

HOUSING AUTHORITY OF THE  
TOWN OF HARRISON  
Harrison, New Jersey

COMPARATIVE FINANCIAL STATEMENTS  
For the Two Years Ended  
March 31, 2019 and 2018

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
 FINANCIAL STATEMENTS  
 For the Fiscal Years Ended March 31, 2019 and 2018  
TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| Management's Discussion and Analysis   | 1-5         |
| Independent Auditor's Report   | 6-7         |
| <br><u>FINANCIAL STATEMENTS</u>  |             |
| Comparative Statements of Net Position   | 8           |
| Comparative Statements of Revenues, Expenses, and Changes in Net Position  | 9           |
| Comparative Statements of Cash Flows   | 10          |
| Notes to Financial Statements  | 11-21       |
| <br><u>SUPPLEMENTAL INFORMATION</u>  |             |
| Schedule of Expenditures of Federal Awards   | 22          |
| Financial Data Schedule  | 23-27       |
| Statement and Certification of Completed Modernization Grants  | 28          |
| Schedule of Proportionate Share of the Net Pension Liability of the<br>Public Employees Retirement System (PERS)   | 29          |
| Schedule of Authority Contribution to the<br>Public Employees Retirement System (PERS)   | 30          |
| <br><u>OTHER REPORTS AND COMMENTS</u>  |             |
| Independent Auditor's Report on Internal Control Over Financial<br>Reporting and Compliance and Other Matters Based on an<br>Audit of Financial Statements Performed In Accordance With<br>Government Auditing Standards | 31-32       |
| Independent Auditor's Report on Compliance for Each Major<br>Federal Program and on Internal Control Over Compliance<br>Required by the Uniform Guidance   | 33-34       |
| Status of Prior Audit Findings   | 35          |
| Schedule of Findings and Questioned Costs  | 35          |

**HOUSING AUTHORITY OF THE TOWN OF HARRISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2019**

As Management of 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 March 31, 2019. 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 of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$941,933 (net position) as opposed to \$4,923,338 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 \$5,475,861.

3 – The Authority's cash and cash equivalents balance at March 31, 2019 was \$1,500,154, representing a decrease of \$118,307 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$2,490,108 and Total Operating Expenses of \$3,394,185 (including depreciation \$624,806) for the year ended March 31, 2019.

5 – The Authority's capital outlays for the fiscal year were \$529,301. All of the capital outlays were funded by the capital fund program.

6 – The Authority's Expenditures of Federal Awards amounted to \$1,186,588 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 statements and Notes to Financial Statements included in the 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, the Comparative Statements of Revenues, Expenses and Changes in Net Position, and the Comparative Statements of Cash Flows.

The Comparative Statements of Net Position present information on 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 Revenues, Expenses, and Changes in Net Position present 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).

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2019

**B – Using the Annual Report (Continued)**

**2 – Financial Statements (Continued)**

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 8 through 10.

**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 Government Auditing Standards. The SEFA awards can be found on page 22 of this report. Other required supplementary information related to the Authority's proportionate share of the New Jersey PERS liability is presented on pages 29 and 30 of this report.

**C – The Authority as a Whole**

The Authority's Net Position decreased 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 a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level.

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

**D – Budgetary Highlights**

For the year ended March 31, 2019 individual program or grant budgets were prepared by Authority management and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The Authority also 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 March 31, 2019, the Authority's investment in capital assets for its Proprietary Fund was \$6,417,794 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2019

**E - Capital Assets and Debt Administration (Continued)**

**1 – Capital Assets (Continued)**

Major capital assets purchased from HUD capital grants of \$529,301 during the current fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. These activities are funded by grants from HUD.

Additional informational on the Authority's capital assets can be found in Note 4 to the Financial Statements.

**2 – Long Term Debt**

The Authority does not have any long-term debt outstanding at this time.

**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 March 31, 2020.

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 need for Congress to fund other initiatives and programs of the federal government, thereby decreasing funding available to public housing programs.

3 – The use of the Authority's cash and cash equivalents of \$1,500,154 to fund any shortfalls rising from reduced subsidies and grants. The Authority's current working capital position appears sufficient to cover any shortfall. As of March 31, 2019, the Authority current assets of \$1,580,028 exceed its current liabilities of \$384,724 by \$1,195,304.

**G - Significant Changes From March 31, 2018 to March 31, 2019**

Buildings and Improvements increased \$431,067 primarily because the Authority completed its 2015 Capital Fund Program Grant and transferred \$431,067 of construction in progress to building improvements during the current fiscal year. The Authority also expended \$531,895 of capital grant funds to improve its housing developments. These expenditures are included in Construction in Progress.

Deferred outflow of resources decreased \$146,602; accrued pension and OPEB liability increased by \$3,309,309 and deferred inflows of resources increased by \$272,699. The primary reason for the increase in Pension and OPEB liability is the adoption of GASB #75 which increased the accrued OPEB liability by \$3,742,594. \$3,640,316 of this change is reported as a prior period adjustment during the fiscal year ended March 31, 2019.

Payment in Lieu of Taxes (PILOT) expense decreased \$13,811 due primarily to an increase of gas utility expense of approximately \$171,000. Dwelling rental income increased by approximately \$48,000 during the current fiscal year, an increase of 3%, which is consistent with budgeted amounts.

Gas utility expense increased from \$106,681 for the fiscal year ended March 31, 2018 to \$278,600 for the fiscal year ended March 31, 2019. This increase is due to corrected billings received during 2019 for prior periods dating back to 2016. These corrections were due to the inaccuracy of billings caused by

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2019

**G - Significant Changes From March 31, 2018 to March 31, 2019 (Continued)**

faulty meters. Management has reviewed the revised billings to ensure that the billings are accurate and that the faulty meters have been properly repaired.

HUD capital grants increased by \$357,768: from \$174,127 in 2018 to \$531,895 in 2019 due to the expenditure of approximately \$300,000 in 2019 for plumbing upgrades.

**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, Housing Authority of the Town of Harrison, Harrison & Schuyler Avenue, Harrison, New Jersey 07029-1331, or call (973) 483-1488.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
MARCH 31, 2019

Composition of Net Position is as follows:

|                                    | <u>Year Ended</u>     |                       |                       |                |
|------------------------------------|-----------------------|-----------------------|-----------------------|----------------|
|                                    | <u>March 31, 2019</u> | <u>March 31, 2018</u> | <u>Variance</u>       | <u>% Var</u>   |
| Cash and Other Current Assets      | \$ 1,580,028          | \$ 1,692,762          | \$ (112,734)          | -6.66%         |
| Capital Assets - Net               | 6,417,794             | 6,513,299             | (95,505)              | -1.47%         |
| Deferred Outflow of Resources      | 860,378               | 1,006,980             | (146,602)             | -14.56%        |
| Total Assets                       | 8,858,200             | 9,213,041             | (354,841)             | -3.85%         |
| Less: Total Liabilities            | (7,098,765)           | (3,744,900)           | (3,353,865)           | 89.56%         |
| Less: Deferred Inflow of Resources | (817,502)             | (544,803)             | (272,699)             | 100.00%        |
| Net Position                       | <u>\$ 941,933</u>     | <u>\$ 4,923,338</u>   | <u>\$ (3,981,405)</u> | <u>-80.87%</u> |
| Invested in Capital Assets         | \$ 6,417,794          | \$ 6,513,299          | \$ (95,505)           | -1.47%         |
| Unrestricted Net Position          | <u>(5,475,861)</u>    | <u>(1,589,961)</u>    | <u>(3,885,900)</u>    | <u>244.40%</u> |
| Total Net Position                 | <u>\$ 941,933</u>     | <u>\$ 4,923,338</u>   | <u>\$ (3,981,405)</u> | <u>-80.87%</u> |

Computations of Changes in Net Position are as follows:

|  | <u>Year Ended</u>     |                       |                       |                |
|--|-----------------------|-----------------------|-----------------------|----------------|
|  | <u>March 31, 2019</u> | <u>March 31, 2018</u> | <u>Variance</u>       | <u>% Var</u>   |
| <u>Revenues</u>  |                       |                       |                       |                |
| Tenant Revenues  | \$ 1,821,846          | \$ 1,775,888          | \$ 45,958             | 2.59%          |
| HUD Subsidies  | 654,693               | 598,073               | 56,620                | 9.47%          |
| Other  | 13,569                | 13,708                | (139)                 | -1.01%         |
| Total Operating Revenues   | <u>2,490,108</u>      | <u>2,387,669</u>      | <u>102,439</u>        | <u>4.29%</u>   |
| <u>Expenses</u>  |                       |                       |                       |                |
| Operating Expenses Excl. Depreciation                                  | 2,769,379             | 2,739,993             | 29,386                | 1.07%          |
| Depreciation Expense   | 624,806               | 683,204               | (58,398)              | -8.55%         |
| Total Operating Expenses   | <u>3,394,185</u>      | <u>3,423,197</u>      | <u>(29,012)</u>       | <u>-0.85%</u>  |
| Deficiency of Operating Revenues Over Expenses                         | (904,077)             | (1,035,528)           | 131,451               | -12.69%        |
| <u>Non-Operating Revenues</u>  |                       |                       |                       |                |
| Interest on Investments  | <u>31,093</u>         | <u>16,503</u>         | <u>14,590</u>         | <u>88.41%</u>  |
| Deficiency of Revenues Over Expenses Before<br>Capital Grants Received | (872,984)             | (1,019,025)           | 146,041               | -14.33%        |
| <u>Capital Grants</u>  |                       |                       |                       |                |
| HUD Capital Grants   | <u>531,895</u>        | <u>174,127</u>        | <u>357,768</u>        | <u>205.46%</u> |
| Change in Net Position   | (341,089)             | (844,898)             | 503,809               | -59.6%         |
| Net Position - Beginning Balance                                       | 4,923,338             | 5,768,236             | (844,898)             | -14.65%        |
| Prior Period Adjustment  | (3,640,316)           | -                     | (3,640,316)           | -100.00%       |
| Net Position - Ending Balance  | <u>\$ 941,933</u>     | <u>\$ 4,923,338</u>   | <u>\$ (3,981,405)</u> | <u>-80.87%</u> |



**CERTIFIED PUBLIC ACCOUNTANTS**

2035 HAMBURG TURNPIKE, UNIT H

WAYNE, NEW JERSEY 07470

TELEPHONE: (973) 831-6969

FAX: (973) 831-6972

E-MAIL: POLCARICO@OPTONLINE.NET

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of the Town of Harrison, which comprise the Comparative Statements of Net Position as of March 31, 2019 and 2018 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 Town of Harrison, as of March 31, 2019 and 2018, 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.

**Emphasis of Matter**

During the fiscal year, the Authority adopted GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Additional information can be found in Note 1 to these financial statements. Our opinion is not modified with respect to the matter of emphasis.

**INDEPENDENT AUDITOR'S REPORT**  
(Continued)

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Supplemental Schedules pertaining to the Public Employees Retirement System presented on pages 29-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the Town of Harrison. 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 March 31, 2019 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards* we have also issued our report dated September 20, 2019 on our consideration of the Housing Authority of the Town of Harrison'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  
September 20, 2019

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
COMPARATIVE STATEMENTS OF NET POSITION  
 At March 31, 2019 and 2018

|   | <u>March 31, 2019</u> | <u>March 31, 2018</u> |
|---|-----------------------|-----------------------|
| <u>ASSETS &amp; DEFERRED OUTFLOW OF RESOURCES</u> |                       |                       |
| <u>CURRENT ASSETS</u>                             |                       |                       |
| Cash and Cash Equivalents                         | \$ 1,500,154          | \$ 1,618,461          |
| Accounts Receivable - HUD                         | -                     | 2,593                 |
| Accounts Receivable - Tenants (Net)               | 9,570                 | 8,704                 |
| Inventories (Net)                                 | 14,338                | 11,808                |
| Prepaid Expenses and Other Current Assets         | 55,966                | 51,196                |
| Total Current Assets                              | <u>1,580,028</u>      | <u>1,692,762</u>      |
| <u>CAPITAL ASSETS</u>                             |                       |                       |
| Land  | 188,597               | 188,597               |
| Buildings and Improvements                        | 17,446,819            | 17,031,444            |
| Furniture, Equipment and Machinery                | 303,004               | 278,842               |
| Construction in Progress                          | 241,205               | 151,441               |
| Total Fixed Assets                                | 18,179,625            | 17,650,324            |
| Less: Accumulated Depreciation                    | <u>(11,761,831)</u>   | <u>(11,137,025)</u>   |
| Net Fixed Assets                                  | <u>6,417,794</u>      | <u>6,513,299</u>      |
| Deferred Outflow of Resources                     | <u>860,378</u>        | <u>1,006,980</u>      |
| Total Assets                                      | <u>\$ 8,858,200</u>   | <u>\$ 9,213,041</u>   |
| <u>LIABILITIES AND NET POSITION</u>               |                       |                       |
| <u>CURRENT LIABILITIES</u>                        |                       |                       |
| Accounts Payable:                                 |                       |                       |
| Vendors and Contractors                           | \$ 83,166             | \$ 55,381             |
| Tenant Security Deposits                          | 34,163                | 19,613                |
| Deferred Revenue                                  | 6,448                 | 7,017                 |
| Accrued Liabilities:                              |                       |                       |
| Compensated Absences - Current Portion            | 142,314               | 129,191               |
| Payment in Lieu of Taxes                          | <u>118,633</u>        | <u>131,910</u>        |
| Total Current Liabilities                         | 384,724               | 343,112               |
| Compensated Absences - Noncurrent                 | 241,217               | 238,273               |
| Pension and OPEB                                  | <u>6,472,824</u>      | <u>3,163,515</u>      |
| Total Liabilities                                 | <u>7,098,765</u>      | <u>3,744,900</u>      |
| Deferred Inflow of Resources                      | 817,502               | 544,803               |
| <u>NET POSITION</u>                               |                       |                       |
| Net Investment in Capital Assets                  | 6,417,794             | 6,513,299             |
| Unrestricted Net Position                         | <u>(5,475,861)</u>    | <u>(1,589,961)</u>    |
| Total Net Position                                | <u>\$ 941,933</u>     | <u>\$ 4,923,338</u>   |

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 At March 31, 2019 and 2018

|  | For the Year Ended    |                       |
|--|-----------------------|-----------------------|
|  | <u>March 31, 2019</u> | <u>March 31, 2018</u> |
| <u>OPERATING REVENUES</u>                          |                       |                       |
| Total Tenant Revenue                               | \$ 1,821,846          | \$ 1,775,888          |
| HUD Grants - Operating                             | 654,693               | 598,073               |
| Other  | 13,569                | 13,708                |
| Total Revenues                                     | <u>2,490,108</u>      | <u>2,387,669</u>      |
| <u>OPERATING EXPENSES</u>                          |                       |                       |
| Administration                                     | 925,244               | 944,640               |
| Utilities  | 635,517               | 457,696               |
| Ordinary Maintenance & Operations                  | 977,879               | 1,089,842             |
| General Expense                                    | 230,739               | 247,815               |
| Depreciation Expense                               | 624,806               | 683,204               |
| Total Operating Expenses                           | <u>3,394,185</u>      | <u>3,423,197</u>      |
| EXCESS OF OPERATING REVENUE OVER EXPENSES          | (904,077)             | (1,035,528)           |
| Non Operating Revenues/(Expenses):                 |                       |                       |
| Interest Income                                    | <u>31,093</u>         | <u>16,503</u>         |
| Income / (Loss) Before Contributions and Transfers | (872,984)             | (1,019,025)           |
| Capital Grants                                     | <u>531,895</u>        | <u>174,127</u>        |
| CHANGE IN NET POSITION                             | (341,089)             | (844,898)             |
| Beginning Net Position                             | 4,923,338             | 5,768,236             |
| Prior Period Adjustments                           | <u>(3,640,316)</u>    | <u>-</u>              |
| Ending Net Position                                | <u>\$ 941,933</u>     | <u>\$ 4,923,338</u>   |

**HOUSING AUTHORITY OF THE TOWN OF HARRISON**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
At March 31, 2019 and 2018

|   | <u>For the Year Ended</u> |                       |
|---|---------------------------|-----------------------|
|   | <u>March 31, 2019</u>     | <u>March 31, 2018</u> |
| <b><u>CASH FLOWS FORM OPERATING ACTIVITIES</u></b>      |                           |                       |
| Cash Received:  |                           |                       |
| From Tenants for Rental & Other Income                  | \$ 1,820,411              | \$ 1,767,363          |
| From Government Agencies for Operating Grants           | 657,286                   | 595,480               |
| For Other Operating Revenues                            | 13,569                    | 13,708                |
| Cash Paid:  |                           |                       |
| To Employees for Operations                             | (1,055,879)               | (982,148)             |
| To Suppliers for Operations                             | (1,587,381)               | (1,398,089)           |
| Net Cash Provided/(Used) by Operating Activities        | <u>(151,994)</u>          | <u>(3,686)</u>        |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>      |                           |                       |
| Capital Grants Received                                 | 531,895                   | 174,127               |
| Acquisition of Property and Equipment                   | <u>(529,301)</u>          | <u>(171,338)</u>      |
| Net Cash Provided/(Used) by Financing Activities        | <u>2,594</u>              | <u>2,789</u>          |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>      |                           |                       |
| Investment Income                                       | <u>31,093</u>             | <u>16,503</u>         |
| Net Cash Provided/(Used) by Investing Activities        | <u>31,093</u>             | <u>16,503</u>         |
| Net Increase/(Decrease) in Cash and Cash Equivalents    | (118,307)                 | 15,606                |
| Cash and Equivalents at Beginning of Period             | <u>1,618,461</u>          | <u>1,602,855</u>      |
| Cash and Equivalents at End of Period                   | <u>\$ 1,500,154</u>       | <u>\$ 1,618,461</u>   |
| Reconciliation of Operating Income/(Loss) to Net Cash   |                           |                       |
| Provided/(Used) by Operations                           |                           |                       |
| Operating Income/(Loss)                                 | \$ (904,077)              | \$ (1,035,528)        |
| Adjustments to Reconcile Operating Income/(Loss) to Net |                           |                       |
| Cash Provided/(Used) by Operating Activities            |                           |                       |
| Depreciation  | 624,806                   | 683,204               |
| Decrease/(Increase) in Assets:                          |                           |                       |
| Accounts Receivable - Tenants                           | (866)                     | (4,089)               |
| Accounts Receivable - HUD                               | 2,593                     | (2,593)               |
| Inventories   | (2,530)                   | 540                   |
| Prepaid Expenses and Other Current Assets               | (4,770)                   | (5,580)               |
| Increase/(Decrease) in Liabilities:                     |                           |                       |
| Accounts Payable  | 42,335                    | 4,103                 |
| Deferred Revenue - Tenant Prepaid Rent                  | (569)                     | (4,436)               |
| Compensated Absences                                    | 16,067                    | 23,277                |
| Pension and OPEB  | 88,294                    | 334,571               |
| PILOT Payable   | <u>(13,277)</u>           | <u>2,845</u>          |
| Net Cash Provided/(Used) by Operating Activities        | <u>\$ (151,994)</u>       | <u>\$ (3,686)</u>     |

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

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

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

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

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

**2. Significant Accounting Policies**

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

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

**Federal Grant Revenue** – Operating subsidies and Capital Fund Program revenue received from HUD are recorded under the accrual method of accounting and are recognized in the period earned in accordance with applicable HUD guidelines. The Authority is generally entitled to receive funds from HUD under an established payment schedule or as expenditures are made under the Capital Fund Program.

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

**Miscellaneous Income** – Miscellaneous revenue consists primarily of miscellaneous service fees. The revenue is recorded as earned since it is measurable and available.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

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

**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.

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.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

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

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 March 31, 2019 the Authority has not recognized any reduction in the carrying value of its fixed assets when considering AU 360.

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

**d. New Accounting Pronouncements** - During the current 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.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

**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 \$1,500,154 and \$1,618,461 at March 31, 2019 and 2018, respectively, consisted of the following:

|                                 | <u>March 31, 2019</u> | <u>March 31, 2018</u> |
|---------------------------------|-----------------------|-----------------------|
| Checking Accounts               | \$ 1,498,954          | \$ 1,617,261          |
| Petty Cash Fund                 | 1,200                 | 1,200                 |
| Total Cash and Cash Equivalents | <u>\$ 1,500,154</u>   | <u>\$ 1,618,461</u>   |

The carrying amount of the Authority's cash and cash equivalents held in banks as of March 31, 2019 was \$1,500,154 and the bank balances were \$1,500,628. Of the bank balances, \$250,000 was covered by FDIC insurance and \$1,250,628 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**

Tenant accounts receivable are stated net of an allowance for doubtful accounts. Management has determined that an allowance for doubtful accounts of \$0 and \$1,073 was required at March 31, 2019 and 2018, respectively.

**NOTE 4 - Fixed Assets**

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost, less accumulated depreciation. Expenditures are capitalized when they meet the Authority's Capitalization policy. Under that policy, assets purchased or constructed at a cost not exceeding \$1,000 are expensed when incurred. The following is a summary of the changes in fixed assets for the fiscal year ended March 31, 2019 and 2018:

|                          | <u>Apr. 1, 2018</u> | <u>Additions</u>   | <u>Disposals</u> | <u>Transfers/Other</u> | <u>Mar. 31, 2019</u> |
|--------------------------|---------------------|--------------------|------------------|------------------------|----------------------|
| Land                     | \$ 188,597          | \$ -               | \$ -             | \$ -                   | \$ 188,597           |
| Buildings                | 15,529,351          | 1,235              | -                | 284,538                | 15,815,124           |
| Equipment                | 278,842             | -                  | -                | 24,162                 | 303,004              |
| Leasehold Improvements   | 1,502,093           | -                  | -                | 127,007                | 1,629,100            |
| Construction in Progress | 151,441             | 528,066            | -                | (435,707)              | 243,800              |
| Total Fixed Assets       | 17,650,324          | 529,301            | -                | -                      | 18,179,625           |
| Accumulated Depreciation | (11,137,025)        | (624,806)          | -                | -                      | (11,761,831)         |
| Net Fixed Assets         | <u>\$ 6,513,299</u> | <u>\$ (95,505)</u> | <u>\$ -</u>      | <u>\$ -</u>            | <u>\$ 6,417,794</u>  |

|                          | <u>Apr. 1, 2017</u> | <u>Additions</u>    | <u>Disposals</u> | <u>Transfers/Other</u> | <u>Mar. 31, 2018</u> |
|--------------------------|---------------------|---------------------|------------------|------------------------|----------------------|
| Land                     | \$ 188,597          | \$ -                | \$ -             | \$ -                   | \$ 188,597           |
| Buildings                | 15,098,284          | -                   | -                | 431,067                | 15,529,351           |
| Equipment                | 278,842             | -                   | -                | -                      | 278,842              |
| Leasehold Improvements   | 1,502,093           | -                   | -                | -                      | 1,502,093            |
| Construction in Progress | 411,170             | 171,338             | -                | (431,067)              | 151,441              |
| Total Fixed Assets       | 17,478,986          | 171,338             | -                | -                      | 17,650,324           |
| Accumulated Depreciation | (10,453,821)        | (683,204)           | -                | -                      | (11,137,025)         |
| Net Fixed Assets         | <u>\$ 7,025,165</u> | <u>\$ (511,866)</u> | <u>\$ -</u>      | <u>\$ -</u>            | <u>\$ 6,513,299</u>  |

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

**NOTE 4 - Fixed Assets (Continued)**

Depreciation expense for the fiscal years ended March 31, 2019 and 2018 amounted to \$624,806 and \$683,204, respectively. Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

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

**NOTE 5 – Deferred Revenue**

Deferred revenue of \$6,448 at and \$7,017 at March 31, 2019 and 2018, respectively, represents prepaid tenant rent.

**NOTE 6 – Payment in Lieu of Taxes (PILOT)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Town. Under the Cooperation Agreement, the Authority must pay the Town the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended March 31, 2019 and 2018, PILOT expense was accrued in the amount of \$118,633 and \$131,910 respectively.

**NOTE 7 – Accrued Compensated Absences**

Accrued compensated absences of \$383,531 and \$367,464 at March 31, 2019 and 2018, respectively, represent amounts of accumulated leave for which employees are entitled to receive payment 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. Vacation leave may be carried to the next succeeding calendar year only. Employees may be compensated for sick leave at retirement based on one-half of the unused sick leave, payable at the salary rate earned at the time of separation.

**NOTE 8 – Pension Plan**

**General Information about the Pension Plan**

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

Benefits Provided - The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

- Tier 1 – Members who were enrolled by July 1, 2007.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

**NOTE 8 – Pension Plan (Continued)**

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

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

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by state of New Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. The employee rate was increased from 7.0% to 7.5% of base salary effective July 1, 2018 plus an additional 1% phased in over 7 years beginning in fiscal year 2013. The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The actuarially determined contribution includes funding for cost of living adjustments and a noncontributory death benefit. Chapter 9, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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

At the June 30, 2018 and June 30, 2017 measurement dates, the Authority reported \$2,445,538 and \$2,714,150, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2018 and June 30, 2017 were 0.01242% and 0.01166%, respectively. The components of the Authority's net pension liability as of June 30, 2018 and 2017, the most recent evaluation dates, are as follows:

|                                   | <u>2018</u>         | <u>2017</u>         |
|-----------------------------------|---------------------|---------------------|
| Total Pension Liability           | \$ 5,270,222        | \$ 5,229,571        |
| Less: Plan Fiduciary Net Position | <u>(2,824,684)</u>  | <u>(2,515,421)</u>  |
| Net Pension Liability             | <u>\$ 2,445,538</u> | <u>\$ 2,714,150</u> |

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

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

**NOTE 8 – Pension Plan (Continued)**

Actuarial Assumptions - The total pension liability as of June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

|                           |                               |
|---------------------------|-------------------------------|
| Inflation Rate            | 2.25%                         |
| Salary Increases          |                               |
| Through 2026              | 1.65% - 4.15%<br>based on age |
| Thereafter                | 2.65% - 5.15%<br>based on age |
| Investment Rate of Return | 7.00%                         |

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements. In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer after consultation with the Director of 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 included in the PERS's target allocation as of June 30, 2018 are summarized in the following table:

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

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

**NOTE 8 – Pension Plan (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the collective net pension liability of the Authority as of June 30, 2018 and June 30, 2017, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|      | At 1% Decrease | At June 30 Discount Rate | At 1% Increase |
|------|----------------|--------------------------|----------------|
| 2018 | \$ 3,074,983   | \$ 2,445,538             | \$ 1,917,475   |
| 2017 | \$ 3,367,087   | \$ 2,714,150             | \$ 2,170,172   |

At June 30, 2018 and 2017, the Authority reported deferred outflows inflows of resources related to pensions from the following sources:

|   | 2018<br>Deferred<br>Outflows of<br>Resources | 2018<br>Deferred<br>Inflows of<br>Resources | 2017<br>Deferred<br>Outflows of<br>Resources | 2017<br>Deferred<br>Inflows of<br>Resources |
|---|--|---|--|---|
| Changes of assumptions  | \$ 402,984                                   | \$ 781,953                                  | \$ 546,808                                   | \$ 544,803                                  |
| Differences between expected and actual experience                        | 46,637                                       | 12,610                                      | 63,909                                       | -   |
| Net differences between projected and actual earnings on plan investments | -  | 22,939                                      | 18,482                                       | -   |
| Changes in proportion   | 410,757                                      | -   | 377,781                                      | -   |
| Subtotal  | <u>\$ 860,378</u>                            | <u>\$ 817,502</u>                           | <u>\$ 1,006,980</u>                          | <u>\$ 544,803</u>                           |
| Authority's contributions subsequent to the measurement date              | -  | -   | -  | -   |
| Total   | <u>\$ 860,378</u>                            | <u>\$ 817,502</u>                           | <u>\$ 1,006,980</u>                          | <u>\$ 544,803</u>                           |

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) relate to pensions will be recognized in pension expense as shown in the below chart. The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) over the average of the expected remaining service lives which is 5.63, 5.48, 5.57, 5.72 and 6.44 for the years 2018, 2017, 2016, 2015 and 2014 respectively

|                     |                   |
|---------------------|-------------------|
| Year ended June 30: |                   |
| 2019                | \$ (39,696)       |
| 2020                | 54,960            |
| 2021                | 394,106           |
| 2022                | 341,618           |
| 2023                | 109,390           |
| Total               | <u>\$ 860,378</u> |

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

**NOTE 9 – Other Post-Employment Benefits (OPEB)**

**Plan Description**

The Authority administers a single-employer defined benefit postemployment health care benefit plan. Coverage under the plan is available to employee spouses and benefits may continue to surviving spouses.

**Benefits Provided**

Vested employees are eligible for postemployment medical care benefits, including prescription drug benefits, as part of the plan. Benefits are insured through the state of New Jersey State health Benefits Program. Retired employees paying Medicare Part B premiums are reimbursed by the Authority under the Plan. Contribution rates for retirees are based on the state of New Jersey's formula under Chapter 78.

**Employees Covered Under the Plan**

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

|  |           |
|--|-----------|
| Inactive Employees or Beneficiaries Receiving Benefits | 5         |
| Active employees                                       | <u>13</u> |
| Total Employees included in Plan                       | <u>18</u> |

**Plan Assets**

The Authority has not accumulated plan assets in an irrevocable trust designated for plan participants.

**Total OPEB Liability**

The Authority's total other postemployment benefit ("OPEB") liability of \$4,027,286 was measured as of March 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the March 31, 2019 actuarial evaluation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|   |   |
|---|---|
| Discount Rate                           | 3.50%   |
| Healthcare Cost Trend Rates             | 9.0% beginning in 2018, decreasing 05% per year until an ultimate trend rate of 5.0% for 2026 and later years   |
| Retiree's Share of Benefit-Related Cost | Contribution rates for future retirees will be based on the state of New Jersey's new contribution formulas per implementation of Chapter 78. Contributions are calculated using a varying formula based on the retirees' base salary at retirement with a minimum of 1.5% of base salary. Contributions for current and future retirees with 20 or more years of service at June 28, 2011 are 0% (non-contributory). |

The discount rate is based on the prescribed discount interest rate methodology under GASB 75 based on average of three 20-year indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of March 29, 2019.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

**NOTE 9 – Other Post-Employment Benefits (OPEB) (Continued)**

Mortality rates are based on the RP 2014 Combined Healthy Table for both pre & post retirement; projected with mortality improvements using Projection Scale AA for 2.5 years, plus 7 years generational improvement.

The actuarial assumptions used in the March 31, 2019 valuation were based on the results of an actuarial experience study for the period April 1, 2018 through March 31, 2019.

Changes in the Total OPEB Liability are as follows:

|  |                            |
|--|----------------------------|
| Balance at 3/31/2018                     | \$ 3,925,008               |
| Changes for the Year                     |                            |
| Service Cost                             | 64,969                     |
| Interest                                 | 135,654                    |
| Changes in Benefit Terms                 | -                          |
| Changes in Expected to Actual Experience | -                          |
| Changes in Assumptions or Other Inputs   | -                          |
| Benefit Payments                         | (98,345)                   |
| Net Changes                              | <u>102,278</u>             |
| Balance at 3/31/2019                     | <u><u>\$ 4,027,286</u></u> |

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the Authority as of March 31, 2019, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current discount rate:

|                      |              |    |              |    |              |
|----------------------|--------------|----|--------------|----|--------------|
|                      | <u>2.50%</u> |    | <u>3.50%</u> |    | <u>4.50%</u> |
| Total OPEB Liability | \$ 480,701   | \$ | 4,027,286    | \$ | 3,431,367    |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the Authority as of March 31, 2019, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (8.0% decreasing to 4.0%) or 1 percentage point higher (10.0% decreasing to 6.0%) than the current healthcare cost trend rates:

|   |   |  |
|---|---|--|
| 1% Decrease<br>(8.0% decreasing<br>to 4.0%) | Trend Rates<br>(9.0% decreasing<br>to 5.0%) | 1% Decrease<br>(10.0% decreasing<br>to 6.0%) |
| \$ 3,338,160                                | \$ 4,027,286                                | \$ 4,988,138                                 |

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

For the year ended March 31, 2019, the Authority recognized OPEB expense of \$102,278. At March 31, 2019, the Authority did not report deferred outflows of resources or deferred inflows of resources related to OPEB.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019

**NOTE 10 – Risk Management**

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the years ended March 31, 2019 and 2018, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

**NOTE 11 – Construction Commitments**

At March 31, 2019 and 2018 the Authority's outstanding construction commitments pertained to its Capital Fund Programs. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

**NOTE 12 – Economic Dependency**

For the years ended March 31, 2019 and 2018, a substantial portion of the Authority's revenues were received from the United States Department of Housing and Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

**NOTE 13 – Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through September 20, 2019 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.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended March 31, 2019

|   | <u>Funds<br/>Expended</u> |
|---|---------------------------|
| <b>DIRECT FEDERAL ASSISTANCE</b>                          |                           |
| <b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b> |                           |
| <u>LOW INCOME HOUSING PROGRAM</u>                         |                           |
| Operating Subsidy (CFDA# 14.850)                          | \$ 508,553                |
| Capital Fund Program (CFDA# 14.872)                       | <u>678,035</u>            |
| <b>TOTAL FEDERAL AWARDS</b>                               | <u>\$ 1,186,588</u>       |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

# Harrison Housing Authority (NJ016)

Harrison, NJ

## Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

|   | Project Total | Subtotal      | ELIM | Total         |
|---|---------------|---------------|------|---------------|
| 111 Cash - Unrestricted   | \$1,466,016   | \$1,466,016   |      | \$1,466,016   |
| 112 Cash - Restricted - Modernization and Development             |               |               |      |               |
| 113 Cash - Other Restricted                                       |               |               |      |               |
| 114 Cash - Tenant Security Deposits                               | \$34,138      | \$34,138      |      | \$34,138      |
| 115 Cash - Restricted for Payment of Current Liabilities          |               |               |      |               |
| 100 Total Cash  | \$1,500,154   | \$1,500,154   |      | \$1,500,154   |
| 121 Accounts Receivable - PHA Projects                            |               |               |      |               |
| 122 Accounts Receivable - HUD Other Projects                      |               |               |      |               |
| 124 Accounts Receivable - Other Government                        |               |               |      |               |
| 125 Accounts Receivable - Miscellaneous                           |               |               |      |               |
| 126 Accounts Receivable - Tenants                                 | \$9,570       | \$9,570       |      | \$9,570       |
| 126.1 Allowance for Doubtful Accounts - Tenants                   | \$0           | \$0           |      | \$0           |
| 126.2 Allowance for Doubtful Accounts - Other                     | \$0           | \$0           |      | \$0           |
| 127 Notes, Loans, & Mortgages Receivable - Current                |               |               |      |               |
| 128 Fraud Recovery  |               |               |      |               |
| 128.1 Allowance for Doubtful Accounts - Fraud                     |               |               |      |               |
| 129 Accrued Interest Receivable                                   |               |               |      |               |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts    | \$9,570       | \$9,570       |      | \$9,570       |
| 131 Investments - Unrestricted                                    |               |               |      |               |
| 132 Investments - Restricted                                      |               |               |      |               |
| 135 Investments - Restricted for Payment of Current Liability     |               |               |      |               |
| 142 Prepaid Expenses and Other Assets                             | \$55,966      | \$55,966      |      | \$55,966      |
| 143 Inventories   | \$15,599      | \$15,599      |      | \$15,599      |
| 143.1 Allowance for Obsolete Inventories                          | -\$1,261      | -\$1,261      |      | -\$1,261      |
| 144 Inter Program Due From  |               |               |      |               |
| 145 Assets Held for Sale  |               |               |      |               |
| 150 Total Current Assets  | \$1,580,028   | \$1,580,028   |      | \$1,580,028   |
| 161 Land  | \$188,597     | \$188,597     |      | \$188,597     |
| 162 Buildings   | \$15,817,719  | \$15,817,719  |      | \$15,817,719  |
| 163 Furniture, Equipment & Machinery - Dwellings                  |               |               |      |               |
| 164 Furniture, Equipment & Machinery - Administration             | \$303,004     | \$303,004     |      | \$303,004     |
| 165 Leasehold Improvements  | \$1,629,100   | \$1,629,100   |      | \$1,629,100   |
| 166 Accumulated Depreciation                                      | -\$11,761,831 | -\$11,761,831 |      | -\$11,761,831 |
| 167 Construction in Progress                                      | \$241,205     | \$241,205     |      | \$241,205     |
| 168 Infrastructure  |               |               |      |               |
| 160 Total Capital Assets, Net of Accumulated Depreciation         | \$6,417,794   | \$6,417,794   |      | \$6,417,794   |
| 171 Notes, Loans and Mortgages Receivable - Non-Current           |               |               |      |               |
| 172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due |               |               |      |               |
| 173 Grants Receivable - Non Current                               |               |               |      |               |
| 174 Other Assets  |               |               |      |               |
| 176 Investments in Joint Ventures                                 |               |               |      |               |
| 180 Total Non-Current Assets                                      | \$6,417,794   | \$6,417,794   |      | \$6,417,794   |
| 200 Deferred Outflow of Resources                                 | \$860,378     | \$860,378     |      | \$860,378     |

Harrison Housing Authority (NJ016)

Harrison, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

|   | Project Total | Subtotal     | ELIM | Total        |
|---|---------------|--------------|------|--------------|
| 290 Total Assets and Deferred Outflow of Resources                        | \$8,858,200   | \$8,858,200  |      | \$8,858,200  |
| 311 Bank Overdraft  |               |              |      |              |
| 312 Accounts Payable <= 90 Days   | \$80,102      | \$80,102     |      | \$80,102     |
| 313 Accounts Payable >90 Days Past Due                                    |               |              |      |              |
| 321 Accrued Wage/Payroll Taxes Payable                                    | \$2,334       | \$2,334      |      | \$2,334      |
| 322 Accrued Compensated Absences - Current Portion                        | \$142,314     | \$142,314    |      | \$142,314    |
| 324 Accrued Contingency Liability   |               |              |      |              |
| 325 Accrued Interest Payable  |               |              |      |              |
| 331 Accounts Payable - HUD PHA Programs                                   |               |              |      |              |
| 332 Account Payable - PHA Projects  |               |              |      |              |
| 333 Accounts Payable - Other Government                                   | \$118,633     | \$118,633    |      | \$118,633    |
| 341 Tenant Security Deposits  | \$34,163      | \$34,163     |      | \$34,163     |
| 342 Unearned Revenue  | \$6,448       | \$6,448      |      | \$6,448      |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue |               |              |      |              |
| 344 Current Portion of Long-term Debt - Operating Borrowings              |               |              |      |              |
| 345 Other Current Liabilities   |               |              |      |              |
| 346 Accrued Liabilities - Other   | \$730         | \$730        |      | \$730        |
| 347 Inter Program - Due To  |               |              |      |              |
| 348 Loan Liability - Current  |               |              |      |              |
| 310 Total Current Liabilities   | \$384,724     | \$384,724    |      | \$384,724    |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue    |               |              |      |              |
| 352 Long-term Debt, Net of Current - Operating Borrowings                 |               |              |      |              |
| 353 Non-current Liabilities - Other                                       |               |              |      |              |
| 354 Accrued Compensated Absences - Non Current                            | \$241,217     | \$241,217    |      | \$241,217    |
| 355 Loan Liability - Non Current  |               |              |      |              |
| 356 FASB 5 Liabilities  |               |              |      |              |
| 357 Accrued Pension and OPEB Liabilities                                  | \$6,472,824   | \$6,472,824  |      | \$6,472,824  |
| 350 Total Non-Current Liabilities   | \$6,714,041   | \$6,714,041  |      | \$6,714,041  |
| 300 Total Liabilities   | \$7,098,765   | \$7,098,765  |      | \$7,098,765  |
| 400 Deferred Inflow of Resources  | \$817,502     | \$817,502    |      | \$817,502    |
| 508.4 Net Investment in Capital Assets                                    | \$6,417,794   | \$6,417,794  |      | \$6,417,794  |
| 511.4 Restricted Net Position   | \$0           | \$0          |      | \$0          |
| 512.4 Unrestricted Net Position   | -\$5,475,861  | -\$5,475,861 |      | -\$5,475,861 |
| 513 Total Equity - Net Assets / Position                                  | \$941,933     | \$941,933    |      | \$941,933    |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net     | \$8,858,200   | \$8,858,200  |      | \$8,858,200  |

Harrison Housing Authority (NJ016)  
Harrison, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

|   | Project Total | Subtotal    | ELIM | Total       |
|---|---------------|-------------|------|-------------|
| 70300 Net Tenant Rental Revenue                         | \$1,796,726   | \$1,796,726 |      | \$1,796,726 |
| 70400 Tenant Revenue - Other                            | \$25,120      | \$25,120    |      | \$25,120    |
| 70500 Total Tenant Revenue                              | \$1,821,846   | \$1,821,846 |      | \$1,821,846 |
| 70600 HUD PHA Operating Grants                          | \$654,693     | \$654,693   |      | \$654,693   |
| 70610 Capital Grants                                    | \$531,895     | \$531,895   |      | \$531,895   |
| 70710 Management Fee                                    |               |             |      |             |
| 70720 Asset Management Fee                              |               |             |      |             |
| 70730 Book Keeping Fee                                  |               |             |      |             |
| 70740 Front Line Service Fee                            |               |             |      |             |
| 70750 Other Fees  |               |             |      |             |
| 70700 Total Fee Revenue                                 |               |             |      |             |
| 70800 Other Government Grants                           |               |             |      |             |
| 71100 Investment Income - Unrestricted                  | \$31,093      | \$31,093    |      | \$31,093    |
| 71200 Mortgage Interest Income                          |               |             |      |             |
| 71300 Proceeds from Disposition of Assets Held for Sale |               |             |      |             |
| 71310 Cost of Sale of Assets                            |               |             |      |             |
| 71400 Fraud Recovery                                    |               |             |      |             |
| 71500 Other Revenue                                     | \$13,569      | \$13,569    |      | \$13,569    |
| 71600 Gain or Loss on Sale of Capital Assets            |               |             |      |             |
| 72000 Investment Income - Restricted                    |               |             |      |             |
| 70000 Total Revenue                                     | \$3,053,096   | \$3,053,096 |      | \$3,053,096 |
| 91100 Administrative Salaries                           | \$470,086     | \$470,086   |      | \$470,086   |
| 91200 Auditing Fees                                     | \$12,600      | \$12,600    |      | \$12,600    |
| 91300 Management Fee                                    |               |             |      |             |
| 91310 Book-keeping Fee                                  |               |             |      |             |
| 91400 Advertising and Marketing                         |               |             |      |             |
| 91500 Employee Benefit contributions - Administrative   | \$270,528     | \$270,528   |      | \$270,528   |
| 91600 Office Expenses                                   | \$78,603      | \$78,603    |      | \$78,603    |
| 91700 Legal Expense                                     | \$89,828      | \$89,828    |      | \$89,828    |
| 91800 Travel  | \$3,173       | \$3,173     |      | \$3,173     |
| 91810 Allocated Overhead                                |               |             |      |             |
| 91900 Other   |               |             |      |             |
| 91000 Total Operating - Administrative                  | \$924,818     | \$924,818   |      | \$924,818   |
| 92000 Asset Management Fee                              |               |             |      |             |
| 92100 Tenant Services - Salaries                        |               |             |      |             |
| 92200 Relocation Costs                                  |               |             |      |             |
| 92300 Employee Benefit Contributions - Tenant Services  |               |             |      |             |
| 92400 Tenant Services - Other                           | \$426         | \$426       |      | \$426       |
| 92500 Total Tenant Services                             | \$426         | \$426       |      | \$426       |
| 93100 Water   | \$133,219     | \$133,219   |      | \$133,219   |
| 93200 Electricity                                       | \$171,675     | \$171,675   |      | \$171,675   |
| 93300 Gas   | \$278,680     | \$278,680   |      | \$278,680   |
| 93400 Fuel  |               |             |      |             |
| 93500 Labor   | \$35,218      | \$35,218    |      | \$35,218    |

Harrison Housing Authority (NJ016)  
Harrison, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

|   | Project Total | Subtotal    | ELIM | Total       |
|---|---------------|-------------|------|-------------|
| 93600 Sewer   |               |             |      |             |
| 93700 Employee Benefit Contributions - Utilities                | \$16,725      | \$16,725    |      | \$16,725    |
| 93800 Other Utilities Expense                                   |               |             |      |             |
| 93000 Total Utilities   | \$635,517     | \$635,517   |      | \$635,517   |
| 94100 Ordinary Maintenance and Operations - Labor               | \$550,575     | \$550,575   |      | \$550,575   |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$60,884      | \$60,884    |      | \$60,884    |
| 94300 Ordinary Maintenance and Operations Contracts             | \$48,963      | \$48,963    |      | \$48,963    |
| 94500 Employee Benefit Contributions - Ordinary Maintenance     | \$316,637     | \$316,637   |      | \$316,637   |
| 94000 Total Maintenance   | \$977,059     | \$977,059   |      | \$977,059   |
| 95100 Protective Services - Labor                               |               |             |      |             |
| 95200 Protective Services - Other Contract Costs                | \$820         | \$820       |      | \$820       |
| 95300 Protective Services - Other                               |               |             |      |             |
| 95500 Employee Benefit Contributions - Protective Services      |               |             |      |             |
| 95000 Total Protective Services                                 | \$820         | \$820       |      | \$820       |
| 96110 Property Insurance  | \$31,553      | \$31,553    |      | \$31,553    |
| 96120 Liability Insurance                                       | \$22,435      | \$22,435    |      | \$22,435    |
| 96130 Workmen's Compensation                                    | \$42,103      | \$42,103    |      | \$42,103    |
| 96140 All Other Insurance                                       | \$14,428      | \$14,428    |      | \$14,428    |
| 96100 Total Insurance Premiums                                  | \$110,519     | \$110,519   |      | \$110,519   |
| 96200 Other General Expenses                                    |               |             |      |             |
| 96210 Compensated Absences                                      |               |             |      |             |
| 96300 Payments in Lieu of Taxes                                 | \$118,099     | \$118,099   |      | \$118,099   |
| 96400 Bad debt - Tenant Rents                                   | \$2,121       | \$2,121     |      | \$2,121     |
| 96500 Bad debt - Mortgages                                      |               |             |      |             |
| 96600 Bad debt - Other  |               |             |      |             |
| 96800 Severance Expense   |               |             |      |             |
| 96000 Total Other General Expenses                              | \$120,220     | \$120,220   |      | \$120,220   |
| 96710 Interest of Mortgage (or Bonds) Payable                   |               |             |      |             |
| 96720 Interest on Notes Payable (Short and Long Term)           |               |             |      |             |
| 96730 Amortization of Bond Issue Costs                          |               |             |      |             |
| 96700 Total Interest Expense and Amortization Cost              | \$0           | \$0         |      | \$0         |
| 96900 Total Operating Expenses                                  | \$2,769,379   | \$2,769,379 |      | \$2,769,379 |
| 97000 Excess of Operating Revenue over Operating Expenses       | \$283,717     | \$283,717   |      | \$283,717   |
| 97100 Extraordinary Maintenance                                 |               |             |      |             |
| 97200 Casualty Losses - Non-capitalized                         |               |             |      |             |
| 97300 Housing Assistance Payments                               |               |             |      |             |
| 97350 HAP Portability-In  |               |             |      |             |
| 97400 Depreciation Expense                                      | \$624,806     | \$624,806   |      | \$624,806   |
| 97500 Fraud Losses  |               |             |      |             |
| 97600 Capital Outlays - Governmental Funds                      |               |             |      |             |
| 97700 Debt Principal Payment - Governmental Funds               |               |             |      |             |

Harrison Housing Authority (NJ016)  
Harrison, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

|   | Project Total | Subtotal     | ELIM | Total        |
|---|---------------|--------------|------|--------------|
| 97800 Dwelling Units Rent Expense   |               |              |      |              |
| 90000 Total Expenses  | \$3,394,185   | \$3,394,185  |      | \$3,394,185  |
| 10010 Operating Transfer In   | \$96,000      | \$96,000     |      | \$96,000     |
| 10020 Operating transfer Out  | -\$96,000     | -\$96,000    |      | -\$96,000    |
| 10030 Operating Transfers from/to Primary Government                      |               |              |      |              |
| 10040 Operating Transfers from/to Component Unit                          |               |              |      |              |
| 10050 Proceeds from Notes, Loans and Bonds                                |               |              |      |              |
| 10060 Proceeds from Property Sales  |               |              |      |              |
| 10070 Extraordinary Items, Net Gain/Loss                                  |               |              |      |              |
| 10080 Special Items (Net Gain/Loss)                                       |               |              |      |              |
| 10091 Inter Project Excess Cash Transfer In                               |               |              |      |              |
| 10092 Inter Project Excess Cash Transfer Out                              |               |              |      |              |
| 10093 Transfers between Program and Project - In                          |               |              |      |              |
| 10094 Transfers between Project and Program - Out                         |               |              |      |              |
| 10100 Total Other financing Sources (Uses)                                | \$0           | \$0          |      | \$0          |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses    | -\$341,089    | -\$341,089   |      | -\$341,089   |
| 11020 Required Annual Debt Principal Payments                             | \$0           | \$0          |      | \$0          |
| 11030 Beginning Equity  | \$4,923,338   | \$4,923,338  |      | \$4,923,338  |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | -\$3,640,316  | -\$3,640,316 |      | -\$3,640,316 |
| 11050 Changes in Compensated Absence Balance                              |               |              |      |              |
| 11060 Changes in Contingent Liability Balance                             |               |              |      |              |
| 11070 Changes in Unrecognized Pension Transition Liability                |               |              |      |              |
| 11080 Changes in Special Term/Severance Benefits Liability                |               |              |      |              |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents         |               |              |      |              |
| 11100 Changes in Allowance for Doubtful Accounts - Other                  |               |              |      |              |
| 11170 Administrative Fee Equity   |               |              |      |              |
| 11180 Housing Assistance Payments Equity                                  |               |              |      |              |
| 11190 Unit Months Available   | 3204          | 3204         |      | 3204         |
| 11210 Number of Unit Months Leased  | 3204          | 3204         |      | 3204         |
| 11270 Excess Cash   | \$898,397     | \$898,397    |      | \$898,397    |
| 11610 Land Purchases  | \$0           | \$0          |      | \$0          |
| 11620 Building Purchases  | \$531,895     | \$531,895    |      | \$531,895    |
| 11630 Furniture & Equipment - Dwelling Purchases                          | \$0           | \$0          |      | \$0          |
| 11640 Furniture & Equipment - Administrative Purchases                    | \$0           | \$0          |      | \$0          |
| 11650 Leasehold Improvements Purchases                                    | \$0           | \$0          |      | \$0          |
| 11660 Infrastructure Purchases  | \$0           | \$0          |      | \$0          |
| 13510 CFFP Debt Service Payments  | \$0           | \$0          |      | \$0          |
| 13901 Replacement Housing Factor Funds                                    | \$0           | \$0          |      | \$0          |

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS  
 As of March 31, 2019

|                                 | <u>NJ39P016501-16</u><br><u>CFP 2016 GRANT</u> | <u>TOTAL</u>   |
|---------------------------------|--|----------------|
| Funds Approved                  | \$ 583,356                                     | \$ 583,356     |
| Funds Expended                  | <u>583,356</u>                                 | <u>583,356</u> |
| Excess/(Deficiency) Approved    | <u>\$ -</u>                                    | <u>\$ -</u>    |
| Funds Advanced                  | \$ 583,356                                     | \$ 583,356     |
| Funds Expended                  | <u>583,356</u>                                 | <u>583,356</u> |
| Excess/(Deficiency) of Advances | <u>\$ -</u>                                    | <u>\$ -</u>    |

1. The distribution of cost by project and account classification accompanying the Financial Status Reports and Actual Modernization Cost Certificate submitted to HUD for approval were in agreement with the Authority's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.
3. The actual modernization cost certificates submitted to HUD are in agreement with the Authority's records.

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
Schedule of Proportionate Share of the Net Pension Liability  
of the Public Employees Retirement System (PERS)  
For the Year Ended March 31, 2018

|   | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  |
|---|--------------|--------------|--------------|--------------|
| Housing Authority's Proportion of the Net Pension Liability   | 0.01242%     | 0.01166%     | 0.01181%     | 0.00951%     |
| Housing Authority's Proportionate Share of the Net Pension Liability  | \$ 2,445,538 | \$ 2,714,150 | \$ 3,311,445 | \$ 2,135,340 |
| Housing Authority's Covered Employee Payroll  | 1,055,879    | 982,148      | 970,589      | 855,019      |
| Housing Authority's Proportionate Share of the Net Pension Liability<br>as a Percentage of Its Covered Employee Payroll | 231.61%      | 276.35%      | 341.18%      | 249.74%      |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability  | 53.60%       | 36.78%       | 40.14%       | 47.93%       |

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

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
Schedule of Authority Contributions to the  
Public Employees Retirement System (PERS)  
For the Year Ended March 31, 2018

|   | <u>2018</u>  | <u>2017</u>  | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|-------------|-------------|
| Contractually Required Contribution                                 | \$ 123,544   | \$ 108,013   | \$ 99,329   | \$ 81,781   |
| Contribution in Relation to the Contractually Required Contribution | \$ (123,544) | \$ (108,013) | \$ (99,329) | \$ (81,781) |
| Contribution Deficiency/(Excess)                                    | \$ -         | \$ -         | \$ -        | \$ -        |
| Authority's Covered Payroll   | \$ 1,055,879 | \$ 982,148   | \$ 982,148  | \$ 855,019  |
| Contribution as a Percentage of Covered Employee Payroll            | 11.70%       | 11.00%       | 10.11%      | 9.56%       |

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



CERTIFIED PUBLIC ACCOUNTANTS

---

2035 HAMBURG TURNPIKE, UNIT H  
WAYNE, NEW JERSEY 07470  
TELEPHONE: (973) 831-6969  
FAX: (973) 831-6972  
E-MAIL: POLCARICO@OPTONLINE.NET

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States, the financial statements of the Housing Authority of the Town of Harrison as of and for the year ended March 31, 2019 and have issued our report thereon dated September 20, 2019.

**Internal Control Over Financial Reporting**

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

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

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

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

(Continued)

**Compliance and Other Matters**

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

**Purpose of This Report**

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



CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
September 20, 2019



**CERTIFIED PUBLIC ACCOUNTANTS**

---

2035 HAMBURG TURNPIKE, UNIT H  
WAYNE, NEW JERSEY 07470  
TELEPHONE: (973) 831-6969  
FAX: (973) 831-6972  
E-MAIL: POLCARICO@OPTONLINE.NET

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

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

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

We have audited the Housing Authority of the Town of Harrison's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the entity's major federal programs for the year ended March 31, 2019. The Housing Authority of the Town of Harrison's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

**Opinion on Each Major Federal Program**

In our opinion, Housing Authority of the Town of Harrison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.

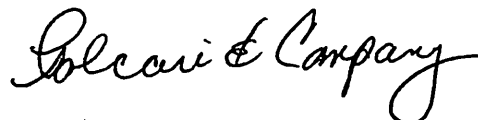
**Report on Internal Control Over Compliance**

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

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

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

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
September 20, 2019

HOUSING AUTHORITY OF THE TOWN OF HARRISON  
Harrison, New Jersey  
March 31, 2019

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit contained no findings.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SECTION 1 - SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness(es) Identified?

\_\_\_\_\_ yes        X   no

Significant Deficiencies identified that are  
not considered to be material weakness(es)?

\_\_\_\_\_ yes        X   none reported

Noncompliance Material to Financial Statements Noted?

\_\_\_\_\_ yes        X   no

**Federal Awards**

Internal Control over Major Programs:

Material Weakness(es) Identified?

\_\_\_\_\_ yes        X   no

Significant Deficiencies identified that are  
not considered to be material weakness(es)?

\_\_\_\_\_ yes        X   none reported

Type of audit report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with section 2 CFR 200.516(a)

\_\_\_\_\_ yes        X   no

Identification of Major Programs

CFDA

Number    Name of Federal Program or Cluster

14.850    Low Rent Public Housing

14.872    Capital Fund Program

Dollar Threshold used to distinguish between type A  
and type B Programs

\$750,000

Auditee qualified as low-risk?

  X   yes      \_\_\_\_\_ no

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.