

HOUSING AUTHORITY OF THE  
CITY OF RAHWAY  
Rahway, New Jersey

FINANCIAL STATEMENTS  
For the Year Ended  
June 30, 2021

RAHWAY HOUSING AUTHORITY  
Rahway, New Jersey  
COMPARATIVE FINANCIAL STATEMENTS

TABLE OF CONTENTS

	<u>PAGE</u>
Management's Discussion and Analysis	1-5
Independent Auditor's Report	6-8
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12-23
<u>SUPPLEMENTAL INFORMATION</u>	
Schedule of Expenditures of Federal Awards	24
Financial Data Schedule	25-29
Schedule of Proportionate Share of the Net Pension Liability of the Public Employees Retirement Systems (PERS)	30
Schedule of Authority Contributions to the Public Employees Retirement System (PERS)	30
Schedule of Changes in the Housing Authority's Total OPEB Liability and Related Ratios	31
Schedule of Authority Contributions to the Other Post-Employment Benefits Plan (OPEB)	31
<u>OTHER REPORTS AND COMMENTS</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	32-33
Independent Auditor's Report on Compliance For Each Major Federal Program and Internal Control Over Compliance Required by the Uniform Guidance	34-35
Schedule of Findings and Questioned Costs	36-37

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2021

As Management of the Housing Authority of the City of Rahway (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 June 30, 2021. 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 Authority reported a deficit in net position of \$915,631 at the close of the most recent fiscal year as opposed to a deficit in net position of \$1,471,407 for the prior fiscal year.
2. As of the close of the current fiscal year, the Authority's proprietary fund reported a deficit in ending unrestricted net position of (\$5,259,250).
3. The Authority's cash and cash equivalent balance (including restricted cash and tenant security deposits) at June 30, 2021 was \$1,422,772, representing an increase of \$94,154 from the prior fiscal year.
4. The Authority had total operating revenues of \$5,689,824 and total operating expenses of \$5,713,562 (including depreciation expense of \$633,393) for the year ended June 30, 2021.
5. The Authority's capital outlays for the fiscal year were \$548,385.
6. The Authority's expenditures of federal awards amounted to \$4,821,510 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 financial statements. The Authority's Financial Statements and Notes to Financial Statements included in this Report were prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governmental entities in the United States of America for 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. They consist of the Comparative Statements of Net Position, Comparative Statements of Revenue, Expenses and Changes in Net Position and Comparative Statements of Cash Flows.

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

The Comparative Statements of Revenue, Expenses and Changes in Net Position present information that shows how the Authority's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in 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).

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2021

The Statement of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

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

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 safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 9 through 11.

**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 (SEFA) is presented for purpose of additional analysis as required by Uniform Guidance, Audits of States, Local Governments, and Non-profit Organizations. The SEFA can be found on page 24 of this report. Supplemental Schedules pertaining to the Public Employees Retirement System and OPEB are also presented on pages 30-31 to supplement the basic financial statements.

**C – The Authority as a Whole**

The Authority's Net Position increased during the fiscal year as detailed below. 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.

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses its capital assets to provide housing services to tenants. Consequently, these assets are not available for future spending.

**D – Budgetary Highlights**

For the year ended June 30, 2021 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. (Also, the Authority adopted a comprehensive annual budget for the General Fund). The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

**E – Capital Assets and Debt Administration**

**1 – Capital Assets**

As of June 30, 2021, the Authority's net investment in capital assets for its Proprietary Fund was \$4,300,446 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, equipment and construction in progress. Major capital assets purchased from grants of \$548,385 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund. These activities are funded by grants from HUD. Additional information on the Authority's capital assets can be found in Note 4 to the Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2021

**2 – Long Term Debt**

The Authority obtained a \$777,000 permanent note from RSI bank. The purpose of the loan is to purchase and install energy efficient boilers, hot water systems, controls, lighting, and insulated water equipment for Authority buildings. The loan is being repaid in 120 monthly instalment of \$8,053 including interest at 4.5% commencing in December 2012 and maturing in November 2022.

**F – Significant Changes from FYE June 30, 2020 to June 30, 2021**

**Changes in the Statement of Net Position**

Cash and other current assets increased \$206,039, or 14.24%, primarily due to the following: Cash increased \$94,154 as the Authority received more in federal funding compared to last year, accounts receivable due from HUD related to the Authority's capital fund program increased \$57,718, and miscellaneous accounts receivable increased \$48,377.

Deferred outflow of resources decreased \$93,124, or 22.31%, due to the most recent Pension Liability and Other Post Retirement Benefits (OPEB) actuarial valuations.

Total liabilities decreased \$438,777, or 8.63%, primarily because the Pension and OPEB liabilities decreased \$248,428. In addition, the Authority's debt decreased \$88,477. The Authority's deferred revenue also decreased \$64,866 as all of the CARES revenue from the prior fiscal year has been recognized in the current fiscal year.

HUD Operating Grants increased \$637,423, or 17.53%. Housing Choice Voucher program HAP revenue increased \$331,211, Capital Fund used for operating costs increased \$301,367, Housing Choice Voucher program administrative revenue increased \$16,721, Public Housing CARES grant revenue increased \$13,855, Housing Choice Voucher program CARES grant revenue increased \$8,491, Public Housing operating subsidy increased \$6,234, and Ross grant revenue decreased \$40,456.

Housing Assistance Payments expenses increased \$311,830, or 16.18%. This coincides with the HAP revenue increase previously mentioned.

HUD Capital grants increased \$314,225, or 134.19%, as the Authority made significant building improvements during the current fiscal year.

Prior period adjustments increased \$22,339, or 100.00%, as the Authority had to correct the prior year pension liability.

**G – 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 June 30, 2021.

1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.

2 – The possibility of reduced HUD funding as Congress addresses the federal budget, which may result in continued cut-backs on HUD subsidies and grants.

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2021

**H – Contacting the Authority’s Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director Ms. Jennifer Wenson Maier, Housing Authority of the City of Rahway, 165 East Grand Avenue, Rahway, NJ 07065.

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2021

	<u>Balance As of</u>		<u>Variance</u>	<u>% Var.</u>
	<u>June 2021</u>	<u>June 2020</u>		
Cash and Other Current Assets	\$ 1,652,979	\$ 1,446,940	\$ 206,039	14.24%
Net Capital Assets	4,434,058	4,519,066	(85,008)	-1.88%
Deferred Outflow of Resources	<u>324,289</u>	<u>417,413</u>	<u>(93,124)</u>	<u>-22.31%</u>
Total Assets	6,411,326	6,383,419	27,907	0.44%
Less: Total Liabilities	(4,647,416)	(5,086,193)	438,777	-8.63%
Less: Deferred Inflows of Resources	<u>(2,679,541)</u>	<u>(2,768,633)</u>	<u>89,092</u>	<u>-3.22%</u>
Net Position	<u>\$ (915,631)</u>	<u>\$ (1,471,407)</u>	<u>\$ 555,776</u>	<u>-37.77%</u>
Net Investment in Capital Assets	4,300,446	4,297,007	3,439	0.08%
Restricted Net Position	43,173	-	43,173	100.00%
Unrestricted Net Position	<u>(5,259,250)</u>	<u>(5,768,414)</u>	<u>509,164</u>	<u>-8.83%</u>
Total Net Position	<u>\$ (915,631)</u>	<u>\$ (1,471,407)</u>	<u>\$ 555,776</u>	<u>-37.77%</u>

Computations of Changes in Net Position are as follows:

	<u>For the Year Ended</u>		<u>Variance</u>	<u>% Var.</u>
	<u>June 2021</u>	<u>June 2020</u>		
<u>Operating Revenues</u>				
Tenant Revenues	\$ 1,324,845	\$ 1,334,507	(9,662)	-0.72%
HUD Operating Grants	4,273,125	3,635,702	637,423	17.53%
Other	<u>91,854</u>	<u>89,288</u>	<u>2,566</u>	<u>2.87%</u>
Total Operating Revenues	<u>5,689,824</u>	<u>5,059,497</u>	<u>630,327</u>	<u>12.46%</u>
<u>Operating Expenses</u>				
Op Exps excl. HAP & Depreciation	2,841,121	2,779,226	61,895	2.23%
Housing Assistance Payments	2,239,048	1,927,218	311,830	16.18%
Depreciation Expense	<u>633,393</u>	<u>654,417</u>	<u>(21,024)</u>	<u>-3.21%</u>
Total Operating Expenses	<u>5,713,562</u>	<u>5,360,861</u>	<u>352,701</u>	<u>6.58%</u>
Operating Profit/(Loss)	(23,738)	(301,364)	277,626	-92.12%
<u>Non-Operating Revenues</u>				
Interest on Investments	<u>8,790</u>	<u>16,769</u>	<u>(7,979)</u>	<u>-47.58%</u>
Income/(Loss) Before Capital Grants	(14,948)	(284,595)	269,647	-94.75%
HUD Capital Grants	<u>548,385</u>	<u>234,160</u>	<u>314,225</u>	<u>134.19%</u>
Excess Revenues/(Deficiency)	533,437	(50,435)	583,872	-1157.67%
Net Position - Beginning Balance	(1,471,407)	(1,420,972)	(50,435)	3.55%
Prior Period Adjustment	<u>22,339</u>	<u>-</u>	<u>22,339</u>	<u>100.00%</u>
Net Position - Ending Balance	<u>\$ (915,631)</u>	<u>\$ (1,471,407)</u>	<u>\$ 555,776</u>	<u>-37.77%</u>



**Polcari & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Rahway  
Rahway, New Jersey

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of the City of Rahway, which comprise the Statements of Net Position as of June 30, 2021, and the related Comparative Statements of Revenue, Expenses and Changes in Net Position and Cash Flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Rahway, as of June 30, 2021, and the changes in its net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.



INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Emphasis of Matter**

The Authority adopted GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Additional information can be found in the notes to these financial statements. Our opinion is not modified with respect to the matter of emphasis.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Supplemental Schedules pertaining to the Public Employees Retirement System and OPEB plans are presented on pages 30-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

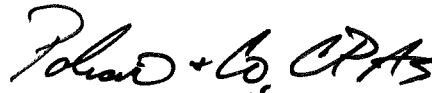
Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Rahway. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Additionally, the Statement and Certification of completed Capital Fund Program is supplemental information presented for the purpose of additional analysis and are not a required part of these financial statements.

The financial data schedule, schedule of expenditures of federal awards for the year ended June 30, 2021 and the Statement and Certification of Completed Capital Fund Programs are the responsibility of management and were derived from and directly relate to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards* we have also issued our report dated June 2, 2022, on our consideration of the Housing Authority of the City of Rahway'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.



CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
June 2, 2022

RAHWAY HOUSING AUTHORITY  
Rahway, New Jersey  
STATEMENT OF NET POSITION  
At June 30, 2021

	June 30, 2021
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents - Unrestricted	\$ 1,268,810
Cash - Restricted	43,173
Cash - Tenant Security Deposits	110,789
Accounts Receivable - HUD	82,720
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$18,448)	18,449
Accounts Receivable - Miscellaneous	61,406
Prepaid Expenses and Other Current Assets	67,632
Total Current Assets	1,652,979
<u>FIXED ASSETS</u>	
Land	299,623
Buildings and Improvements	16,428,394
Furniture, Equipment and Machinery	314,087
Construction in Progress	510,575
Total Fixed Assets	17,552,679
Less: Accumulated Depreciation	(13,118,621)
Net Fixed Assets	4,434,058
Deferred Outflow of Resources	324,289
Total Assets	\$ 6,411,326
<u>LIABILITIES AND NET POSITION</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable:	
Vendors and Contractors	\$ 27,602
Accrued Wages and Payroll Taxes	53,868
Accrued Expenses	32,434
Due to Tenants:	
Security Deposits	110,789
Deferred Revenue	6,538
Accrued Liabilities:	
Compensated Absences - Current Portion	18,261
Due to Other Governments	123,566
Current Portion of Long Term Debt	92,513
Total Current Liabilities	465,571
Accrued Compensated Absences - Noncurrent	164,348
Long Term Debt	41,099
Pension and OPEB Liability	3,976,398
Total Non-Current Liabilities	4,181,845
Deferred Inflow of Resources	2,679,541
Total Liabilities and Deferred Inflow of Resources	7,326,957
<u>NET POSITION</u>	
Net Investment in Capital Assets	4,300,446
Restricted Net Position	43,173
Unrestricted Net Position	(5,259,250)
Total Net Position	\$ (915,631)

See Notes to Financial Statements.

RAHWAY HOUSING AUTHORITY  
 Rahway, New Jersey  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
 For the Year Ended June 30, 2021

	<u>June 30, 2021</u>
<u>OPERATING REVENUES</u>	
Tenant Rental & Other Revenue	\$ 1,324,845
HUD Grants - Operating	4,273,125
Other Income	<u>91,854</u>
Total Revenues	<u>5,689,824</u>
<u>OPERATING EXPENSES</u>	
Administration	\$ 872,581
Tenant Services	146,643
Utilities	552,613
Ordinary Maintenance & Operations	974,297
Protective Services	57,624
General Expense	227,130
Bad Debts	2,048
Housing Assistance Payments	2,239,048
Interest Expense	8,185
Depreciation Expense	<u>633,393</u>
Total Operating Expenses	<u>5,713,562</u>
EXCESS OF OPERATING REVENUE OVER EXPENSES	(23,738)
Non Operating Revenues/(Expenses):	
Interest Income - Unrestricted	<u>8,790</u>
Income/(Loss) Before Contributions and Transfers	(14,948)
Capital Grants	<u>548,385</u>
INCREASE/(DECREASE) IN NET POSITION	533,437
Beginning Net Position	(1,471,407)
Prior Period Adjustment	<u>22,339</u>
Ending Net Position	<u>\$ (915,631)</u>

See Notes to Financial Statements.

RAHWAY HOUSING AUTHORITY  
Rahway, New Jersey  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2021

	<u>June 30, 2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received:	
From Tenants for Rental & Other Income	\$ 1,324,136
From Government Agencies for Operating Grants	4,150,541
For Other Operating Revenues	43,477
Cash Paid:	
To Employees for Operations	(994,235)
To Suppliers for Operations	(2,113,240)
For Housing Assistance Payments	(2,239,048)
Net Cash Provided/(Used) by Operating Activities	<u>171,631</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Net Cash Received/(Paid) for Long Term Debt	(88,447)
Capital Grants Received	548,385
Acquisition of Property and Equipment	(548,385)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(88,447)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Cash Received/(Paid) for Tenant Security Deposits	2,180
Cash Received/(Paid) for Investments	8,790
Net Cash Provided/(Used) by Investing Activities	<u>10,970</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	94,154
Cash and Equivalents at Beginning of Period	1,328,618
Cash and Equivalents at End of Period	<u>\$ 1,422,772</u>
<u>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS</u>	
Operating Income/(Loss)	\$ (23,738)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities	
Depreciation	633,393
Decrease/(Increase) in Assets	
Due From HUD	(57,718)
Accounts Receivable - Tenants	(709)
Accounts Receivable - Other	(48,377)
Prepaid Expenses and Other Current Assets	(5,081)
Increase/(Decrease) in Liabilities	
Accounts Payable and Accrued Expenses	(47,878)
Accrued Wages and Payroll Taxes Payable	(2,727)
Deferred Revenue	(64,866)
Compensated Absences	21,919
Due to Other Government Agencies	(10,530)
Pension and OPEB Liability	(222,057)
Net Cash Provided by Operating Activities	<u>\$ 171,631</u>

*See Notes to Financial Statements.*

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

**1. Organization and Activities** – The Housing Authority of the City of Rahway (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) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Rahway (the "City"). 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 governing board 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 to manage the day-to-day operations of the Authority.

The combined financial statements include all accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The federally funded programs administered by the Authority are detailed on the Financial Data Schedule and the Schedule of Expenditures of Federal Awards, both of which are included as Supplemental Information.

**2. Significant Accounting Policies**

**Basis of Accounting** – 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 is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. 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 Supplemental Information.

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

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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,

**b. Report Presentation** – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority also adopted the provisions of Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures", which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that includes a statement of net position, a statement of activities and a statement of cash flows. It requires the classification of net position into three components – Net Investment in Capital Asset; Restricted Net Position and Unrestricted Net Position. Statement No. 63 requires the re-naming of the Statement of Net Assets to the Statement of Net Position. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position. These classifications are defined as follows:

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

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

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

The adoption of GASB Statement no. 63 had no significant effect on the basic financial statements, except for the classification of net position.

Significant accounting policies are as follows:

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

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis. Interest costs necessary to place a Capital Asset in its intended location and condition are capitalized.

4 – Maintenance repairs funded out of operations are charged against income for all programs.

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

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

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

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

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

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

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

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

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

14 – Long-lived assets to be held and used are tested for recoverability whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of June 30, 2021 the Authority has not recognized any reduction in the carrying value of its fixed assets when considering AU 360.

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



HOUSING AUTHORITY OF THE CITY OF RAHWAY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

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

d. **New Accounting Pronouncements** - During the prior fiscal year, the Authority adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions which requires employers to recognize their proportionate share of the collective net healthcare liability excluding that attributable to employer-paid member contributions. Additional information regarding the adoption of GASB 75 can be found in Note 9 to these financial statements.

**NOTE 2 – Cash and Cash Equivalents**

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Deposit Protection Act of the state of New Jersey, which requires the institutions to pool collateral for all of governmental deposits and have the collateral held by an approved custodian in the institution’s name. Cash and cash equivalents of \$1,422,773 at June 30, 2021, consisted of the following:

	<u>June 30, 2021</u>
Checking Accounts	\$ 641,937
Tenant Security Deposits	110,789
CDs and Money Market Accounts	670,047
Total Cash and Cash Equivalents	\$ 1,422,773

The carrying amount of the Authority’s cash and cash equivalents held in banks as of June 30, 2021 was \$1,422,733 and the bank balances were \$1,447,857. Of the bank balances, \$250,000 was covered by FDIC insurance and \$1,197,857 was covered by a collateral pool maintained by the banks as required by New Jersey statute. Cash equivalents, except petty cash are held in the Authority’s name.

**NOTE 3 – Tenant Accounts Receivable**

Accounts Receivable HUD – As of June 30, 2021, the Authority had \$82,720 of Accounts receivable due from HUD. This amount represents funds due from the Authority’s capital fund program that were received after the fiscal year end date of June 30, 2021.

Tenant Accounts Receivable – As of June 30, 2021 the Authority had \$18,449 of amounts due from tenants as part of the Authority’s Low Rent Public Housing Program. The amounts are stated net of an allowance for doubtful accounts of \$18,448.

Other Accounts Receivable – As of June 30, 2021, the Authority was owed \$59,256 related to a CDBG grant and had an additional \$2,150 of miscellaneous accounts receivable.