</u>
Total non-current liabilities	<u>806,351</u>
Total liabilities	<u>951,689</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	214,950
State of New Jersey S.H.B.P.	<u>562,459</u>
Total deferred inflows of resources	<u>777,409</u>

NET POSITION

Net position:	
Net investment in capital assets	61,690
Restricted	140,133
Unrestricted	<u>472,110</u>
Total net position	<u>\$ 673,933</u>

*See accompanying notes to financial statements.*

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Operating revenues:	
HUD operating grants	\$ 3,836,816
Other revenues	<u>1,087,023</u>
Total operating revenue	<u>4,923,839</u>
Operating expenses:	
Administrative	277,917
Tenant services	9,711
Insurance and other general	14,214
Housing assistance payments	<u>4,302,504</u>
Total operating expenses	<u>4,604,346</u>
Operating income	<u>319,493</u>
Non-operating revenues (expenses):	
Interest income	86,116
Bad debts - mortgage interest	<u>(84,957)</u>
Net non-operating revenues	<u>1,159</u>
Change in net position	320,652
Total net position, beginning of year	<u>353,281</u>
Total net position, end of year	<u>\$ 673,933</u>

*See accompanying notes to financial statements.*



**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Cash Flows from Operating Activities:	
Cash received from tenants	\$ 1,087,484
Cash received from grantors	3,839,511
Cash paid to employees	(277,917)
Cash paid to vendors	<u>(4,348,827)</u>
Net cash provided by operating activities	<u>300,251</u>
Cash Flows from Investing Activities:	
Interest received	<u>86,116</u>
Net cash provided by investing activities	<u>86,116</u>
Net increase in cash and cash equivalents	386,367
Cash and cash equivalents, beginning of year	<u>475,153</u>
Cash and cash equivalents, end of year	<u>\$ 861,520</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 597,874
Restricted cash	<u>263,646</u>
	<u>\$ 861,520</u>

*See accompanying notes to financial statements.*

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**STATEMENT OF CASH FLOWS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Reconciliation of operating income to net cash  
provided by operating activities:

Operating income	\$	319,493
Changes in assets and liabilities:		
Accounts receivable - HUD		(291)
Accounts receivable - other government		2,986
Accounts receivable - miscellaneous		(84,496)
Prepaid expenses		16,560
Accounts payable		(6,845)
Accrued compensated absences		400
Unearned revenues		123,513
Deferred inflows of resources		(20,275)
Deferred outflows of resources		27,195
Net pension liability		<u>(77,989)</u>
Net cash provided by operating activities	\$	<u><u>300,251</u></u>

*See accompanying notes to financial statements.*

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Housing Authority of the Borough of Keansburg (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") for the purpose of engaging in the development, acquisition and administrative activities of the Public and Indian Housing Program and other programs with similar objectives for low and moderate income families residing in the Borough of Keansburg. The Authority is responsible for operating certain low-rent housing programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous, but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

**B. Basis of Accounting / Financial Statement Presentation**

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized on a fund basis. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB 34"), as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Accounting / Financial Statement Presentation (continued)**

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*, ("GASB 33") grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

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

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

In accordance with 2 CFR 200.305(b)(9), any investment income earned up to \$500 on these funds may be retained by the Authority. Amounts in excess of \$500 must be remitted annually to the Department of Health and Human Services, Payment Management System.

**C. Reporting Entity**

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Description of Programs**

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Public and Indian Housing Program

The Public and Indian Housing program is designed to provide low-cost housing within the Borough of Keansburg. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program. On April 16, 2019, the Authority converted its public housing units to Section 8 project based vouchers through HUD's Rental Assistance Demonstration ("RAD") program and as such the Authority no longer operates this program. During the year ended September 30, 2020, the Authority received \$106,115 in subsidy to support the RAD conversion.

Section 8 Housing Choice Vouchers

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

Public Housing Capital Fund Program

The purpose of the Public Housing Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD. On April 16, 2019, the Authority converted its public housing units to Section 8 project based vouchers through HUD's RAD program and as such the Authority no longer operates this program. During the year ended September 30, 2020, the Authority received \$26,840 in capital fund grants to support the RAD conversion.

Business Activities Fund

The Business Activities Fund is utilized as part of the RAD program. RAD was created in order to give public housing authorities ("PHA") a powerful tool to preserve and improve public housing properties. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards rent. The Business Activities Fund holds the mortgage notes from the sale of the Authority's public housing units.

HCV CARES Act Funding Program

During the year ended September 30, 2020, the Authority was awarded CARES Act funding as part of the Section 8 Housing Choice Vouchers program. These funds are to be used to prevent, prepare for, and respond to the Coronavirus ("COVID-19"), as well as help the Authority maintain normal operations during the period impacted by COVID-19.

**E. Use of Management Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, and contingencies. Actual results could differ significantly from these estimates.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Cash and Cash Equivalents**

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

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with GUDPA.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the Statement of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

**G. Accounts Receivable, Net**

The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed for portable tenants participating in the Section 8 Housing Choice Vouchers program.

An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason.

**H. Allowance for Doubtful Accounts**

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

**I. Notes Receivable**

The Authority has utilized funds in accordance with HUD guidelines to assist in the construction and redevelopment of an affordable housing development through the issuance of mortgage notes. When preparing financial statements in accordance with GAAP, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property, the property's ability to generate positive cash flow, and current economic trends and conditions.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Prepaid Expenses**

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

**K. Capital Assets**

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

◆	Furniture, Fixtures and Equipment	3 - 10 Years
◆	Site Improvements	15 Years
◆	New Buildings	40 Years

The Authority has established a capitalization threshold of \$1,000.

**L. Impairment of Long Lived Assets**

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. During the year ended September 30, 2020, there were no impairment losses.

**M. Inter-Program Receivables and Payables**

Inter-program receivables and payables are current, and are the result of the use of the Section 8 Housing Choice Vouchers program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net to zero. In accordance with GASB 34, inter-program receivables and payables are eliminated for financial statement purposes; however they are reflected in the accompanying FDS as required by HUD.

**N. Accounts Payable and Accrued Liabilities**

The Authority recognizes a liability for goods and services received but not paid for as of year-end. It also recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

**O. Accrued Compensated Absences**

Accrued compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at their current salary. Accumulated sick leave will be paid up to 50% of an employee's accumulated sick days up to \$7,500.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. Deferred Outflows / Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

**Q. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey, Public Employees Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**R. Other Post Employment Benefits ("OPEB")**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the net OPEB, OPEB expense, and information about the fiduciary net position of the State Health Benefits Plan ("SHBP") and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

**S. Equity Classifications**

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."



**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**T. Operating Revenues and Expenses**

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

**U. Taxes**

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

**V. Budgets and Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its programs receiving federal expenditure awards. The Authority also adopts an annual entity wide budget which is filed with the State of New Jersey Department of Community Affairs.

**W. Economic Dependency**

The Section 8 Housing Choice Vouchers program of the Authority is economically dependent on grants and subsidies from HUD. The program operates at a loss prior to receiving the grants.

**NOTE 2. CASH DEPOSITS**

As of September 30, 2020, the carrying amount of the Authority's cash deposits was \$861,520, and the bank balances approximated \$879,885.

Of the bank balances, \$254,416 was covered by federal depository insurance and the remaining \$625,469 was collateralized with the pledging financial institution as of September 30, 2020.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2020, the Authority's bank balances were not exposed to custodial credit risk.

**NOTE 3. ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consisted of the following at September 30, 2020:

<u>Description</u>	<u>Amount</u>
Accounts receivable - miscellaneous	\$ 439
Accounts receivable - other government	<u>2,903</u>
	<u>\$ 3,342</u>

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 3. ACCOUNTS RECEIVABLE, NET (continued)**

**A. Accounts receivable - miscellaneous**

Accounts receivable - miscellaneous consist of reimbursements due from HCV program participants. The amount is shown net of allowance for doubtful accounts of \$644.

**B. Accounts receivable - other government**

Accounts receivable - other government consist of amounts due from other housing authorities for portable tenants in the Section 8 Housing Choice Vouchers program.

Management estimates that all accounts receivable are collectable, and as such has made no allowance for doubtful accounts.

**NOTE 4. RESTRICTED DEPOSITS**

As of September 30, 2020, restricted deposits consisted of the following:

<u>Description</u>	<u>Amount</u>
Housing assistance payment reserve	\$ 140,133
CARES Act funds	<u>123,513</u>
	<u>\$ 263,646</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

CARES Act funds are restricted to be used on expenditures directly related to COVID-19. These funds are to be used to prevent, prepare for, and respond to COVID-19, as well as help the Authority maintain normal operations during the period impacted by COVID-19.

**NOTE 5. CAPITAL ASSETS / LAND**

On April 16, 2019, the Authority sold all capital assets other than land to Granville Towers Urban Renewal Associates, LP (the "Partnership") as part of the Authority's conversion of its public housing units to Section 8 project based vouchers through HUD's RAD program.

The land is leased to the Partnership under a ninety-nine year lease. As of September 30, 2020, capital assets consisted of land in the amount of \$61,690

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 6. NOTES RECEIVABLE**

At September 30, 2020, notes receivable consisted of the following:

<u>Description</u>	<u>Amount</u>
<p>The Authority entered into a loan with the Partnership on April 18, 2019 in the original amount of \$2,697,047, and bears interest at a rate of 3.15%. The Partnership also received a subordinate permanent financing commitment from the Authority in the amount of \$1,402,953. The total loan amount was equal to \$4,100,000. The loan is shown on the statement of net position net of the deferred gain on the sale of fixed assets in the amount of \$3,127,504. Principal and interest on the loan are due at maturity in April, 2049, and the loan is secured by real property. Accrued interest as of September 30, 2020 totaled \$120,356. The Authority does not anticipate collecting this amount and has established an allowance for doubtful accounts for the entire amount of accrued interest.</p>	<p style="margin-top: 0;"><u>\$ 972,496</u></p>

**NOTE 7. PENSION PLAN**

**A. Plan Description**

The PERS is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

**B. Benefits**

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:

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

Service retirement benefits of 1/55<sup>th</sup> 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 retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

Early retirement benefits are available to tiers one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more 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 a member retires prior to the age at which a member 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 the service retirement age for the respective tier.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 7. PENSION PLAN (continued)**

**C. Contributions**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by all active members and contributing employers. State legislation has modified the amount that is contributed by the State of New Jersey ("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 noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on the actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the PERS fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

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

At September 30, 2020, the Authority reported a liability of \$200,706, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, and rolled forward to June 30, 2020.

For the year ended September 30, 2020, the Authority recognized pension benefit of \$71,069. At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of Assumptions	\$ 6,511	\$ 84,038
Changes in Proportion	15,128	130,202
Differences between expected and actual experience	3,655	710
Net differences between actual and projected earnings on pension plan investments	<u>6,860</u>	<u>-</u>
Total	<u>\$ 32,154</u>	<u>\$ 214,950</u>

Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
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**NOTE 7. PENSION PLAN (continued)**

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

<u>Year ending September 30:</u>	<u>Amount</u>
2021	\$ (21,156)
2022	(68,629)
2023	(61,282)
2024	(28,775)
2025	<u>(2,954)</u>
	<u>\$ (182,796)</u>

**E. Actuarial Assumptions**

The collective total pension liability at the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00 - 6.00% based on years of service
Thereafter	3.00 - 7.00% based on years of service
Investment rate of return	7.00%

Pre-mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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

**F. Long-Term Expected Rate of Return**

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class, including the PERS's target asset allocation as of June 30, 2020, are summarized in the following table:

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**NOTE 7. PENSION PLAN (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

**G. Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

**H. Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ <u>254,643</u>	\$ <u>200,706</u>	\$ <u>157,857</u>

**NOTE 8. OTHER POST-RETIREMENT BENEFITS PLAN**

The information required to present the schedule of changes in net OPEB liability was not available as of September 30, 2020 and the date of this report. The net OPEB liability and deferred inflow and outflow amounts have not changed from the prior fiscal year. The information needed in order to reflect the September 30, 2020 balances for the net OPEB liability, deferred inflows, and deferred outflows was unavailable as of the date of this report. The information contained herein remains the same from September 30, 2019.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 8. OTHER POST-RETIREMENT BENEFITS PLAN (continued)**

**A. Plan Description**

The SHBP is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Division. It covers employees of local government employers that have adopted a resolution to participate in the SHBP. For additional information about SHBP, please refer to the Division's Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**B. Benefits**

SHBP provides medical and prescription drug to retirees and their covered dependents of the employers. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of services credit in a State of locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

**C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At September 30, 2020, the Authority reported a liability of \$605,645, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and rolled forward to June 30, 2019.

For the year ended September 30, 2020, the Authority recognized OPEB expense of \$49,610. At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8. OTHER POST-RETIREMENT BENEFITS PLAN (continued)**

**C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ -	\$ 214,627
Changes in Proportion	456,271	170,718
Differences between expected and actual experience	-	177,114
Net differences between projected and actual investment earnings on OPEB plan investments	499	-
Contributions paid subsequent to the measurement date	<u>15,059</u>	<u>-</u>
Total	<u>\$ 471,829</u>	<u>\$ 562,459</u>

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

	<u>Amount</u>
Year ending September 31:	
2021	\$ (14,761)
2022	(14,761)
2023	(14,770)
2024	(14,784)
2025	(14,798)
Thereafter	<u>(16,756)</u>
	<u>\$ (90,630)</u>

**D. Actuarial Assumptions**

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions:

Inflation Rate	2.50%
Salary increases:	
Through 2026	2.00 to 6.00% based on years of service
Thereafter	3.00 to 7.00% based on years of service

Mortality rates were based on the Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using the MP-2019 scale.

Certain 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 SHBP upon retirement.



**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
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**NOTE 8. OTHER POST-RETIREMENT BENEFITS PLAN (continued)**

**E. Discount Rate**

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

**F. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.50%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

	1% Decrease <u>(2.50%)</u>	Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Authority's proportionate share of the net OPEB liability	\$ <u>700,280</u>	\$ <u>605,645</u>	\$ <u>528,742</u>

**G. Healthcare Trend Assumptions**

For pre-Medicare medical benefits, the trend rate 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% trend rate after eight years.

**H. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Trend Rate**

The following presents the Authority's proportionate share of the net OPEB liability calculated using the healthcare trend rate as disclosed above, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Authority's proportionate share of the net OPEB liability	\$ <u>511,090</u>	\$ <u>605,645</u>	\$ <u>726,266</u>

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 9. NON-CURRENT LIABILITIES**

Non-current liabilities activity for the year ended September 30, 2020 consisted of the following:

Description	September 30, 2019	Additions	Reductions	September 30, 2020	Amounts due within one year
Unearned revenues	\$ -	\$ 123,513	\$ -	\$ 123,513	\$ 123,513
Net pension liability	278,695	-	(77,989)	200,706	-
Net OPEB liability	605,645	-	-	605,645	-
Accrued compensated absences	<u>1,279</u>	<u>400</u>	<u>-</u>	<u>1,679</u>	<u>1,679</u>
<b>Total</b>	<b>\$ <u>885,619</u></b>	<b>\$ <u>123,913</u></b>	<b>\$ <u>(77,989)</u></b>	<b>\$ <u>931,543</u></b>	<b>\$ <u>125,192</u></b>

**NOTE 10. RESTRICTED NET POSITION**

At September 30, 2020, restricted net position consisted of housing assistance payment reserves which are restricted for rent payments to landlords as part of the Section 8 Housing Choice Vouchers program.

**NOTE 11. GROUND LEASE AGREEMENT**

On April 18, 2019, the Authority entered into a 99 year ground lease with Granville Towers Urban Renewal Associates, LP as part of the Authority's conversion of its public housing units to Section 8 project based vouchers under HUD's RAD program. The leased premises contain the building and all improvements associated with an eighty unit apartment complex. Annual base rental is \$1.

**NOTE 12. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund ("JIF"). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the previous three years.

**NOTE 13. CONTINGENCIES**

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of September 30, 2020, the Authority estimates that no material liabilities will result from such audits.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 14. VULNERABILITY - IMPACT OF COVID-19**

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

**NOTE 15. SUBSEQUENT EVENTS**

Events that occur after the financial statement 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 financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through September 13, 2021, which is the date 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.

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

To the Board of Commissioners of  
Housing Authority of the Borough of Keansburg:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Borough of Keansburg (the "Authority"), which comprise the statement of financial position as of September 30, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Novogradac & Company LLP*

September 13, 2021  
Toms River, New Jersey



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE AND THE  
STATE OF NEW JERSEY OMB CIRCULAR 15-08**

To the Board of Commissioners of  
Housing Authority of the Borough of Keansburg:

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

We have audited the Housing Authority of the Borough of Keansburg's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of New Jersey OMB Circular 15-08 that could have a direct and material effect on the Authority's major federal programs for the year ended September 30, 2020. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of New Jersey OMB Circular 15-08. 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 the Authority'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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

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

In our opinion, the Authority 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 September 30, 2020.

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

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

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

*Novogradac & Company LLP*

September 13, 2021  
Toms River, New Jersey

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-through Number</u>	<u>Grant Period From / To</u>	<u>Grant Award</u>	<u>Fiscal Year Expenditures</u>	<u>Cumulative Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>						
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers Program	14.871	N/A	10/1/19	\$ 3,694,150	\$ 4,515,432	\$ 4,515,432
Housing Choice Vouchers CARES Act	14.HCC	N/A	10/1/19	<u>9,711</u>	<u>9,711</u>	<u>9,711</u>
Total Housing Voucher Cluster				<u>3,703,861</u>	<u>4,525,143</u>	<u>4,525,143</u>
Public and Indian Housing Program	14.850	N/A	1/1/18	642,127	106,115	641,836
Public Housing Capital Fund Program	14.872	N/A	4/16/19	<u>105,781</u>	<u>26,840</u>	<u>105,781</u>
Total Expenditures of Federal Awards				<u>\$ 4,451,769</u>	<u>\$ 4,658,098</u>	<u>\$ 5,272,760</u>



**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Housing Authority of the Borough of Keansburg (the "Authority") under programs of the federal government for the year ended September 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance and the State of New Jersey OMB Circular 15-08, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3. INDIRECT COST RATE**

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4. STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS**

The total amounts of Capital Fund Program Costs and Advances incurred and earned by the Authority as of and for the year ended September 30, 2020 are provided herein.

	<u>501-19</u>
Budget	\$ <u>105,781</u>
<u>Advances:</u>	
Cumulative through 10/1/19	\$ 78,941
Current Year	<u>26,840</u>
Cumulative through 9/30/20	<u>105,781</u>
<u>Costs:</u>	
Cumulative through 10/1/19	78,941
Current Year	<u>26,840</u>
Cumulative through 9/30/20	<u>105,781</u>
Excess / (Deficiency)	\$ <u>-</u>

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

I. Summary of Auditors' Results

Financial Statements

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditors' report issued:                    | Unmodified    |
| 2. | Internal control over financial reporting           |               |
|    | a. Material weakness(es) identified?                | No            |
|    | b. Significant deficiency(ies) identified           | None Reported |
| 3. | Noncompliance material to the financial statements? | No            |

Federal Awards

- |    |  |                                   |
|----|--|-----------------------------------|
| 1. | Internal control over compliance:  |                                   |
|    | a. Material weakness(es) identified?   | No                                |
|    | b. Significant deficiency(ies) identified?   | None Reported                     |
| 2. | Type of auditors' report on compliance for major programs:   | Unmodified                        |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No                                |
| 4. | Identification of major programs:  |                                   |
|    | <u>CFDA Number</u>   | <u>Name of Federal Program</u>    |
|    | 14.871   | Section 8 Housing Choice Vouchers |
|    | 14.HCC   | Housing Choice Vouchers CARES Act |
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs:                           | \$750,000                         |
| 6. | Auditee qualified as low-risk Auditee?   | No                                |

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Federal Award Findings and Questioned Costs

There were no findings or questioned costs relating to federal awards.

IV. Schedule of Prior Year Federal Audit Findings

**Finding 2019-001:**

Observation: Based upon inspection of the Authority's files and on discussions with management, there were units that had not passed re-inspection within the required thirty day period and abatements had not been processed for those units. Of a sample size of twenty-five (25) units that had initially failed inspection, two (2) units did not pass re-inspection within 30 days. HAP abatements were either not processed or not processed in accordance with program compliance requirements for those two (2) units.

Status: Finding 2019-001 has been cleared.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
REQUIRED PENSION INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS\*\*\***

	September 30, 2014	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018	September 30, 2019	September 30, 2020
Contractually required contribution	\$ 25,410	\$ 16,404	\$ 17,423	\$ 20,379	\$ 16,560	\$ 15,045	\$ 13,464
Contributions in relation to the contractually required contribution	<u>25,410</u>	<u>16,404</u>	<u>17,423</u>	<u>20,379</u>	<u>16,560</u>	<u>15,045</u>	<u>13,464</u>
(Over) / under funded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ <u>220,927</u>	\$ <u>185,789</u>	\$ <u>214,601</u>	\$ <u>175,866</u>	\$ <u>195,565</u>	\$ <u>121,584</u>	\$ <u>74,321</u>
Contributions as a percentage of covered- employee payroll	<u>11.50 %</u>	<u>8.83 %</u>	<u>8.12 %</u>	<u>11.59 %</u>	<u>8.47 %</u>	<u>12.37 %</u>	<u>18.12 %</u>

\*\*\* Until a full 10 year trend is compiled, the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
REQUIRED PENSION INFORMATION (continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET PENSION LIABILITY FOR THE LAST TEN FISCAL YEARS\*\*\***

	September 30, 2014	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018	September 30, 2019	September 30, 2020
Authority's proportion of the net pension liability	0.0031 %	0.0019 %	0.0020 %	0.0022 %	0.0017 %	0.0015 %	0.0012 %
Authority's proportionate share of the net pension liability	\$ 577,090	\$ 428,316	\$ 580,851	\$ 512,083	\$ 327,803	\$ 200,706	\$ 200,706
Authority's covered-employee payroll	\$ 220,927	\$ 185,789	\$ 214,601	\$ 175,866	\$ 195,565	\$ 121,584	\$ 74,321
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	261.21 %	230.54 %	270.67 %	291.18 %	167.62 %	165.08 %	270.05 %
Plan fiduciary net position as a percentage of the total pension liability	52.08 %	47.93 %	45.35 %	48.10 %	53.60 %	56.30 %	58.32 %

\*\*\* Until a full 10 year trend is compiled, the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION  
YEAR ENDED SEPTEMBER 30, 2020**

**SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS\*\*\***

	September 30, 2017	September 30, 2018	September 30, 2019	September 30, 2020 (A)
Statutorily required contribution	\$ 25,796	\$ 25,012	\$ 32,236	\$ -
Contributions in relation to the statutorily required contribution	<u>25,796</u>	<u>25,012</u>	<u>32,236</u>	<u>49,610</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (49,610)</u>
Authority's covered-employee payroll	<u>\$ 184,084</u>	<u>\$ 196,814</u>	<u>\$ 121,584</u>	<u>\$ 74,321</u>
Contributions as a percentage of covered- employee payroll	<u>14.01 %</u>	<u>12.71 %</u>	<u>26.51 %</u>	<u>66.75 %</u>

(A) Information relating to the defined benefit OPEB plan was not available because the OPEB plan for the year ended September 30, 2020 had not been audited as of the date the auditors' report.

\*\*\* Until a full 10 year trend is compiled, the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE BOROUGH OF KEANSBURG  
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION (continued)  
YEAR ENDED SEPTEMBER 30, 2020**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET OPEB LIABILITY FOR THE LAST TEN FISCAL YEARS\*\*\***

	September 30, <u>2017</u>	September 30, <u>2018</u>	September 30, <u>2019</u>	September 30, <u>2020 (A)</u>
Authority's proportion of the net OPEB liability	<u>0.0191</u> %	<u>0.0039</u> %	<u>0.0045</u> %	<u>-</u> %
Authority's proportionate share of the net OPEB liability	\$ <u>389,125</u>	\$ <u>605,645</u>	\$ <u>605,645</u>	\$ <u>605,645</u>
Authority's covered-employee payroll	\$ <u>184,084</u>	\$ <u>196,814</u>	\$ <u>121,584</u>	\$ <u>121,584</u>
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	<u>211.38</u> %	<u>307.72</u> %	<u>498.13</u> %	<u>498.13</u> %
Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.03</u> %	<u>1.97</u> %	<u>1.98</u> %	<u>-</u> %

(A) Information relating to the defined benefit OPEB plan was not available because the OPEB plan for the year ended September 30, 2020 had not been audited as of the date of the auditors' report.

\*\*\* Until a full 10 year trend is compiled, the Authority is presenting information for those years that are available.

Keansburg Housing Authority							
NJ060							
Financial Data Schedule (FDS)							
September 30, 2020							
Line Item #	Account Description	PROJECTS	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Business Activities	ELIM	TOTAL
<b>ASSETS:</b>							
<b>CURRENT ASSETS:</b>							
Cash:							
111	Cash - unrestricted	\$ -	\$ 429,860	\$ -	\$ 168,014	\$ -	\$ 597,874
112	Cash - restricted - modernization and development	-	-	-	-	-	-
113	Cash - other restricted	-	140,133	123,513	-	-	263,646
114	Cash - tenant security deposits	-	-	-	-	-	-
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-
100	Total cash	-	569,993	123,513	168,014	-	861,520
Accounts and notes receivable:							
121	Accounts receivable - PHA projects	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	291	-	-	-	-	291
124	Accounts receivable - other government	-	2,612	-	-	-	2,612
125	Accounts receivable - miscellaneous	-	1,083	-	-	-	1,083
126	Accounts receivable - tenants	-	-	-	-	-	-
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	(644)	-	-	-	(644)
127	Notes and mortgages receivable - current	-	-	-	-	-	-
128	Grant receivable	-	-	8,343	-	-	8,343
128.1	Allowance for doubtful accounts - grant	-	-	(8,343)	-	-	(8,343)
129	Accrued interest receivable	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	291	3,051	-	-	-	3,342
Current investments							
131	Investments - unrestricted	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	-	-	-
143	Inventories	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	291	(291)	-
145	Assets held for sale	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	291	573,044	123,513	168,305	(291)	864,862
<b>NONCURRENT ASSETS:</b>							
Fixed assets:							
161	Land	-	-	-	61,690	-	61,690
162	Buildings	-	-	-	-	-	-
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	-
164	Furniture, equipment & machinery - administration	-	-	-	-	-	-
165	Leasehold improvements	-	-	-	-	-	-
166	Accumulated depreciation	-	-	-	-	-	-
167	Construction in Progress	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	-	-	-	61,690	-	61,690
Other non-current assets:							
171	Notes and mortgages receivable - non-current	-	-	-	972,496	-	972,496
172	Notes and mortgages receivable-non-current - past due	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	-	-	-	1,034,186	-	1,034,186
200	DEFERRED OUTFLOWS OF RESOURCES	-	503,983	-	-	-	503,983
290	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 291	\$ 1,077,027	\$ 123,513	\$ 1,202,491	\$ (291)	\$ 2,403,031



Keansburg Housing Authority							
NJ060							
Financial Data Schedule (FDS)							
September 30, 2020							
Line Item #	Account Description	PROJECTS	14.871 Housing Choice Vouchers	14.11CC 11CV CARES Act Funding	Business Activities	ELIM	TOTAL
<b>LIABILITIES AND EQUITY:</b>							
<b>Liabilities:</b>							
<b>Current Liabilities:</b>							
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable ≤ 90 days	-	12,946	-	-	-	12,946
313	Accounts payable > 90 days past due	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-
322	Accrued compensated absences - current portion	-	1,679	-	-	-	1,679
324	Accrued contingency liability	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-
331	Accounts payable - HUD/PHA programs	-	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-	-
333	Accounts payable - other government	-	7,200	-	-	-	7,200
341	Tenant security deposits	-	-	-	-	-	-
342	Unearned revenue	-	-	123,513	-	-	123,513
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-
346	Accrued liabilities - other	-	-	-	-	-	-
347	Interprogram - due to	291	-	-	-	(291)	-
310	<b>TOTAL CURRENT LIABILITIES</b>	291	21,825	123,513	-	(291)	145,338
<b>NONCURRENT LIABILITIES:</b>							
351	Long-term debt, net of current - capital projects	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-
355	Loan Liability - Non Current	-	-	-	-	-	-
357	Accrued pension liability	-	200,706	-	-	-	200,706
358	Accrued OPEB liability	-	605,645	-	-	-	605,645
350	<b>TOTAL NONCURRENT LIABILITIES</b>	-	806,351	-	-	-	806,351
300	<b>TOTAL LIABILITIES</b>	291	828,176	123,513	-	(291)	951,689
400	Deferred inflows	-	777,409	-	-	-	777,409
<b>EQUITY:</b>							
508.1	Invested in Capital Assets, Net of Related Debt	-	-	-	61,690	-	61,690
511.1	Restricted Net Assets	-	140,133	-	-	-	140,133
512.1	Unrestricted Net Assets	-	(608,691)	-	1,140,801	-	472,110
513	<b>TOTAL EQUITY</b>	-	(528,558)	-	1,202,491	-	673,933
600	<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY</b>	\$ 291	\$ 1,077,027	\$ 123,513	\$ 1,202,491	\$ (291)	\$ 2,403,031
<b>Proof of concept</b>							
		-	-	-	-	-	-

Keansburg Housing Authority								
NJ060								
Financial Data Schedule (FDS)								
September 30, 2020								
Line Item #	Account Description	OPERATING	CAPITAL	14.871 Housing Choice Vouchers	14.11CC HCV CARES Act Funding	Business Activities	ELIM	TOTAL
<b>REVENUE:</b>								
70300	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70400	Tenant revenue - other	-	-	-	-	-	-	-
70500	Total tenant revenue	-	-	-	-	-	-	-
70600	HUD PIA grants	106,115	26,840	3,694,150	9,711	-	-	3,836,816
70610	Capital grants	-	-	-	-	-	-	-
70710	Management fee	-	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	-	-
70730	Book keeping fee	-	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-	-
71100	Investment income - unrestricted	-	-	1,159	-	84,957	-	86,116
71200	Mortgage interest income	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-	-
71400	Frail recovery	-	-	2,887	-	-	-	2,887
71500	Other revenue	-	-	1,072,779	-	11,357	-	1,084,136
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-	-
70000	<b>TOTAL REVENUE</b>	106,115	26,840	4,770,975	9,711	96,314	-	5,009,955
<b>EXPENSES:</b>								
Administrative								
91100	Administrative salaries	-	-	76,399	-	-	-	76,399
91200	Auditing fees	-	-	7,930	-	-	-	7,930
91300	Outside management fees	-	-	29,466	-	-	-	29,466
91310	Book-keeping fee	-	-	-	-	-	-	-
91400	Advertising and marketing	-	-	484	-	-	-	484
91500	Employee benefit contributions- administrative	-	-	73,732	-	-	-	73,732
91600	Office expenses	-	-	57,241	-	452	-	57,693
91700	Legal expenses	-	-	10,569	-	4,232	-	14,801
91800	Travel	-	-	284	-	-	-	284
91810	Allocated overhead	-	-	-	-	-	-	-
91900	Other	-	-	17,128	-	-	-	17,128
91000	Total operating - administrative	-	-	273,233	-	4,684	-	277,917
92000	Asset Management Fee	-	-	-	-	-	-	-
Tenant services								
92100	Tenant services - salaries	-	-	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	-	-	-	-	-	-	-
92400	Tenant services - other	-	-	-	-	9,711	-	9,711
92500	Total Tenant Services	-	-	-	-	9,711	-	9,711
Utilities								
93100	Water	-	-	-	-	-	-	-
93200	Electricity	-	-	-	-	-	-	-
93300	Gas	-	-	-	-	-	-	-
93400	Fuel	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-
93600	Sewer	-	-	-	-	-	-	-
93700	Employee benefit contributions- utilities	-	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-	-
93000	Total Utilities	-	-	-	-	-	-	-
Ordinary maintenance & operation								
94100	Ordinary maintenance and operations - labor	-	-	-	-	-	-	-
94200	Ordinary maintenance and operations - materials & other	-	-	-	-	-	-	-
94300	Ordinary maintenance and operations - contract costs	-	-	-	-	-	-	-
94500	Employee benefit contributions- ordinary maintenance	-	-	-	-	-	-	-
94000	Total Maintenance	-	-	-	-	-	-	-
Protective services								
95100	Protective services - labor	-	-	-	-	-	-	-
95200	Protective services- other contract costs	-	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-	-
95500	Employee benefit contributions- protective services	-	-	-	-	-	-	-
95000	Total Protective Services	-	-	-	-	-	-	-

Keansburg Housing Authority								
NJ060								
Financial Data Schedule (FDS)								
September 30, 2020								
Line Item #	Account Description	OPERATING	CAPITAL	14 871 Housing Choice Vouchers	14JCC HCV CARES Act Funding	Business Activities	ELIM	TOTAL
	General expenses							
96100	Insurance premiums	-	-	-	-	-	-	-
96130	Workmen's compensation	-	-	-	-	-	-	-
96140	All other insurance	-	-	579	-	-	-	579
96200	Other general expenses	-	-	13,235	-	-	-	13,235
96210	Compensated absences	-	-	400	-	-	-	400
96300	Payments in lieu of taxes	-	-	-	-	-	-	-
96400	Had debt - tenant rents	-	-	-	-	-	-	-
96500	Had debt - mortgages	-	-	-	-	-	-	-
96600	Had debt - other	-	-	-	-	84,957	-	84,957
96700	Interest of mortgage (or bonds) payable	-	-	-	-	-	-	-
96710	Amortization of bond issue costs	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-
96000	Total other general expenses	-	-	14,214	-	84,957	-	99,171
96900	<b>TOTAL OPERATING EXPENSES</b>	-	-	287,447	9,711	89,641	-	386,799
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	106,115	26,840	4,483,528	-	6,673	-	4,623,156
97100	Extraordinary maintenance	-	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-
97300	Housing assistance payments	74,519	-	3,261,174	-	-	-	3,335,693
97350	HAP Portability - in	-	-	966,811	-	-	-	966,811
97400	Depreciation expense	-	-	-	-	-	-	-
97500	Fraud losses	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-
90000	<b>TOTAL EXPENSES</b>	74,519	-	4,515,432	9,711	89,641	-	4,689,303
	<b>OTHER FINANCING SOURCES (USES)</b>							
10010	Operating transfers in	26,840	-	-	-	-	-	26,840
10020	Operating transfers out	-	(26,840)	-	-	-	-	(26,840)
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-
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	-	-	-	-	58,436	-	58,436
10094	Transfers between program and project out	(58,436)	-	-	-	-	-	(58,436)
10100	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(31,596)	(26,840)	-	-	58,436	-	-
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	-	-	255,543	-	65,109	-	320,652
	<b>MEMO ACCOUNT INFORMATION:</b>							
11020	Required annual debt principal payments	-	-	-	-	-	-	-
11030	Beginning equity	-	-	(207,869)	-	561,150	-	353,281
11040	Prior period adjustments and equity transfers	-	-	(576,232)	-	576,232	-	-
11170	Administrative fee equity	-	-	(163,528)	-	-	-	(163,528)
11180	Housing assistance payments equity	-	-	140,133	-	-	-	140,133
		-	-	(23,395)	-	-	-	(23,395)
11190	Unit months available	-	-	3,708	-	-	-	3,708
11210	Number of unit months leased	-	-	3,451	-	-	-	3,451
	Equity Roll Forward Test:							
	Calculation from R/E Statement	\$	\$	\$ (528,558)	\$	\$ 1,202,491	\$	\$ 673,933
	B/S Line 513	\$	\$	\$ (528,558)	\$	\$ 1,202,491	\$	\$ 673,933
		\$	\$	\$ -	\$	\$ -	\$	\$ -