

HOUSING AUTHORITY OF THE  
CITY OF RAHWAY  
Rahway, New Jersey

FINANCIAL STATEMENTS  
For the Years Ended  
June 30, 2022 and 2021

RAHWAY HOUSING AUTHORITY  
Rahway, New Jersey  
COMPARATIVE FINANCIAL STATEMENTS

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HOUSING AUTHORITY OF THE CITY OF RAHWAY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2022

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, 2022. 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 \$476,654 at the close of the most recent fiscal year as opposed to a deficit in net position of \$915,631 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 \$4,500,647.
3. The Authority's cash and cash equivalent balance (including restricted cash and tenant security deposits) at June 30, 2022 was \$1,291,469, representing a decrease of \$131,303 from the prior fiscal year.
4. The Authority had total operating revenues of \$5,846,271 and total operating expenses of \$6,062,154 (including depreciation expense of \$604,069) for the year ended June 30, 2022.
5. The Authority's capital outlays for the fiscal year were \$210,219.
6. The Authority's expenditures of federal awards amounted to \$4,713,710 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).

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MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2022

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 31-32 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, 2022 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, 2022, the Authority's net capital assets for its Proprietary Fund was \$4,040,208 (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 \$199,475 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, 2022

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. The balance at June 30, 2022 was \$41,101.

**F – Significant Changes from FYE June 30, 2021 to June 30, 2022**

Changes in the Statement of Net Position

Cash and other current assets increased \$71,408 or 4.32%, primarily due to the following: accounts receivable due from HUD increased \$155,280 as the Authority received capital funds used for operations after the fiscal year end date of June 30, 2022. In addition, prepaid expenses increased \$46,895 due to the timing of insurance premiums payments and deferred charges related to a flood claim.

Net capital assets decreased \$393,850, or 8.88%. The Authority had \$210,219 of fixed asset purchases and incurred \$604,069 of depreciation expense.

Deferred outflow of resources decreased \$192,163, or 59.26%, due to the most recent Pension Liability and Other Post Retirement Benefits (OPEB) actuarial valuations.

Total liabilities decreased \$1,244,047, or 26.77%, primarily because the Pension and OPEB liabilities decreased \$1,157,036.

HUD Operating Grants increased \$217,402, or 5.09%. Housing Choice Voucher program HAP revenue increased \$92,362, capital funds used for operations increased \$91,818, Public Housing operating subsidy increased \$83,948, Ross grant revenue increased \$18,092 and Housing Choice Voucher program administrative revenue increased \$11,370. Public Housing CARES grant revenue decreased \$27,755, and Housing Choice Voucher program CARES grant revenue decreased \$52,433 as the Authority used all of the remaining CARES funds in the prior fiscal year.

Other operating revenues decreased \$35,662, or 38.82%, because HCV portability revenue decreased approximately \$40,000.

Operating expenses excluding HAP and depreciation increased \$267,935, or 9.43%, primarily due to increased salaries and maintenance materials expenses.

Capital grants decreased \$192,145, or 59.30%, as the Authority made significant building improvements during the prior fiscal year.

Prior period adjustments increased \$403,621, or + 100.00%, due to the most recent Pension and OPEB actuarial valuations.

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2022

**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, 2022.

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.

**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, 2022

	<u>Balance As of</u>		<u>Variance</u>	<u>% Var.</u>
	<u>June 2022</u>	<u>June 2021</u>		
Cash and Other Current Assets	\$ 1,724,387	\$ 1,652,979	\$ 71,408	4.32%
Net Capital Assets	4,040,208	4,434,058	(393,850)	-8.88%
Deferred Outflow of Resources	132,126	324,289	(192,163)	-59.26%
Total Assets	<u>5,896,721</u>	<u>6,411,326</u>	<u>(514,605)</u>	<u>-8.03%</u>
Less: Total Liabilities	(3,403,369)	(4,647,416)	1,244,047	-26.77%
Less: Deferred Inflows of Resources	(2,970,006)	(2,679,541)	(290,465)	10.84%
Net Position	<u>\$ (476,654)</u>	<u>\$ (915,631)</u>	<u>\$ 438,977</u>	<u>-47.94%</u>
Net Investment in Capital Assets	3,999,107	4,300,446	(301,339)	-7.01%
Restricted Net Position	24,886	43,173	(18,287)	-42.36%
Unrestricted Net Position	<u>(4,500,647)</u>	<u>(5,259,250)</u>	<u>758,603</u>	<u>-14.42%</u>
Total Net Position	<u>\$ (476,654)</u>	<u>\$ (915,631)</u>	<u>\$ 438,977</u>	<u>-47.94%</u>

Computations of Changes in Net Position are as follows:

	<u>For the Year Ended</u>		<u>Variance</u>	<u>% Var.</u>
	<u>June 2022</u>	<u>June 2021</u>		
<u>Operating Revenues</u>				
Tenant Revenues	\$ 1,299,552	\$ 1,324,845	(25,293)	-1.91%
HUD Operating Grants	4,490,527	4,273,125	217,402	5.09%
Other	56,192	91,854	(35,662)	-38.82%
Total Operating Revenues	<u>5,846,271</u>	<u>5,689,824</u>	<u>156,447</u>	<u>2.75%</u>
<u>Operating Expenses</u>				
Op Exps excl. HAP & Depreciation	3,109,056	2,841,121	267,935	9.43%
Housing Assistance Payments	2,349,029	2,239,048	109,981	4.91%
Depreciation Expense	604,069	633,393	(29,324)	-4.63%
Total Operating Expenses	<u>6,062,154</u>	<u>5,713,562</u>	<u>348,592</u>	<u>6.10%</u>
Operating Profit/(Loss)	(215,883)	(23,738)	(192,145)	809.44%
<u>Non-Operating Revenues</u>				
Interest on Investments	5,724	8,790	(3,066)	-34.88%
Income/(Loss) Before Capital Grants	(210,159)	(14,948)	(195,211)	1305.93%
Capital Grants	<u>223,176</u>	<u>548,385</u>	<u>(325,209)</u>	<u>-59.30%</u>
Excess Revenues/(Deficiency)	13,017	533,437	(520,420)	-97.56%
Net Position - Beginning Balance	(915,631)	(1,471,407)	555,776	-37.77%
Prior Period Adjustment	<u>425,960</u>	<u>22,339</u>	<u>403,621</u>	<u>1806.80%</u>
Net Position - Ending Balance	<u>\$ (476,654)</u>	<u>\$ (915,631)</u>	<u>\$ 438,977</u>	<u>-47.94%</u>



# Polcari & Co.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

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

#### ***Opinions***

We have audited the accompanying financial statements of Net Position, Revenue, Expenses, and Changes in Net Position, and Cash Flows of the Housing Authority of the City of Rahway, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Rahway's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2022 and 2021, 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.

#### ***Basis for Opinion***

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

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

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

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

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

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



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

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

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

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Rahway's basic financial statements. The accompanying schedule of expenditures of federal awards is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the financial data schedule 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 December 27, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Rahway's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Rahway's internal control over financial reporting and compliance.



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CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
December 27, 2022

RAHWAY HOUSING AUTHORITY  
Rahway, New Jersey  
STATEMENT OF NET POSITION  
At June 30, 2022 and 2021

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 1,166,681	\$ 1,268,810
Cash - Restricted	24,886	43,173
Cash - Tenant Security Deposits	99,902	110,789
Accounts Receivable - HUD	238,000	82,720
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$14,692 and \$18,448)	50,438	18,449
Accounts Receivable - Miscellaneous	29,953	61,406
Prepaid Expenses and Other Current Assets	114,527	67,632
Total Current Assets	<u>1,724,387</u>	<u>1,652,979</u>
<u>FIXED ASSETS</u>		
Land	299,623	299,623
Buildings and Improvements	16,754,752	16,428,394
Furniture, Equipment and Machinery	314,087	314,087
Construction in Progress	394,436	510,575
Total Fixed Assets	17,762,898	17,552,679
Less: Accumulated Depreciation	<u>(13,722,690)</u>	<u>(13,118,621)</u>
Net Fixed Assets	<u>4,040,208</u>	<u>4,434,058</u>
Deferred Outflow of Resources	<u>132,126</u>	<u>324,289</u>
Total Assets	<u>\$ 5,896,721</u>	<u>\$ 6,411,326</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 53,700	\$ 27,602
Accrued Wages and Payroll Taxes	55,829	53,868
Accrued Expenses	47,447	32,434
Due to Tenants:		
Security Deposits	99,902	110,789
Deferred Revenue	6,301	6,538
Accrued Liabilities:		
Compensated Absences - Current Portion	15,729	18,261
Due to Other Governments	122,703	123,566
Current Portion of Long Term Debt	41,101	92,513
Total Current Liabilities	<u>442,712</u>	<u>465,571</u>
Accrued Compensated Absences - Noncurrent	141,565	164,348
Long Term Debt	-	41,099
Pension and OPEB Liability	2,819,092	3,976,398
Total Non-Current Liabilities	<u>2,960,657</u>	<u>4,181,845</u>
Deferred Inflow of Resources	<u>2,970,006</u>	<u>2,679,541</u>
Total Liabilities and Deferred Inflow of Resources	<u>6,373,375</u>	<u>7,326,957</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	3,999,107	4,300,446
Restricted	24,886	43,173
Unrestricted	<u>(4,500,647)</u>	<u>(5,259,250)</u>
Total Net Position	<u>\$ (476,654)</u>	<u>\$ (915,631)</u>

See Notes to Financial Statements.

RAHWAY HOUSING AUTHORITY  
Rahway, New Jersey  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
For the Years Ended June 30, 2022 and 2021

	June 30, 2022	June 30, 2021
<u>OPERATING REVENUES</u>		
Tenant Rental Revenue	\$ 1,299,552	\$ 1,324,845
HUD Operating Grants	4,490,527	4,273,125
Other	56,192	91,854
Total Operating Revenues	5,846,271	5,689,824
<u>OPERATING EXPENSES</u>		
Administration	\$ 954,924	\$ 872,581
Tenant Services	148,186	146,643
Utilities	456,657	552,613
Ordinary Maintenance & Operations	1,257,446	974,297
Protective Services	45,920	57,624
General Expense	239,465	227,130
Bad Debts	2,336	2,048
Housing Assistance Payments	2,349,029	2,239,048
Interest Expense	4,122	8,185
Depreciation Expense	604,069	633,393
Total Operating Expenses	6,062,154	5,713,562
EXCESS OF OPERATING REVENUE OVER EXPENSES	(215,883)	(23,738)
Non Operating Revenues/(Expenses):		
Interest Income - Unrestricted	5,724	8,790
Income/(Loss) Before Contributions and Transfers	(210,159)	(14,948)
Capital Grants	223,176	548,385
INCREASE/(DECREASE) IN NET POSITION	13,017	533,437
Beginning Net Position	(915,631)	(1,471,407)
Prior Period Adjustment	425,960	22,339
Ending Net Position	\$ (476,654)	\$ (915,631)

See Notes to Financial Statements.

RAHWAY HOUSING AUTHORITY  
Rahway, New Jersey  
STATEMENT OF CASH FLOWS  
For the Years Ended June 30, 2022 and 2021

	June 30, 2022	June 30, 2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Income	\$ 1,267,563	\$ 1,324,136
From Government Agencies for Operating Grants	4,335,010	4,150,541
For Other Operating Revenues	87,645	43,477
Cash Paid:		
To Employees for Operations	(1,036,781)	(994,235)
To Suppliers for Operations	(2,350,994)	(2,113,240)
For Housing Assistance Payments	(2,349,029)	(2,239,048)
Net Cash Provided/(Used) by Operating Activities	(46,586)	171,631
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Net Cash Received/(Paid) for Long Term Debt	(92,511)	(88,447)
Capital Grants Received	223,176	548,385
Acquisition of Property and Equipment	(210,219)	(548,385)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(79,554)	(88,447)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash Received/(Paid) for Tenant Security Deposits	(10,887)	2,180
Cash Received/(Paid) for Investments	5,724	8,790
Net Cash Provided/(Used) by Investing Activities	(5,163)	10,970
Net Increase/(Decrease) in Cash and Cash Equivalents	(131,303)	94,154
Cash and Equivalents at Beginning of Period	1,422,772	1,328,618
Cash and Equivalents at End of Period	\$ 1,291,469	\$ 1,422,772
<u>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET</u>		
<u>CASH PROVIDED (USED) BY OPERATIONS</u>		
Operating Income/(Loss)	\$ (215,883)	\$ (23,738)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	604,069	633,393
Decrease/(Increase) in Assets		
Due From HUD	(155,280)	(57,718)
Accounts Receivable - Tenants	(31,989)	(709)
Accounts Receivable - Other	31,453	(48,377)
Prepaid Expenses and Other Current Assets	(46,895)	(5,081)
Increase/(Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	41,111	(47,878)
Accrued Wages and Payroll Taxes Payable	1,961	(2,727)
Deferred Revenue	(237)	(64,866)
Compensated Absences	(25,315)	21,919
Due to Other Government Agencies	(863)	(10,530)
Pension and OPEB Liability	(248,718)	(222,057)
Net Cash Provided by Operating Activities	\$ (46,586)	\$ 171,631

*See Notes to Financial Statements.*

HOUSING AUTHORITY OF THE CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

**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, 2022

**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.