

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019
WITH
REPORT OF INDEPENDENT AUDITORS

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
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YEAR ENDED DECEMBER 31, 2019

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of the
Housing Authority of the Township of Berkeley:

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Township of Berkeley (the "Authority") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of December 31, 2019, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

August 26, 2020
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 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 December 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 liabilities and deferred inflows of resources of the Authority exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$279,763 (net position) as opposed to \$196,965 for the prior fiscal year.
2. As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$(1,303,611).
3. The Authority's cash and cash equivalent balance (including restricted cash) at December 31, 2019 was \$1,188,911 representing an increase of \$19,938 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$1,341,831 and Total Operating Expenses of \$1,437,448 for the year ended December 31, 2019.
5. The Authority's Expenditures of Federal Awards amounted to \$916,561 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 general purpose financial statements. The Authority's general purpose financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

B. Using the Annual Report (continued)

2. Basic 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 Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

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

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

3. Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found in this report after the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

B. Using the Annual Report (continued)

4. Supplemental Information

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal Awards can be found on page 35 of this report.

C. The Authority as a Whole

The Authority's net position decreased during the fiscal year as detailed on the next page. 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. The Authority's revenues were not sufficient to cover all expenses, excluding depreciation during the fiscal year.

The Authority's net position is reflected in its investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services for 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.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

C. The Authority as a Whole (continued)

Computation of Net Position is as follows:

	December 31,		Variance	%
	2019	2018		
Cash and Other Current Assets	\$ 741,963	\$ 713,000	\$ 28,963	4.06%
Restricted Cash	461,428	462,404	(976)	-0.21%
Capital Assets, Net	562,420	658,804	(96,384)	-14.63%
Deferred Outflows of Resources	<u>266,822</u>	<u>335,994</u>	<u>(69,172)</u>	-20.59%
Total Assets and Deferred Outflows	2,032,633	2,170,202	(137,569)	-6.34%
Less: Total Liabilities and Deferred				
Inflows of Resources	<u>2,312,396</u>	<u>2,367,167</u>	<u>(54,771)</u>	-2.31%
Net Position	<u>\$ (279,763)</u>	<u>\$ (196,965)</u>	<u>\$ (82,798)</u>	42.04%
Net Investment in Capital Assets	\$ 562,420	\$ 658,804	\$ (96,384)	-14.63%
Restricted Net Position	461,428	462,404	(976)	-0.21%
Unrestricted Net Position	<u>(1,303,611)</u>	<u>(1,318,173)</u>	<u>14,562</u>	-1.10%
Total Net Position	<u>\$ (279,763)</u>	<u>\$ (196,965)</u>	<u>\$ (82,798)</u>	42.04%

- Cash and other current assets increased \$28,963 primarily due to the Authority's operating cash on hand increasing \$17,387.
- Restricted cash decreased \$976 primarily due to the Authority having \$3,527 less in tenant security deposits, which was offset by an increase of \$8,408 in the reserve and replacement escrow account.
- Capital assets, net decreased \$96,384 primarily due to depreciation expense of \$122,956 off set by capital asset purchases of \$26,572.
- Total liabilities and deferred inflows of resources decreased \$54,771 primarily due to the changes of assumptions related to the pension and other post-employment benefit liabilities.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

C. The Authority as a Whole (continued)

	December 31,		Variance	% Change
	2019	2018		
<u>Operating Revenues:</u>				
Tenant Revenues	\$ 421,030	\$ 381,327	\$ 39,703	10.41%
HUD Operating Grants	708,090	728,768	(20,678)	-2.84%
Other Revenues	<u>212,711</u>	<u>246,842</u>	<u>(34,131)</u>	-13.83%
 Total Revenues	 <u>1,341,831</u>	 <u>1,356,937</u>	 <u>(15,106)</u>	 -1.11%
<u>Operating Expenses:</u>				
Other Operating Expenses	883,942	1,076,014	(192,072)	-17.85%
Housing Assistance Payments	430,550	410,533	20,017	4.88%
Depreciation	<u>122,956</u>	<u>123,530</u>	<u>(574)</u>	-0.46%
 Total Operating Expenses	 <u>1,437,448</u>	 <u>1,610,077</u>	 <u>(172,629)</u>	 -10.72%
 Operating Income (Loss)	 <u>(95,617)</u>	 <u>(253,140)</u>	 <u>157,523</u>	 62.23%
<u>Other Revenues (Expenses):</u>				
Interest Income	<u>12,819</u>	<u>3,756</u>	<u>9,063</u>	241.29%
 Net Other Revenues (Expenses)	 <u>12,819</u>	 <u>3,756</u>	 <u>9,063</u>	 241.29%
 Change in Net Position	 (82,798)	 (249,384)	 166,586	 66.80%
 Net Position, Beginning of Year	 <u>(196,965)</u>	 <u>830,873</u>	 <u>(1,027,838)</u>	 -123.71%
 Change in Accounting Principle - GASB 75	 -	 (778,454)	 778,454	 100.00%
 Net Position, Beginning of Year (as restated)	 <u>(196,965)</u>	 <u>52,419</u>	 <u>(249,384)</u>	 -475.75%
 Net Position, End of Year	 <u>\$ (279,763)</u>	 <u>\$ (196,965)</u>	 <u>\$ (82,798)</u>	 42.04%

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

C. The Authority as a Whole (continued)

- HUD operating grants decreased \$20,678 due to the Authority receiving less grant subsidy in the Section 8 Housing Choice Vouchers Program.
- Other operating expenses decreased \$172,629, primarily due to a decrease of \$126,440 in administrative expenses and \$40,569 in ordinary repairs and maintenance expenses.

D. Budgetary Highlights

For the year ended December 31, 2019, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. Also, the Authority adopted a comprehensive annual budget for the General Fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the deficit of revenues over expenses, the Authority's net position decreased during the fiscal year.

E. Capital Assets and Debt Administration

1. Capital Assets

As of December 31, 2019, the Authority's investment in capital assets for its Proprietary Fund was \$562,420. This investment in capital assets includes land, buildings, equipment and construction in progress, net of accumulated depreciation.

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

2. Long Term Debt

The Authority had no outstanding long term debt during the fiscal year ending December 31, 2019.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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 December 31, 2020:

1. The state of the economy.
2. The need for Congress to fund the war on terrorism and the continued cut-back on HUD subsidies and grants.

G. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Grace Dekker, Executive Director, Berkeley Housing Authority, 44 Frederick Drive, Bayville, NJ 08721.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$ 690,295
Tenant security deposits	37,188
Account receivable, net	<u>14,480</u>
Total current assets	<u>741,963</u>
Non-current assets	
Restricted cash	461,428
Capital assets, net	<u>562,420</u>
Total non-current assets	<u>1,023,848</u>
Total assets	<u>1,765,811</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	224,211
State of New Jersey S.H.B.P.	<u>42,611</u>
Total deferred outflows of resources	<u>266,822</u>
Total assets and deferred outflows of resources	<u>\$ 2,032,633</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
STATEMENT OF NET POSITION (continued)
DECEMBER 31, 2019

LIABILITIES

Current liabilities:	
Accounts payable	\$ 42,881
Accrued expenses	2,962
Tenant security deposits	37,188
Prepaid tenant rents	1,918
Accrued compensated absences, current	<u>10,743</u>
Total current liabilities	<u>95,692</u>
Non-current liabilities:	
Accrued compensated absences, non-current	96,686
Accrued pension liability	878,394
Accrued OPEB liability	<u>484,543</u>
Total non-current liabilities	<u>1,459,623</u>
Total liabilities	<u>1,555,315</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	332,275
State of New Jersey S.H.B.P.	<u>424,806</u>
Total deferred inflows of resources	<u>757,081</u>

NET POSITION

Net position:	
Net investment in capital assets	562,420
Restricted	461,428
Unrestricted	<u>(1,303,611)</u>
Total net position	<u>\$ (279,763)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,032,633</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

Operating revenues:	
Tenant revenue	\$ 421,030
HUD operating grants	708,090
Other revenues	<u>212,711</u>
Total operating revenues	<u>1,341,831</u>
Operating expenses:	
Administrative	328,683
Tenant services	19,064
Utilities	246,132
Ordinary repairs and maintenance	217,256
Insurance	36,201
General	36,606
Housing assistance payments	430,550
Depreciation	<u>122,956</u>
Total operating expenses	<u>1,437,448</u>
Operating loss	<u>(95,617)</u>
Non-operating revenue:	
Investment income	<u>12,819</u>
Total non-operating revenue	<u>12,819</u>
Change in net position	(82,798)
Net position, beginning of year	<u>(196,965)</u>
Net position, end of year	<u>\$ (279,763)</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 634,435
Cash received from grantors	706,079
Cash paid to employees	(329,459)
Cash paid to vendors and suppliers	<u>(977,364)</u>
Net cash provided by operating activities	<u>33,691</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	<u>(26,572)</u>
Net cash used in capital and related financing activities	<u>(26,572)</u>
Cash Flows from Investing Activities:	
Investment income	<u>12,819</u>
Net cash provided by investing activities	<u>12,819</u>
Net increase in cash and cash equivalents	19,938
Cash and cash equivalents, beginning of year	<u>1,168,973</u>
Cash and cash equivalents, end of year	<u>\$ 1,188,911</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 690,295
Tenant security deposits	37,188
Restricted cash	<u>461,428</u>
Cash and cash equivalents, end of year	<u>\$ 1,188,911</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (95,617)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	122,956
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable, net	(8,049)
Deferred outflows of resources	69,172
Accounts payable	4,214
Accrued expenses	(776)
Tenant security deposits	3,527
Prepaid tenant rents	962
Accrued compensated absences	15,659
Accrued pension liability	(42,285)
Accrued OPEB liability	(120,502)
Deferred inflows of resources	<u>84,430</u>
Net cash provided by operating activities	<u>\$ 33,691</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the Township of Berkeley (the "Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A: 12A-1, et. seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Township of Berkeley, New Jersey (the "Township"). The Authority is responsible for operating certain low-rent housing programs in the Township under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of seven members who serve five-year terms. The governing board is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's Board to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

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

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

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

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

C. Reporting Entity

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

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

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

D. Description of Programs

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

Section 8 Housing Choice Vouchers

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Business Activities Fund

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

E. Use of Management Estimates

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

F. Cash and Cash Equivalents

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States, or the State of New Jersey, or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities.

The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

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

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements. For the Statement of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, tenants accounts receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. Also included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation.

The Authority recognizes a receivable from HUD and other governmental agencies for amounts earned and billed but not received and for amounts unbilled, but earned as of year end.

H. Allowance for Doubtful Accounts

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

I. Prepaid Expenses

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

J. Capital Assets, Net

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

◆	Buildings and Improvements	15-40 Years
◆	Furniture and Equipment	3-5 Years

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

K. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. During the year ended December 31, 2019, there were no impairment losses incurred.

L. Accounts Payable and Accrued Liabilities

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Prepaid Rent

The Authority's prepaid rent primarily consists of the prepayment of rent by residents applicable to future periods.

N. Compensated Absences

Accumulated unpaid leave time is accrued at the estimated amounts of future benefits attributable to services already rendered. Employees may be compensated for accrued vacation leave in the event of retirement or termination of service. Employees may be compensated for sick leave at retirement at the rate of three days for every five days accumulated, payable at the salary rate earned at the time of separation. Employees may only accumulate and carry over to the following year the prior year's unused vacation. The Authority's sick leave policy, in accordance with New Jersey State law, allows employees to carry over unused sick leave without penalty.

O. Pensions

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

P. Other Post Employment Benefits

For purposes of measuring the net Other Post Employment Benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to the net OPEB, and OPEB expense, and information about the fiduciary net position of the State Health Benefits Plan ("SHBP") and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan.

Q. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Equity Classifications

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

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

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

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

S. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. The Authority receives annual operating subsidies from HUD, subject to limitations prescribed by HUD. Operating subsidies from HUD are recorded when received and are accounted for as revenue. Other contributions from HUD that are for development and modernization of capital assets are reflected separately in the accompanying financial statements as capital grants.

Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

T. Taxes

The Authority is a unit of local government under the State of New Jersey law and is exempt from real estate, sales and income taxes by both the federal and state governments. However, the Authority will pay a payment in lieu of taxes to cover municipal services provided by the local government for certain properties owned throughout the Township.

U. Budgets and Budgetary Accounting

The Authority adopts annual, appropriated operating budgets for all its programs receiving federal expenditure awards, which are used as a management tool throughout the accounting cycle. All budgets are prepared on a HUD basis, which differs with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

V. Economic Dependency

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Risk Management

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

NOTE 2. CASH AND CASH EQUIVALENTS

As of December 31, 2019, the Authority had funds on deposit in checking, savings, and money market accounts. The carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$1,188,911 and the bank balances approximated \$1,210,207.

<u>Cash Category</u>	<u>Amount</u>
Unrestricted	\$ 690,295
Tenant security deposits	37,188
Restricted	<u>461,428</u>
Total cash and cash equivalents	<u>\$ 1,188,911</u>

Of the bank balances, \$252,078 was covered by federal depository insurance and the remaining \$958,129 was collateralized by GUDPA as of December 31, 2019.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2019, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following as of December 31, 2019:

<u>Description</u>	<u>Amount</u>
Accounts receivable - HUD	\$ 7,711
Accounts receivable - tenants, net	<u>6,769</u>
Total accounts receivable, net	<u>\$ 14,480</u>

Accounts Receivable - HUD

Accounts receivable - HUD represents amounts due to the Authority for amounts expended under the Section 8 Housing Choice Vouchers program that have not been reimbursed as of December 31, 2019. Management estimates the amount to be fully collectible and as such has made no allowance for doubtful accounts.

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 3. ACCOUNTS RECEIVABLE, NET (continued)

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The balance is shown net of an allowance for doubtful accounts of \$6,770 as of December 31, 2019.

NOTE 4. RESTRICTED DEPOSITS

As of December 31, 2019, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Amount</u>
Reserve and replacement escrow account	\$ 461,428
Tenant security deposits	<u>37,188</u>
Total restricted deposits	<u>\$ 498,616</u>

Reserve and replacement escrows are restricted for repairs and replacement of the buildings and equipment as part of the Authority's RAD conversion.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

NOTE 5. CAPITAL ASSETS, NET

The following is a summary of the changes in capital assets during the year ended December 31, 2019:

<u>Description</u>	<u>December 31, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>December 31, 2019</u>
<u>Non-depreciable:</u>					
Land	\$ 31,000	\$ -	\$ -	\$ -	\$ 31,000
Subtotal	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
<u>Depreciable:</u>					
Buildings	5,144,614	26,572	-	-	5,171,186
Furniture and equipment	208,788	-	-	-	208,788
Subtotal	<u>5,353,402</u>	<u>26,572</u>	<u>-</u>	<u>-</u>	<u>5,379,974</u>
Total	<u>5,384,402</u>	<u>26,572</u>	<u>-</u>	<u>-</u>	<u>5,410,974</u>
Less: accumulated depreciation	<u>4,725,598</u>	<u>122,956</u>	<u>-</u>	<u>-</u>	<u>4,848,554</u>
Net capital assets	<u>\$ 658,804</u>	<u>\$ (96,384)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 562,420</u>

Depreciation expense for the year ended December 31, 2019 amounted to \$122,956.

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 6. ACCOUNTS PAYABLE

As of December 31, 2019, accounts payable consisted of the following:

<u>Description</u>	<u>Amount</u>
Accounts payable - vendors	\$ 25,391
Accounts payable - other governments	<u>17,490</u>
Total accounts payable	<u>\$ 42,881</u>

Accounts Payable - Vendors

Accounts payable - vendors represents the amounts payable to contractors and vendors for materials received or services rendered.

Accounts Payable - Other Governments

Accounts payable - other governments represents amounts due and payable to the Township for payments in lieu of taxes.

NOTE 7. PAYMENTS IN LIEU OF TAXES

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 payment in lieu of taxes ("PILOT") in accordance with the provisions of its Cooperation Agreement with the Township. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the year ended December 31, 2019, the Authority incurred PILOT expense in the amount of \$17,490.

NOTE 8. NON-CURRENT LIABILITIES

Non-current liabilities activity during the year ended December 31, 2019 consisted of the following:

<u>Description</u>	<u>December 31, 2018</u>	<u>Additions</u>	<u>Payments/ Retirements</u>	<u>December 31, 2019</u>	<u>Due in One Year</u>
Accrued compensated absences	\$ 91,770	\$ 86,952	\$ (71,293)	\$ 107,429	\$ 10,743
Accrued pension liability	920,679	-	(42,285)	878,394	-
Accrued OPEB liability	<u>605,045</u>	<u>-</u>	<u>(120,502)</u>	<u>484,543</u>	<u>-</u>
Total non-current liabilities	<u>\$ 1,617,494</u>	<u>\$ 86,952</u>	<u>\$ (234,080)</u>	<u>\$ 1,470,366</u>	<u>\$ 10,743</u>

NOTE 9. PENSION PLAN

A. Plan Description

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 9. PENSION PLAN (continued)

B. Benefits

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

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

Service retirement benefits of $1/55^{\text{th}}$ of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

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

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by all active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

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

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

At December 31, 2019, the Authority reported a liability of \$878,394 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, and rolled forward to June 30, 2019.

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 9. PENSION PLAN (continued)

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

For the year ended December 31, 2019, the Authority recognized pension expense of \$23,152. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 87,711	\$ 304,888
Changes in Proportion	120,734	9,641
Differences between expected and actual experience	15,766	3,880
Net differences between actual and projected earnings on pension plan investments	<u>-</u>	<u>13,866</u>
Total	<u>\$ 224,211</u>	<u>\$ 332,275</u>

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

<u>Years ending December 31:</u>	<u>Amount</u>
2020	\$ (12,507)
2021	(40,572)
2022	(36,228)
2023	(17,011)
2024	<u>(1,746)</u>
	<u>\$ (108,064)</u>

E. Actuarial Assumptions

The collective total pension liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions.

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 9. PENSION PLAN (continued)

E. Actuarial Assumptions (continued)

Pre-mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

F. Long-Term Expected Rate of Return

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class, including the PERS's target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

G. Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 the plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 9. PENSION PLAN (continued)

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.28 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.28 percent) or 1 percentage point higher (7.28 percent) than the current rate.

	1% Decrease (5.28%)	Discount Rate (6.28%)	1% Increase (7.28%)
Authority's proportionate share of the net pension liability	\$ <u>1,117,273</u>	\$ <u>878,394</u>	\$ <u>688,364</u>

NOTE 10. OTHER POST-RETIREMENT BENEFITS PLAN

A. Plan Description

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

B. Benefits

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 10. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

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

At December 31, 2019, the Authority reported a liability of \$484,543, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and rolled forward to June 30, 2019.

For the year ended December 31, 2019, the Authority recognized OPEB benefit of \$32,337. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ -	\$ 171,711
Changes in Proportion	8,382	111,396
Differences between expected and actual experience	-	141,699
Net differences between projected and actual investment earnings on OPEB plan investments	399	-
Contributions paid subsequent to the measurement date	<u>33,830</u>	<u>-</u>
Total	<u>\$ 42,611</u>	<u>\$ 424,806</u>

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

	<u>Amount</u>
Year ending December 31:	
2020	\$ (62,247)
2021	(62,247)
2022	(62,285)
2023	(62,347)
2024	(62,404)
Thereafter	<u>(70,665)</u>
	<u>\$ (382,195)</u>

D. Actuarial Assumptions

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 10. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

D. Actuarial Assumptions

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

Certain actuarial assumptions used in the July 1, 2018 valuation were based on the results of the pension plans' experience studies prepared for July 1, 2014 to June 30, 2018. 100% of active members are considered to participate in the Plan upon retirement.

E. Discount Rate

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

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

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

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Authority's proportionate share of the net OPEB liability	\$ <u>560,255</u>	\$ <u>484,543</u>	\$ <u>423,017</u>

G. Healthcare Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% trend rate after eight years.

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2019

NOTE 10. OTHER POST-RETIREMENT BENEFITS PLAN (continued)

H. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate (continued)

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net OPEB liability	\$ <u>408,895</u>	\$ <u>484,543</u>	\$ <u>581,045</u>

NOTE 11. RESTRICTED NET POSITION

Restricted net position consists of reserve and replacement reserve escrows as of December 31, 2019. Reserve and replacement escrows are restricted for repairs and replacement of the buildings and equipment.

NOTE 12. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of December 31, 2019, the Authority estimates that no material liabilities will result from such audits.

NOTE 13. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Subsequent events have been evaluated through August 26, 2020, which is the date the financial statements were available to be issued. The spread of a novel strain of coronavirus ("COVID-19") in 2020 has caused significant volatility in U.S. markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on tenants, employees and vendors, all of which are uncertain and cannot be determined at this time.

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

To the Board of Commissioners of the
Housing Authority of the Township of Berkeley:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Township of Berkeley (the "Authority") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated August 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

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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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradec & Company LLP

August 26, 2020
Toms River, New Jersey

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

To the Board of Commissioners of the
Housing Authority of the Township of Berkeley:

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the Township of Berkeley's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement and the State of New Jersey OMB Circular 15-08 that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2019. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

August 26, 2020
Toms River, New Jersey

Novogradac & Company LLP

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Program Title	Federal CFDA Number	State Pass- Through Number	Grant Period From / To	Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
<u>U.S. Department of Housing and Urban Development</u>						
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers	14 871	N/A	1/1/2019 12/31/2019	\$ <u>708,090</u>	\$ <u>916,561</u>	\$ <u>916,561</u>
Total Housing Voucher Cluster				708,090	916,561	916,561
Total U.S. Department of Housing and Urban Development				\$ <u>708,090</u>	\$ <u>916,561</u>	\$ <u>916,561</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of New Jersey OMB Circular 15-08. Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the net position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

I. Summary of Auditors' Results

Financial Statement Section

1.	Type of auditors' report issued:	Unmodified
2.	Internal control over financial reporting	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	No
3.	Noncompliance material to the financial statements?	No

Federal Awards Section

1.	Internal control over compliance:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	No
2.	Type of auditors' report on compliance for major programs:	Unmodified
3.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Vouchers Program

5.	Dollar threshold used to distinguish between Type A and Type B Programs:	\$750,000
6.	Auditee qualified as low-risk auditee?	No

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED DECEMBER 31, 2019**

II. Financial Statement Findings

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

III. Federal Award Findings and Questioned Costs

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

IV. Summary of Prior Audit Findings

There were no findings or questioned costs in the prior year.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
REQUIRED PENSION INFORMATION
DECEMBER 31, 2019**

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

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
Contractually required contribution	\$ 34,901	\$ 32,977	\$ 36,312	\$ 41,096	\$ 46,511	\$ 47,419
Contributions in relation to the contractually required contribution	<u>34,901</u>	<u>32,977</u>	<u>36,312</u>	<u>41,096</u>	<u>46,511</u>	<u>47,419</u>
(Over) / under funded	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 300,798</u>	<u>\$ 324,326</u>	<u>\$ 328,267</u>	<u>\$ 354,302</u>	<u>\$ 411,386</u>	<u>\$ 394,364</u>
Contributions as a percentage of covered-employee payroll	<u>11.60 %</u>	<u>10.17 %</u>	<u>11.06 %</u>	<u>11.60 %</u>	<u>11.31 %</u>	<u>12.02 %</u>

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
REQUIRED PENSION INFORMATION
DECEMBER 31, 2019**

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

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
Authority's proportion of the net pension liability	<u>0.0042 %</u>	<u>0.0038 %</u>	<u>0.0041 %</u>	<u>0.0044 %</u>	<u>0.0047 %</u>	<u>0.0049 %</u>
Authority's proportionate share of the net pension liability	<u>\$ 792,641</u>	<u>\$ 861,045</u>	<u>\$ 1,210,575</u>	<u>\$ 1,032,660</u>	<u>\$ 920,679</u>	<u>\$ 878,394</u>
Authority's covered-employee payroll	<u>\$ 300,798</u>	<u>\$ 324,326</u>	<u>\$ 328,267</u>	<u>\$ 354,302</u>	<u>\$ 411,386</u>	<u>\$ 394,364</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>263.51 %</u>	<u>265.49 %</u>	<u>368.78 %</u>	<u>291.46 %</u>	<u>223.80 %</u>	<u>222.74 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.08 %</u>	<u>47.93 %</u>	<u>40.14 %</u>	<u>48.10 %</u>	<u>53.60 %</u>	<u>56.30 %</u>

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
DECEMBER 31, 2019**

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

	December 31, <u>2017</u>	December 31, <u>2018</u>	December 31, <u>2019</u>
Statutorily required contribution	\$ 75,552	\$ 75,514	\$ 71,587
Contributions in relation to the statutorily required contribution	<u>75,552</u>	<u>75,514</u>	<u>71,587</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 354,302</u>	<u>\$ 411,386</u>	<u>\$ 394,364</u>
Contributions as a percentage of covered- employee payroll	<u>21.32 %</u>	<u>18.36 %</u>	<u>18.15 %</u>

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

See Report of Independent Auditors.

**HOUSING AUTHORITY OF THE TOWNSHIP OF BERKELEY
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
DECEMBER 31, 2019**

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

	December 31, 2017	December 31, 2018	December 31, 2019
Authority's proportion of the net OPEB liability	<u>0.0191 %</u>	<u>0.0039 %</u>	<u>0.0036 %</u>
Authority's proportionate share of the net OPEB liability	\$ <u>778,454</u>	\$ <u>605,045</u>	\$ <u>484,543</u>
Authority's covered-employee payroll	\$ <u>354,302</u>	\$ <u>411,386</u>	\$ <u>394,364</u>
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	<u>219.71 %</u>	<u>147.07 %</u>	<u>122.87 %</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.03 %</u>	<u>1.97 %</u>	<u>1.98 %</u>

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

See Report of Independent Auditors.

Berkeley Housing Authority (NJ056)

Bayville, NJ

Submission Type: Audited/Single Audit

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2019

	14,871 Housing Choice Vouchers	1 Business Activities	ELIM	Total
111 Cash - Unrestricted	\$176,751	\$513,544		\$690,295
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$461,428		\$461,428
114 Cash - Tenant Security Deposits		\$37,188		\$37,188
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$176,751	\$1,012,160	\$0	\$1,188,911
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$7,711			\$7,711
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants		\$10,373		\$10,373
126.1 Allowance for Doubtful Accounts - Tenants		-\$5,187		-\$5,187
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery		\$3,166		\$3,166
128.1 Allowance for Doubtful Accounts - Fraud		-\$1,583		-\$1,583
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$7,711	\$6,769	\$0	\$14,480
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets				
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$184,462	\$1,018,929	\$0	\$1,203,391
161 Land		\$31,000		\$31,000
162 Buildings		\$4,622,006		\$4,622,006
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration		\$208,788		\$208,788
165 Leasehold Improvements		\$549,180		\$549,180
166 Accumulated Depreciation		-\$4,848,554		-\$4,848,554
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$562,420	\$0	\$562,420
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	\$0	\$562,420	\$0	\$562,420
200 Deferred Outflow of Resources	\$32,407	\$234,415		\$266,822
290 Total Assets and Deferred Outflow of Resources	\$216,869	\$1,815,764	\$0	\$2,032,633

Berkeley Housing Authority (NJ056)

Bayville, NJ

Submission Type: Audited/Single Audit

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2019

	14,671 Housing Choice Vouchers	1 Business Activities	ELIM	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days		\$25,391		\$25,391
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable		\$2,962		\$2,962
322 Accrued Compensated Absences - Current Portion		\$10,743		\$10,743
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government		\$17,490		\$17,490
341 Tenant Security Deposits		\$37,188		\$37,188
342 Unearned Revenue		\$1,918		\$1,918
344 Current Portion of Long-term Debt - Operating Borrowings				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$0	\$95,692	\$0	\$95,692
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		\$96,686		\$96,686
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$518,496	\$844,441		\$1,362,937
350 Total Non-Current Liabilities	\$518,496	\$941,127	\$0	\$1,459,623
300 Total Liabilities	\$518,496	\$1,036,819	\$0	\$1,555,315
400 Deferred Inflow of Resources	\$289,754	\$467,327		\$757,081
508.4 Net Investment in Capital Assets	\$0	\$562,420		\$562,420
511.4 Restricted Net Position	\$0	\$461,428		\$461,428
512.4 Unrestricted Net Position	-\$591,381	-\$712,230		-\$1,303,611
513 Total Equity - Net Assets / Position	-\$591,381	\$311,618	\$0	-\$279,763
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$216,869	\$1,815,704	\$0	\$2,032,633

Berkeley Housing Authority (NJ056)

Bayville, NJ

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

Entity Wide Revenue and Expense Summary

	14 871 Housing Choice Vouchers	1 Business Activities	ELJM	Total
70300 Net Tenant Rental Revenue		\$778,941	-\$367,856	\$408,085
70400 Tenant Revenue - Other		\$12,945		\$12,945
70500 Total Tenant Revenue	\$0	\$788,886	-\$367,856	\$421,030
70600 HUD PHA Operating Grants	\$708,090			\$708,090
70610 Capital Grants				
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue			\$0	\$0
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$2,922	\$5,070		\$7,992
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery	\$10,902	\$3,030		\$13,932
71500 Other Revenue	\$180,124	\$18,655		\$198,779
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted		\$4,827		\$4,827
70000 Total Revenue	\$902,038	\$828,466	-\$367,856	\$1,354,650
91100 Administrative Salaries	\$72,000	\$89,966		\$171,966
91200 Auditing Fees	\$2,000	\$7,805		\$9,805
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit Contributions - Administrative	\$26,755	\$27,941		\$54,696
91600 Office Expenses	\$6,000	\$48,090		\$52,090
91700 Legal Expense	\$3,000	\$12,827		\$15,827
91800 Travel		\$4,299		\$4,299
91810 Allocated Overhead				
91900 Other	\$3,600	\$16,400		\$20,000
91000 Total Operating - Administrative	\$113,355	\$215,328	\$0	\$328,683
92000 Asset Management Fee				
92100 Tenant Services - Salaries		\$10,000		\$10,000
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services		\$4,160		\$4,160
92400 Tenant Services - Other		\$4,904		\$4,904
92500 Total Tenant Services	\$0	\$19,064	\$0	\$19,064
93100 Water		\$23,605		\$23,605
93200 Electricity		\$34,683		\$34,683
93300 Gas		\$46,904		\$46,904
93400 Fuel				
93500 Labor		\$87,395		\$87,395
93600 Sewer		\$24,424		\$24,424
93700 Employee Benefit Contributions - Utilities		\$29,121		\$29,121
93800 Other Utilities Expense				
93000 Total Utilities	\$0	\$246,132	\$0	\$246,132
94100 Ordinary Maintenance and Operations - Labor		\$113,327		\$113,327
94200 Ordinary Maintenance and Operations - Materials and Other		\$22,492		\$22,492
94300 Ordinary Maintenance and Operations Contracts		\$25,996		\$25,996
94500 Employee Benefit Contributions - Ordinary Maintenance		\$37,441		\$37,441
94000 Total Maintenance	\$0	\$199,256	\$0	\$199,256
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0

Berkeley Housing Authority (NJ056)

Bayville, NJ

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

Entity Wide Revenue and Expense Summary

	14,871 Housing Choice Vouchers	1 Business Activities	ELIM	Total
96110 Property Insurance				
96120 Liability Insurance				
96130 Workmen's Compensation				
96140 All Other Insurance	\$4,800	\$31,401		\$36,201
96100 Total Insurance Premiums	\$4,800	\$31,401	\$0	\$36,201
96200 Other General Expenses				
96210 Compensated Absences		\$15,659		\$15,659
96300 Payments in Lieu of Taxes		\$17,490		\$17,490
96400 Bad debt - Tenant Rents		\$3,457		\$3,457
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$0	\$36,606	\$0	\$36,606
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	\$0
96900 Total Operating Expenses	\$118,155	\$747,787	\$0	\$865,942
97000 Excess of Operating Revenue over Operating Expenses	\$783,883	\$72,681	-\$367,856	\$488,708
97100 Extraordinary Maintenance		\$18,000		\$18,000
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$630,367		-\$367,856	\$262,511
97350 HAP Portability-In	\$168,039			\$168,039
97400 Depreciation Expense		\$122,956		\$122,956
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$916,561	\$888,743	-\$367,856	\$1,437,448
10010 Operating Transfer In				
10020 Operating transfer Out				
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$14,523	-\$68,275	\$0	-\$82,798
11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	-\$576,856	\$379,893		-\$196,963
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
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	-\$591,381			-\$591,381
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	1140	840		1980
11210 Number of Unit Months Leased	1106	820		1926



HOUSING AUTHORITY Of The TOWNSHIP OF BERKELEY

44 FREDERICK DRIVE • BAYVILLE, NEW JERSEY 08721 • (732) 269-2312 • FAX: (732) 269-7709

Novogradac & Company, LLP
1433 Hooper Ave, Suite 329
Toms River, NJ 08753

Dear Mr. Rich Larsen:

This representation letter is provided in connection with your audit of the financial statements of the Housing Authority of the Township of Berkeley (the "Authority"), which comprise the respective financial position as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 26, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 28, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.



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- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 28) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended, and GASBS No. 84.

- 32) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Special and extraordinary items are appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) With respect to federal award programs:
 - a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA

have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal Authority to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, if applicable.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal Authority or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Very truly yours,

Housing Authority of the Township of Berkeley

Signature: 

Title: 