

**Report On Audit**

**HOUSING AUTHORITY OF THE  
TOWN OF NEWTON**

**For the Year Ended  
December 31, 2020**

**Housing Authority of the Town of Newton**  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the Town of Newton  
32 Liberty Street  
Newton, New Jersey 07860

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of the Town of Newton (a governmental public corporation) in Newton, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of December 31, 2020, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the Town of Newton'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 Housing Authority of the Town of Newton's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Town of Newton as of December 31, 2020, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 16 and pages 44-48 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 method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the Town of Newton. The accompanying supplemental information on pages 49-55 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, 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* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements.



The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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 generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The financial statement of the Housing Authority of the Town of Newton as of December 31, 2019, was audited by other auditors whose report dated August 11, 2020 expressed an unmodified opinion on those statements.

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

In accordance with *Government Auditing Standards*, we have also issued reports dated February 23, 2022, on our consideration of the Housing Authority of the Town of Newton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Town of Newton internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the Town of Newton's internal control over financial reporting and compliance.

***Giampaolo & Associates***

Lincroft, New Jersey

Date: February 23, 2022

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

As Management of the Housing Authority of the Town of Newton (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 17 of this report. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflow of resources of the Authority exceeded its total liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$350,866 an increase in the deficit of the financial position of \$298,646 or 572% as compared to the prior year.

As noted above, the net position of the Authority was positive \$350,866 as of December 31, 2020. Of this amount, the unrestricted net position is \$153,558 representing an increase of \$281,455 or 220% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 16 the financial statements, which is included in this report.

The net investment in capital assets increased \$17,191 or 10% percent for an ending balance of \$197,308.

The Authority's total cash, and cash equivalent on December 31, 2020 is \$468,742, representing an increase of \$117,626 or 34% percent. Total operating cash is \$417,182, representing an increase of \$118,255 or 40% percent from the prior fiscal year. Total restricted cash decreased \$629 for an ending balance of \$51,560. The full detail of this amount can be found in the Statement of Cash Flows on pages 20-21 of this report.

The Authority's total assets and deferred outflows are \$742,734 of which deferred outflows are \$1,064, capital assets net book value is \$197,308, leaving total current assets at \$544,362. Total current assets increased from the previous year by \$180,144 or 49% percent. Total cash and cash equivalents increased by \$117,626, accounts receivables decreased by \$2,310, prepaid expenses increased by \$367, and unrestricted investments increased by \$64,461.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$12,144 or 6% percent. The major factors contributed for the decrease was the acquisition of capital assets in the amount of \$27,611, less the recording of depreciation expense in the amount of \$39,755. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$28,851 for an ending balance of \$1,064. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$87,397, resulting in an ending balance of \$280,249. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$111,619, of which current liabilities are stated at \$111,619. Total liabilities decreased during the year as compared to the prior year in the amount of \$246,894 or 69% percent. Total current liabilities decreased during the year by \$37,720, leaving noncurrent liabilities for a decrease of \$209,174 as compared to the previous year.

Total current liabilities decreased from the previous year by \$37,720 or 25% percent. Accounts payables decreased by \$1,686, accrued liabilities decreased by \$6,324, tenant security deposit payable decreased by \$629, the current portion of the note payable decreased \$29,335, and unearned revenue increased by \$254.

Total noncurrent liabilities decreased by \$209,174 or 100% percent. The decrease was made up of three accounts; long-term obligations such as compensated absences and note payable long-term, which remained unchanged for the fiscal year 2020.

The Authority also has accrued pension and OPEB liabilities which decreased \$209,174 for an ending balance of \$-0-. Additional information on the Authority's accrued pension and OPEB liabilities on December 31, 2020. The Authority has no employees since 2018.

The Authority had total operating revenue of \$712,878 as compared to \$647,910 from the prior year for an increase of \$64,968 or 10% percent. Total operating expenses of \$443,193 as compared to \$516,596 from the previous year for a decrease of \$73,403 or 14% percent, resulting in excess revenue from operations in the amount of \$269,685 for the current year as compared to excess revenue of \$131,314 from the previous year for an increase in expenses over revenue of \$138,371 or 105% percent.

Total capital improvements contributions from HUD were in the amount of \$27,611 as compared to the previous year of \$-0-.

The Authority's had capital outlays in the amount of 27,611 for the year.

The Authority's Expenditures of Federal Awards amounted to \$239,456 for the fiscal year 2020 as compared to \$156,472 for the previous fiscal year 2019 for an increase of \$82,984 or 53% percent.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing Program
2. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flows
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's 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 17 through 21.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION – CONTINUED**

Statement of Cash Flows– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 22 through 43.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose 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* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 49-50 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations, and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Town of Newton are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended December 31, 2020. Type B programs for the Housing Authority of the Town of Newton are those which are less than \$750,000 in expenditures for the fiscal year ended December 31, 2020.



**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Position between December 31, 2020 and December 31, 2019.

	<u>Year Ended</u>		Increase
	December-20	December-19	(Decrease)
Cash	\$ 468,742	\$ 351,116	\$ 117,626
Other Current Assets	75,620	13,102	62,518
Capital Assets - Net	197,308	209,452	(12,144)
Deferred Outflows	1,064	29,915	(28,851)
Total Assets	742,734	603,585	139,149
Less: Current Liabilities	(111,619)	(149,339)	37,720
Less: Non Current Liabilities	-	(209,174)	209,174
Less: Deferred Inflows	(280,249)	(192,852)	(87,397)
Total Net Position	<u>\$ 350,866</u>	<u>\$ 52,220</u>	<u>\$ 298,646</u>
Net Investment in Capital Assets	\$ 197,308	\$ 180,117	\$ 17,191
Unrestricted Net Position	153,558	(127,897)	281,455
Total Net Position	<u>\$ 350,866</u>	<u>\$ 52,220</u>	<u>\$ 298,646</u>

Cash increased by \$117,626 or 34% percent. Net cash provided by operating activities was \$302,998, net cash used by capital and related financing activities was \$122,261, and net cash used by investing activities was \$63,111. The full detail of this amount can be found in the Statement of Cash Flows on pages 20-21 of this audit report.

Other current assets are made up of accounts receivables net of allowances, prepaid expenses, and unrestricted investments. Accounts receivables decreased \$2,310, prepaid expenses increased by \$367, and unrestricted investments increased \$64,461 during the fiscal year.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$12,144 or 6% percent. The major factors contributed for the decrease was the purchase of fixed assets in the amount of \$27,611, less the recording of depreciation expense in the amount of \$39,755.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$28,851 for an ending balance of \$1,064. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$87,397, resulting in an ending balance of \$280,249.

Total current liabilities decreased from the previous year by \$37,720 or 25% percent. Accounts payables decreased by \$1,686, accrued liabilities decreased by \$6,324, tenant security deposit payable decreased by \$629, the current portion of the note payable decreased \$29,335, and unearned revenue increased \$254.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Total noncurrent liabilities decreased by \$246,894 or 69% percent. The decrease was made up of three accounts; long-term obligations such as compensated absences and note payable long-term which remained unchanged.

The Authority also has accrued pension and OPEB liabilities which decreased \$209,174 for an ending balance of \$-0-. Additional information on the Authority's accrued pension and OPEB liabilities on December 31, 2020.

The Authority's reported net position of positive \$350,866 is made up of two categories. The net investment in capital assets amount was \$197,308. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance December 31, 2019	\$ 180,117
Fixed Asset Additions	27,611
Depreciation Expense	(39,755)
Debt Payment	<u>29,335</u>
Balance December 31, 2020	<u><u>\$ 197,308</u></u>

The remaining portion of the Authority's net position reflects its unrestricted net position in the amount of \$153,558. The Housing Authority of the Town of Newton operating results for December 31, 2020, reported an increase in unrestricted position of \$281,455 or 220% percent. A full detail of these accounts can be found in the Notes to the Financial Statements Section Note – 16 Unrestricted Net Position.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following summarizes the changes in Net Position between December 31, 2020, and December 31, 2019:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase
	December-20	December-19	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 455,067	\$ 450,832	\$ 4,235
HUD Subsidies	211,845	156,472	55,373
Other Revenues	45,966	40,606	5,360
Total Operating Income	<u>712,878</u>	<u>647,910</u>	<u>64,968</u>
<u>Expenses</u>			
Operating Expenses	403,438	471,944	(68,506)
Depreciation Expense	39,755	44,652	(4,897)
Total Operating Expenses	<u>443,193</u>	<u>516,596</u>	<u>(73,403)</u>
Operating (Loss)			
Before Non-Operating Revenues	269,685	131,314	138,371
Interest Income	1,350	1,840	(490)
HUD Capital Grants	<u>27,611</u>	<u>-</u>	<u>27,611</u>
Change in Net Position	298,646	133,154	165,492
Net Position Prior Year	52,220	(80,934)	133,154
Total Net Position	<u>\$ 350,866</u>	<u>\$ 52,220</u>	<u>\$ 298,646</u>

Approximately 30% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 64% percent resulted from tenant revenue. Charges for various services and other sources of revenue provided the remaining 6% percent of the total operating income.

The Authority operating expenses cover a range of expenses. The largest expense was for administrative expenses, representing 51% percent of total operating expenses. Utility expense accounted for 21% percent, maintenance expense accounted for 18% percent, tenant services accounts for 0% percent, other operating expenses accounted for 3% percent, and depreciation accounted for the remaining 7% percent of the total operating expenses.



**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The Authority operating revenue exceeded its operating expenses resulting in excess revenue from operations in the amount of \$269,685 as compared to excess revenue over expenses from operations of \$131,314 for the previous year. The key elements for the increase in excess revenue in comparison to the prior year are as follows:

- Operating grants provided by HUD increased \$55,373 or 35% percent.
- Rental Revenue increased \$4,235 or 1% percent.
- Other revenue increased \$5,360 or 13% percent for an ending balance of \$45,966.
- Capital Grants provided by HUD increased \$27,611 or 100% percent.
- The Authority saw decreases in the following expenses as listed below:
  - Tenant services expenses decreased \$5,300 or 100% percent.
  - Utilities expense decreased \$8,119 or 8% percent.
  - Maintenance expense decreased \$6,403 or 7% percent.
  - Other operating expenses decreased \$55,513 or 129% percent.
  - Depreciation expense decreased \$4,897 or 11% percent.
- Administrative expense increased by \$6,829 or 3% percent.

Total net cash provided by operating activities during the year was \$302,998 as compared to cash provided by operating activities in the amount of \$162,111 in the prior fiscal year. A full detail of this amount can be found on the Statement of Cash Flows on pages 20-21 of this report.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following are financial highlights of significant items for a four-year period of time ending on December 31, 2020:

	December-20	December-19	December-18	December-17
<b>Significant Income</b>				
Total Tenant Revenue	\$ 456,247	\$ 450,832	\$ 441,112	\$ 446,500
HUD Operating Grants	211,845	156,472	133,080	178,387
HUD Capital Grants	27,611	-	-	22,398
Investment Income	1,350	1,840	381	680
Other Income	45,966	40,606	49,074	58,333
<b>Total</b>	<b>\$ 743,019</b>	<b>\$ 649,750</b>	<b>\$ 623,647</b>	<b>\$ 706,298</b>
<b>Payroll Expense</b>				
Administrative Salaries	\$ -	\$ -	\$ 42,174	\$ 148,222
Utilities Labor	-	-	-	10,487
Maintenance Labor	-	-	-	15,731
Employee Benefits Expense	-	-	7,899	41,202
<b>Total Payroll Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,073</b>	<b>\$ 215,642</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 236,002	\$ 229,173	\$ 132,969	\$ 32,366
Utilities Expense	95,911	104,030	120,572	122,259
Maintenance Materials Cost	11,850	8,987	10,925	61,348
Maintenance Contract Cost	72,123	81,389	103,754	86,654
Insurance Premiums	44,077	43,756	47,764	45,794
<b>Total</b>	<b>\$ 459,963</b>	<b>\$ 467,335</b>	<b>\$ 415,984</b>	<b>\$ 348,421</b>
<b>Total Operating Expenses</b>	<b>\$ 443,193</b>	<b>\$ 516,596</b>	<b>\$ 591,230</b>	<b>\$ 767,300</b>
<b>Total of Federal Awards</b>	<b>\$ 239,456</b>	<b>\$ 156,472</b>	<b>\$ 133,080</b>	<b>\$ 200,785</b>

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**THE AUTHORITY AS A WHOLE**

The Authority's revenues consist primarily of rents and 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. The Authority's revenues were sufficient to cover all operating expense. The Authority's unrestricted net position does not appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

By far, the largest portion of the Authority's net position reflects its net 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 reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

**THE HOUSING AUTHORITY OF THE TOWN OF NEWTON PROGRAMS**

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the Town of Newton flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**BUDGETARY HIGHLIGHTS**

For the year ended December 31, 2020, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The 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.

**NEW INITIATIVES**

For the fiscal year 2020 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 32% percent of its revenue from the Department of Housing and Urban Development, (2019 was 24% percent), the Authority are constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. In 2020, the Authority has been exploring the possibility for a Rental Assistance Application (RAD) which would involve converting current public housing units to a Section 8 platform. While this process takes time the Authority has remained diligent in being proactive in regard to maintaining the condition of their buildings.

The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing to qualified residents of the Town of Newton all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's net investment in capital assets as of December 31, 2020, was \$197,308 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$12,144 or 6% percent. The Authority had major capital expenditures of \$27,611 during the fiscal year. Major capital assets events during the fiscal year included the following:

- Various HVAC Repairs
- PHA-WEB Software
- Replacement of a Diesel Tank

	December-20	December-19	Change
Land	\$ 95,000	\$ 95,000	\$ -
Building	3,622,126	3,622,126	-
Furniture, Equipment - Dwelling	34,106	34,106	-
Furniture, Equipment - Administration	67,600	67,600	-
Construction in Progress	27,611	-	27,611
Total Fixed Assets	3,846,443	3,818,832	27,611
Accumulated Depreciation	(3,649,135)	(3,609,380)	(39,755)
Net Book Value	\$ 197,308	\$ 209,452	\$ (12,144)

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 – Debt Administration

The Authority as of December 31, 2020, had no outstanding debt. A full disclosure of loans payable on December 31, 2020, can be found in Note 14.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority of the Town of Newton is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2021 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2020**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - CONTINUED**

The following factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2021.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- Converting Public and Indian Housing Program rental units into RAD subsidy units.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

**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 William Snyder, Executive Director, Housing Authority of the Town of Newton, 32 Liberty Street, Newton, New Jersey 07860, or call (973) 383-1181.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON**  
**STATEMENT OF NET POSITION - 1**  
**AS DECEMBER 31, 2020**

	2020
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents- Unrestricted	
Operating	\$ 417,182
Restricted	51,560
Total cash and equivalents	468,742
Accounts Receivables, Net of Allowances	1,049
Prepaid Expenses	10,110
Investments - Unrestricted	64,461
Total Current Assets	544,362
<b>Noncurrent Assets</b>	
Capital Assets	
Land	95,000
Building	3,622,126
Furniture, Equipment - Dwelling	34,106
Furniture, Equipment - Administration	67,600
Construction in Process	27,611
Total Capital Assets	3,846,443
Less: Accumulated Depreciation	(3,649,135)
Net Book Value	197,308
Total Assets	741,670
<b>Deferred Outflow of Resources</b>	
Total Deferred Outflows of Resources	1,064
Total Assets and Deferred Outflow of Resources	\$ 742,734

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON**  
**STATEMENT OF NET POSITION - 2**  
**AS DECEMBER 31, 2020**

	2020
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$ 59,519
Accrued Liabilities	-
Tenant Security Deposit Payable	51,560
Long Term Debt - Current Portion	-
Unearned Revenue	540
Total Current Liabilities	111,619
 <b>Deferred Inflow of Resources</b>	
Total Deferred Inflow of Resources	280,249
 <b>Net Position:</b>	
Net Investment in Capital Assets	197,308
Unrestricted	153,558
Total Net Position	350,866
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 742,734

See accompanying notes to the financial statements.



**HOUSING AUTHORITY OF THE TOWN OF NEWTON  
STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

	2020
<b>Revenue:</b>	
Tenant Rental Revenue	\$ 455,067
HUD PHA Operating Grants	211,845
Other Revenue	45,966
Total Revenue	712,878
 <b>Operating Expenses:</b>	
Administrative Expense	236,002
Utilities Expense	95,911
Maintenance Expense	83,973
Other Operating Expenses	(12,448)
Depreciation Expense	39,755
Total Operating Expenses	443,193
 Excess Revenue From Operations	 269,685
 <b>Non Operating Income:</b>	
Capital Grants	27,611
Investment Income - Unrestricted	1,350
Total Non Operating Expenses	28,961
 <b>Change in Net Position</b>	 298,646
 Beginning Net Position	 52,220
 Ending Net Position	 \$ 350,866

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON**  
**STATEMENT OF CASH FLOWS - 1**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

	2020
<b>Cash Flow From Operating Activities</b>	
Receipts from Tenants	\$ 456,247
Receipts from Federal Grants	211,845
Receipts from Misc. Sources	43,457
Payments to Vendors and Suppliers	(138,640)
Payment of Management Fees	(174,000)
Payments for Utilities	(95,911)
Net Cash Provided by Operating Activities	302,998
<b>Cash Flow From Capital and Related Financing Activities</b>	
Acquisitions and Construction of Capital Assets	(27,611)
Receipts from Capital Grants	27,611
Accrued Pension and OPEB Liabilities	(209,174)
Net Effect of Deferred Inflows and Outflows	116,248
Repayment of Note Payable	(29,335)
Net Cash (Used) by Capital and Related Financing Activities	(122,261)
<b>Cash Flow From Investing Activities</b>	
Interest Income	1,350
Purchase of Investments	(64,461)
Net Cash Provided by Investing Activities	(63,111)
Net Increase in Cash and Cash Equivalents	117,626
<b>Beginning Cash</b>	351,116
<b>Ending Cash</b>	\$ 468,742
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 417,182
Cash and Cash Equivalents - Restricted	51,560
Total Ending Cash	\$ 468,742

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF NEWTON**  
**STATEMENT OF CASH FLOWS - 2**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

	2020
<b>Reconciliation of Operating Income to Net Cash</b>	
Provided by Operating Activities	
Excess Revenue from Operations	\$ 269,685
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	39,755
(Increase) Decrease in:	
Accounts Receivables	2,310
Prepaid Expenses	(367)
Increase (Decrease) in:	
Accounts Payable	(1,686)
Accrued Expenses	(6,324)
Unearned Revenue	254
Tenant Security Deposits	(629)
Net Cash Provided By Operating Activities	\$ 302,998
Interest expense paid during the year	\$ 753

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE TOWN OF NEWTON

## Notes to Financial Statements

December 31, 2020

### **NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**1. Organization** - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 40A:12A-1 et al the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Newton in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which 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 Newton. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the 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 Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of Newton and Town Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from Town of Newton reporting entity.

Based on the following criteria, the Authority has not identified an entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The organization is fiscal dependency on the primary government.
- C. The organization has potential to impose a financial benefit or burden on the primary government.
- D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
- E. The primary government is able to impose its will on the organization.

# HOUSING AUTHORITY OF THE TOWN OF NEWTON

## Notes to Financial Statements

December 31, 2020

### **Significant Accounting Policies**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The major sources of revenue are HUD operating subsidy, and other revenue. Other revenue composed primarily of miscellaneous fees from the tenant, cell phone tower and laundry income. The revenue is recorded as earned since it is measurable and available. The Authority provides provide decent, safe and sanitary housing for extremely low and very low-income families. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

# HOUSING AUTHORITY OF THE TOWN OF NEWTON

## Notes to Financial Statements

December 31, 2020

### **Basis of Accounting – Continued**

HUD's rent subsidy program provides housing to low-income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the Town of Newton's flat rent amount.

### **Report Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The Authority's financial statements are prepared in accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

### **Financial Reporting Entity**

The financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

All governmental activities and functions performed for the Authority are its direct responsibility. The financial reporting entity consists of:

- (a) the primary government which is the Authority,
- (b) organizations for which the primary government is financially accountable, and
- (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14.