

Report On Audit

**HOUSING AUTHORITY OF THE
CITY OF SOUTH AMBOY**

**For the Year Ended
June 30, 2021**

Housing Authority of the City of South Amboy
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of South Amboy
250 South Broadway
South Amboy, New Jersey 08879

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of South Amboy (a governmental public corporation) in the City of South Amboy, New Jersey, hereafter referred to as the Authority, which comprise the statements of net position as of June 30, 2021, and 2020, and the related statements of revenue, expenses and changes in net position, statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the City of South Amboy preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of South Amboy internal control. Accordingly, we express no such opinion.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of South Amboy as of June 30, 2021, and 2020, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 17 and pages 58-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the City of South Amboy. The accompanying supplemental information on pages 63-72 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Financial Data Schedule, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The financial statement of the Housing Authority of the City of South Amboy as of June 30, 2020, was audited by other auditors whose report dated March 1, 2021, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued reports dated February 25, 2022, on our consideration of the Housing Authority of the City of South Amboy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

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

Giampaolo & Associates

Lincroft, New Jersey

Date: February 25, 2022

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

As Management of the Housing Authority of the City of South Amboy (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 18 of this report. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The liabilities and deferred inflows of the Authority exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$226,943 a decrease in the deficit of the financial position of \$209,456 or 48% percent as compared to the prior year.

As noted above, the net position of the Authority was negative (\$226,943) as of June 30, 2021. Of this amount, the unrestricted net position is a negative (\$2,942,725) representing an increase in the deficit of \$93,027 or 3% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 19 the financial statements, which is included in this report.

The net investment in capital assets increased \$141,666 or 6% percent for an ending balance of \$2,688,871.

The restricted net position decreased \$25,237 from the previous year for an ending balance of \$26,911. Additional information on the Authority's restricted net position can be found in Note 18 to the financial statements, which is included in this report.

The Authority's total cash and cash equivalent on June 30, 2021 is \$721,559 representing an increase of \$125,609 or 21% percent. The Authority's operating cash on June 30, 2021 is \$585,545 representing an increase of \$124,178 or 27% percent from the prior fiscal year. Total restricted deposits and funded reserves increased \$1,431 or 1% percent for an ending balance of \$136,014. The Authority. The full detail of the cash activities can be found in the Statements of Cash Flows on pages 21-22 of this report.

The Authority's total assets and deferred outflows are \$4,312,581 of which capital assets net book value is \$2,688,871, deferred outflows in the amount of \$695,998, leaving total current assets at \$927,712.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current assets increased from the previous year by \$20,670 or 2% percent. Unrestricted cash and cash equivalents increased by \$124,178, restricted cash increased by \$1,431, investments increased by \$139, accounts receivables decreased by \$105,264, and prepaid expenses increased by \$186.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$141,666 or 6% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$210,920, less the recording of depreciation expense in the amount of \$69,254. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$152,249 for an ending balance of \$695,998. The Authority also reported an increase in the deferred inflow for the pension cost in the amount of \$24,376 for an ending balance of \$1,738,546. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$2,800,978, of which current liabilities are stated at \$287,909, and noncurrent liabilities are stated at \$2,513,069. Total liabilities increased during the year as compared to the prior year in the amount of \$80,753 or 3% percent. Total current liabilities increased during the year by \$46,856, leaving non-current liabilities for an increase of \$33,897 as compared to the previous fiscal year.

Total current liabilities increased from the previous year by \$46,856 or 19% percent. Accounts payables increased by \$13,928, accrued liabilities decreased by \$166, tenant security deposit payable decreased by \$821, and unearned revenue increased \$33,915.

Total noncurrent liabilities increased by \$33,897 or 1% percent. The increase was made up of two accounts, accrued compensated absences – long term with no offsetting assets increased \$16,803 from the prior fiscal year for an ending balance of \$104,792.

Accrued pension and OPEB liabilities increased \$17,094 or 1% percent for an ending balance of \$2,408,277. Additional information on GASB 75's effect and the Authority's accrued pension GASB #68 on June 30, 2021 can be found in Notes 15-16 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had total operating revenue of \$2,934,193 as compared to \$2,989,326 from the prior year for a decrease of \$55,133 or 2% percent. The Authority had total operating expenses of \$2,873,524, as compared to \$3,027,316 from the previous year for a decrease of \$153,792 or 5% percent, resulting in an excess of revenue from operations in the amount of \$60,669 for the current year as compared to a deficiency of revenue from operations in the amount of \$37,990 for an increase in excess revenue of \$98,659 from the previous year.

Total capital improvements contributions from HUD were in the amount of \$147,577 as compared to \$217,397 from the previous year for a decrease of \$69,820 or 32% percent. The Authority's had capital outlays in the amount of \$210,920 for the fiscal year. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$1,805,155 for the fiscal year 2021 as compared to \$1,960,718 for the previous fiscal year 2020 for a decrease of \$155,563 or 8% percent.

USING THIS ANNUAL REPORT

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

1. Public and Indian Housing Program
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 22.

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

Statements of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related Cash Flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 57.

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on pages 63-64 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of South Amboy are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended June 30, 2021. Type B programs for the Housing Authority of the City of South Amboy are those which are less than \$750,000 in expenditures for the fiscal year ended June 30, 2021.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between June 30, 2021 and June 30, 2020:

	<u>Year Ended</u>		Increase
	June-21	June-20	(Decrease)
Cash	\$ 721,559	\$ 595,950	\$ 125,609
Other Current Assets	206,153	311,092	(104,939)
Capital Assets - Net	2,688,871	2,547,205	141,666
Deferred Outflows	695,998	543,749	152,249
Total Assets	4,312,581	3,997,996	314,585
Less: Current Liabilities	(287,909)	(241,053)	(46,856)
Less: Non Current Liabilities	(2,513,069)	(2,479,172)	(33,897)
Less: Deferred Inflows	(1,738,546)	(1,714,170)	(24,376)
Net Position	\$ (226,943)	\$ (436,399)	\$ 209,456
Net Investment in Capital Assets	\$ 2,688,871	\$ 2,547,205	\$ 141,666
Restricted Net Position	26,911	52,148	(25,237)
Unrestricted Net Position	(2,942,725)	(3,035,752)	93,027
Net Position	\$ (226,943)	\$ (436,399)	\$ 209,456

Total cash and restricted deposits increased by \$125,609 or 21% percent. Net cash provided by operating activities was \$298,660, net cash used by capital and related financing activities was \$174,122, and net cash provided by investing activities was \$1,071. The full detail of this amount can be found in the Statements of Cash Flows on pages 21-22 of this audit report.

Other current assets decreased \$104,939. Investments increased by \$139, accounts receivables decreased by \$105,264, and prepaid expenses increased by \$186. Accounts receivables decreased mainly due to a decrease in HUD grants receivables.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$141,666 or 6% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$210,920, less the recording of depreciation expense in the amount of \$69,254. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$152,249 for an ending balance of \$695,998. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$24,376 for an ending balance of \$1,738,546. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

Total current liabilities increased from the previous year by \$46,856 or 19% percent. Accounts payables increased by \$13,928, accrued liabilities decreased by \$166, tenant security deposit payable decreased by \$821, and unearned revenue increased \$33,915.

Total noncurrent liabilities increased by \$33,897 or 1% percent. The increase was made up of two accounts, accrued compensated absences – long term with no offsetting assets increased \$16,803 from the prior fiscal year for an ending balance of \$104,792.

Accrued pension and OPEB liabilities increased \$17,094 or 1% percent for an ending balance of \$2,408,277. Additional information on GASB 75's effect and the Authority's accrued pension GASB #68 on June 30, 2021 can be found in Notes 15-16 to the financial statements, which is included in this report.

The Authority's reported net position of negative (\$226,943) which is made up of three categories. The net investment in capital assets in the amount of \$2,688,871. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance June 30, 2020	\$ 2,547,205
Acquisition in Fixed Assets	210,920
Depreciation Expense	<u>(69,254)</u>
Balance June 30, 2021	<u><u>\$ 2,688,871</u></u>

The Authority reported an increase in its unrestricted position in the amount of \$93,027 or 3% percent resulting in an ending balance in the amount of negative (\$2,942,725). A full detail of this account can be found in the Notes to the Financial Statements Section Note – 19.

The Authority reported a restricted net position in the amount of \$26,911 which decreased \$25,237 compared to the prior fiscal year. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 18.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between June 30, 2021 and June 30, 2020:

	<u>Year Ended</u>		Increase (Decrease)
	June-21	June-20	
<u>Revenues</u>			
Tenant Revenues	\$ 806,737	\$ 779,347	\$ 27,390
HUD Subsidies	1,657,578	1,743,321	(85,743)
Other Revenues	469,878	466,658	3,220
Total Operating Income	<u>2,934,193</u>	<u>2,989,326</u>	<u>(55,133)</u>
<u>Expenses</u>			
Operating Expenses	2,804,270	2,958,413	(154,143)
Depreciation Expense	69,254	68,903	351
Total Operating Expenses	<u>2,873,524</u>	<u>3,027,316</u>	<u>(153,792)</u>
Operating Income before Non Operating Income	60,669	(37,990)	98,659
Interest Income	1,210	9,153	(7,943)
Capital Grants	147,577	217,397	(69,820)
Prior Period Adjustment	-	527,695	(527,695)
Change in Net Position	<u>209,456</u>	<u>716,255</u>	<u>(506,799)</u>
Net Position Prior Year	(436,399)	(1,152,654)	716,255
Total Net Position	<u>\$ (226,943)</u>	<u>\$ (436,399)</u>	<u>\$ 209,456</u>

Approximately 57% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 27% percent resulted from tenant revenue. Charges for various services provided the remaining 16% percent of the total operating income.

The Housing Authority of the City of South Amboy received \$147,577 from the Capital Fund Program in grant money, representing a decrease of \$69,820 from the prior fiscal year. The Authority had capital expenditures of \$210,920 which was funded through the capital fund program and management's reserves. The current year additions included various apartment renovations, the purchase of a golf cart, security camera upgrades, replacement of tenant appliances, and the replacement of steam pipes.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 42% percent of total operating expenses. Administrative expenses accounted for 20% percent, tenant services accounted for less than 1% percent, utilities expense accounted for 12% percent, maintenance expense accounted for 17% percent, other operating expenses accounted for 6% percent, and depreciation accounted for the remaining 2% percent of the total operating expenses.

The Authority operating revenue exceeded its operating expenses resulting in an excess of revenue from operations in the amount of \$60,669 as compared to excess expenses from operations of \$37,990 for the previous year. The key elements for the increase in excess revenue over expenses in comparison to the prior year are as follows:

- Total tenant rental income increased in the amount of \$27,390 or 4%.
- The Authority reported a decrease in HUD PHA operating grants in the amount of \$85,743 or 5% percent.
- Fraud recovery revenue increased in the amount of \$4,468 or 44% percent.
- Other revenue decreased in the amount of \$1,248 or less than 1% due to receipts of management fees for that were deferred from the previous years.
- The Authority reported increases in the following expenses:
 - Other operating expenses increased \$35,774 or 27% percent
 - Depreciation expense increased \$351 or 1% percent
- The Authority reported decreases in the following expenses:
 - Administrative expenses decreased \$86,808 or 13% percent
 - Tenant services decreased \$908 or 52% percent
 - Utilities expenses decreased \$52,566 or 13% percent
 - Maintenance expense decreased \$31,727 or 6% percent
 - Housing Assistance Payments decreased \$17,908 or 1% percent

Total net cash provided by operating activities during the year was \$298,660 as compared to cash used in the amount of \$33,746 for the prior fiscal year. A full detail of these amounts can be found on the Statements of Cash Flows on pages 21-22 of this report.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four-year period of time ending on June 30, 2021:

	June-21	June-20	June-19	June-18
Significant Income				
Total Tenant Revenue	\$ 806,737	\$ 779,347	\$ 835,027	\$ 789,326
HUD Operating Grants	1,657,578	1,743,321	1,598,764	1,597,603
HUD Capital Grants	147,577	217,397	168,781	49,996
Investment Income	1,210	9,153	8,110	2,456
Other Income	469,878	466,658	341,252	378,767
Total	<u>\$ 3,082,980</u>	<u>\$ 3,215,876</u>	<u>\$ 2,951,934</u>	<u>\$ 2,818,148</u>
Payroll Expense				
Administrative Salaries	\$ 335,550	\$ 326,932	\$ 306,298	\$ 211,548
Utilities Labor	29,120	29,120	16,009	83,450
Maintenance Labor	254,208	221,117	189,093	152,670
Employee Benefits Expense	189,235	311,321	263,525	353,986
Total Payroll Expense	<u>\$ 808,113</u>	<u>\$ 888,490</u>	<u>\$ 774,925</u>	<u>\$ 801,654</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 120,120	\$ 178,829	\$ 233,085	\$ 223,252
Utilities Expense	351,058	353,496	351,396	349,718
Maintenance Supplies	73,680	81,400	45,637	60,317
Maintenance Contract Cost	109,160	85,162	69,128	82,793
Insurance Premiums	81,537	79,242	68,791	62,461
Housing Assistance Payments	1,218,579	1,236,487	1,224,751	1,223,009
Total	<u>\$ 1,954,134</u>	<u>\$ 2,014,616</u>	<u>\$ 1,992,788</u>	<u>\$ 2,001,550</u>
Total Operating Expenses	<u>\$ 2,873,524</u>	<u>\$ 3,027,316</u>	<u>\$ 2,908,617</u>	<u>\$ 2,919,392</u>
Total of Federal Awards	<u>\$ 1,805,155</u>	<u>\$ 1,960,718</u>	<u>\$ 1,767,545</u>	<u>\$ 1,647,599</u>

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level.

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY PROGRAMS

Public and Indian Housing Program:

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

Public Housing Capital Fund Program:

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

Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

PIH and Housing Choice Voucher CARES Act Programs

The CARES Act requires that recipients use of CARES grants be tied to preventing, preparing for, and responding to COVID-19, including maintaining normal operations and funding eligible affordable housing activities under NAHASDA during the period the program is impacted by COVID-19. These funds may also be used to maintain normal operations and fund eligible activities during the period that a recipient's program is impacted by COVID-19. HUD expects and encourages recipients to expend funds expeditiously given the ongoing COVID-19 National Emergency.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

BUDGETARY HIGHLIGHTS

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

NEW INITIATIVES

For the fiscal year 2021 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 59% percent of its revenue from the Department of Housing and Urban Development, (2020 fiscal year was 61% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

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

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of South Amboy all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2021, was \$2,688,871 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increased during the year in the amount of \$141,666 or 6% percent. Major capital expenditures of \$210,920 were made during the year. Major capital assets events during the fiscal year included the following:

- Replacement of Apartment Flooring and Renovations
- Replacement of Steam Pipes
- Purchase of a Golf Cart
- Installation of Security Cameras

	June-21	June-20	Increase (Decrease)
Land	\$ 137,125	\$ 137,125	\$ -
Building	8,562,401	8,525,352	37,049
Furniture, Equipment - Dwelling	484,786	458,491	26,295
Furniture, Equipment - Administration	248,944	248,944	-
Construction in Process	1,414,171	1,266,595	147,576
Total Fixed Assets	10,847,427	10,636,507	210,920
Accumulated Depreciation	(8,158,556)	(8,089,302)	(69,254)
Net Book Value	\$ 2,688,871	\$ 2,547,205	\$ 141,666

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

2 – Long Term Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The capital budgets for the 2022 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

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

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2022.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- Continued decreases in health care insurance are expected to impact employee benefits cost over the next several years.
- Converting Public Housing Program rental units into RAD subsidy units.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Mark Noble, Executive Director, Housing Authority of the City of South Amboy, PO Box 817 South Amboy, N.J. 08879, or call (732) 721-1831.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENT OF NET POSITION - 1
AS OF JUNE 30, 2021 AND 2020

	June 30,	
	2021	2020
Assets		
Current Assets:		
Cash and Cash Equivalents- Unrestricted		
Operating	\$ 585,545	\$ 461,367
Restricted	136,014	134,583
Total cash and equivalents	721,559	595,950
Investments	28,079	27,940
Accounts Receivables, Net of Allowances	135,157	240,421
Prepaid Expenses	42,917	42,731
Total Current Assets	927,712	907,042
Noncurrent Assets		
Capital Assets		
Land	137,125	137,125
Building	8,562,401	8,525,352
Furniture, Equipment - Dwelling	484,786	458,491
Furniture, Equipment - Administration	248,944	248,944
Construction in Process	1,414,171	1,266,595
Total Capital Assets	10,847,427	10,636,507
Less: Accumulated Depreciation	(8,158,556)	(8,089,302)
Net Book Value	2,688,871	2,547,205
Total Assets	3,616,583	3,454,247
Deferred Outflow of Resources		
Total Deferred Outflows of Resources	695,998	543,749
Total Assets and Deferred Outflow of Resources	\$ 4,312,581	\$ 3,997,996

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENT OF NET POSITION - 2
AS OF JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>June 30,</u> <u>2020</u>
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 113,703	\$ 99,775
Accrued Liabilities	54,181	54,347
Tenant Security Deposit Payable	58,555	59,376
Unearned Revenue	61,470	27,555
Total Current Liabilities	287,909	241,053
Noncurrent Liabilities		
Accrued Compensated Absences - Long-Term	104,792	87,989
Accrued Other Post-Employment Benefits (OPEB)	2,408,277	2,391,183
Total Noncurrent Liabilities	2,513,069	2,479,172
Total Liabilities	2,800,978	2,720,225
Deferred Inflow of Resources		
Total Deferred Inflow of Resources	1,738,546	1,714,170
Net Position:		
Net Investment in Capital Assets	2,688,871	2,547,205
Restricted	26,911	52,148
Unrestricted	(2,942,725)	(3,035,752)
Total Net Position	(226,943)	(436,399)
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 4,312,581	\$ 3,997,996

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2021 AND 2020

	<u>June 30,</u>	
	2021	2020
Revenue:		
Tenant Rental Revenue	\$ 806,737	\$ 779,347
HUD PHA Operating Grants	1,657,578	1,743,321
Fraud Recovery	14,642	10,174
Other Revenue	455,236	456,484
Total Revenue	2,934,193	2,989,326
Operating Expenses:		
Administrative Expenses	564,834	651,642
Tenant Services	832	1,740
Utilities Expense	351,058	403,624
Maintenance Expense	500,384	532,111
Other Operating Expenses	168,583	132,809
Housing Assistance Payments	1,218,579	1,236,487
Depreciation Expense	69,254	68,903
Total Operating Expenses	2,873,524	3,027,316
Excess Revenue (Expenses) From Operations	60,669	(37,990)
Nonoperating Revenue		
Investment Income	1,210	9,153
Excess Income (Expenses) Before Capital Contributions	61,879	(28,837)
Capital Grant Contributions	147,577	217,397
Change in Net Position	209,456	188,560
Beginning Net Position	(436,399)	(1,152,654)
Prior Period Adjustment	-	527,695
Beginning Net Position, Restated	(436,399)	(624,959)
Ending Net Position	\$ (226,943)	\$ (436,399)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENTS OF CASH FLOWS -1
FOR THE TWELVE MONTHS ENDED JUNE 30, 2021 AND 2020

	June 30,	
	2021	2020
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 803,997	\$ 783,953
Receipts from Federal Grants	1,752,869	1,647,248
Receipts from Misc. Sources	469,878	466,658
Payments to Vendors and Suppliers	(288,288)	(455,146)
Payments for Housing Assistance Payments	(1,218,579)	(1,236,487)
Payments to Employees	(616,381)	(575,155)
Payment of Employee Benefits	(299,633)	(311,321)
Payment of Utilities Expenses	(305,203)	(353,496)
Net Cash Provided (Used) by Operating Activities	298,660	(33,746)
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	147,577	217,397
Acquisitions and Construction of Capital Assets	(210,920)	(274,803)
Accrued Other Post-Employment Benefits (OPEB) Liabilities	17,094	(1,517,925)
Net Effect of Deferred Inflows and Outflows	(127,873)	992,670
Prior Period Adjustment	-	527,695
Net Cash (Used) by and Related Financing Activities	(174,122)	(54,966)
Cash Flow From Investing Activities		
Interest Income	1,210	9,153
Purchase of Investments	(139)	(489)
Net Cash Provided by Investing Activities	1,071	8,664
Net Increase (Decrease) in Cash and Cash Equivalents	125,609	(80,048)
Beginning Cash	595,950	675,998
Ending Cash	\$ 721,559	\$ 595,950
<u>Reconciliation of Cash Balances:</u>		
Cash and Cash Equivalents - Unrestricted	\$ 585,545	\$ 461,367
Cash and Cash Equivalents - Restricted	136,014	134,583
Total Ending Cash, Cash Equivalents	\$ 721,559	\$ 595,950

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENTS OF CASH FLOWS -2
FOR THE TWELVE MONTHS ENDED JUNE 30, 2021 AND 2020

	2021	June 30, 2020
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities		
Excess Revenue from Operations	\$ 60,669	\$ (37,990)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense	69,254	68,903
(Increase) Decrease in:		
Accounts Receivables	105,264	(80,645)
Prepaid Expenses	(186)	(4,363)
Increase (Decrease) in:		
Accounts Payable	13,928	(14,844)
Accrued Liabilities	(166)	7,077
Tenant Security Payable	(821)	3,605
Unearned Revenue	33,915	20,589
Increase in Compensated Absences	16,803	3,922
Net Cash Provided (Used) by Operating Activities	\$ 298,660	\$ (33,746)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

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

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

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low- and moderate-income families residing in City of South Amboy. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of South Amboy and City Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the City of South Amboy reporting entity.

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

2. Significant Accounting Policies

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

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

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Basis of Accounting –

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

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue composed primarily of management fees, portability income for the Housing Choice Voucher program, resident's charges, cell phone tower income, and tenant late fees. The revenue is recorded as earned since it is measurable and available. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low-income families. Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

Basis of Accounting – Continued

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

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

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund

Report Presentation –

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges, designated to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

Report Presentation – continued

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

Other accounting policies are as follows:

- 1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- 2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.
- 3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.
- 4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.
- 5 – Operating subsidies received from HUD are recorded as income when earned.
- 6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.
- 7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.
- 8 – The Authority does not have any infrastructure assets for its Enterprise Fund.
- 9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.
- 10- Advertising cost is charged to expense when incurred.
- 11- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

Other accounting policies - Continued

12- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

13- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority, but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

14 - Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Under federal, state, and local law, the Authority's program is exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority pay the municipality a 10% of its net shelter rent.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

Other accounting policies - Continued

15 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

16 - Operating and non-operating revenues and expenses

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue composed primarily of management fees, portability income for the Housing Choice Voucher program, resident's charges, cell phone tower income, and tenant late fees.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

Other accounting policies - Continued

17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2021 nor 2020.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Budgetary and Policy Control –

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

Activities - The programs administered by the Authority were:

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Public and Indian Housing Program	14.850	NJ35	152
Public Housing Capital Fund	14.872	NJ35	
Public Housing CARES Act Funds	14.PHC		
<u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ35	111
HCV CARES Act Funds	14.HCC		

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

Activities - continued

Public and Indian Housing Program:

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

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Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

PIH and Housing Choice Voucher CARES Act Program

The CARES Act requires that recipients use of CARES grants be tied to preventing, preparing for, and responding to COVID-19, including maintaining normal operations and funding eligible affordable housing activities under NAHASDA during the period the program is impacted by COVID-19. These funds may also be used to maintain normal operations and fund eligible activities during the period that a recipient's program is impacted by COVID-19. HUD expects and encourages recipients to expend funds expeditiously given the ongoing COVID-19 National Emergency.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit.

The lease agreement has similar terms; therefore, all lease contract revenue has been aggregated in the caption rental income in the statement of income. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the buildings(s). Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be charged a late fee. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision-making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

NOTE 2 – ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925. On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2014divisioncombined.pdf>

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.50% of base wages.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

NOTE 3 - PENSION PLAN - CONTINUED

The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2021 amounted to \$46,015 and \$50,620 for 2020.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects of GASB #68 can be found in Note 16- Accrued Pension Liability.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Housing Authority of the City of South Amboy cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment include cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. 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.

Concentration of Credit Risk

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 always collateralized. Acceptable collateralization includes FDIC/FSLIC 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. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

Risk Disclosures

Collateral for Deposits

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 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.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2021, and 2020

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. On June 30, 2021, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies, and instrumentalities.

The Authority's checking accounts and investments are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>June-21</u>	<u>June-20</u>
Insured	\$ 307,627	\$ 308,911
Collateralized held by pledging bank's trust department in the Authority's name	442,011	314,979
Total Cash, Cash Equivalents and Investments	<u>\$ 749,638</u>	<u>\$ 623,890</u>

Restricted Deposits and Funded Reserves

The Authority has total restricted cash on June 30, 2021, and 2020 consists of the following:

	<u>June-21</u>	<u>June-20</u>
Tenant Security Deposit	\$ 57,627	\$ 58,611
HAP Reserve	26,911	52,148
HCV CARES Act Funds	51,476	23,824
Total Cash, Cash Equivalents	<u>\$ 136,014</u>	<u>\$ 134,583</u>

The restricted cash in the amount of \$26,911 for 2021 and \$52,148 for 2020 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. The Authority invested these funds with Amboy Bank. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED

The tenant security deposit restricted cash on June 30, 2021, was \$57,627 and \$58,611 in 2020. This amount is held as security deposits for the tenants of the Public and Indian Housing Program in an interest-bearing account.

The restricted cash in the amount of \$51,476 for 2021 and \$23,824 for 2020 which was reported under the Housing Choice Voucher CARES Act Program as a grant money received during the year for future use.

Investments

The Authority's investments on June 30, 2021, included the following:

Investments	Maturities	Fair Value
Certificate of Deposit	8-Jun-22	\$ 28,079

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on June 30, 2021, and 2020 consisted of the following:

	June-21	June-20
Tenants Accounts Receivable - Present	\$ 38,424	\$ 35,684
Allowance for Doubtful Accounts -Tenants	(23,652)	(13,794)
Net Tenants Accounts Receivable	14,772	21,890
Accounts Receivable - Capital Fund Program	120,167	103,616
Accounts Receivable - Operating Subsidy	-	99,818
Accounts Receivable - PIH CARES Act Program	215	12,239
Accrued Interest Receivable	3	8
Accounts Receivable - Manangement Fees	-	2,850
Total Accounts Receivable	<u>\$ 135,157</u>	<u>\$ 240,421</u>

Tenant's rents are due the first of each month. Management considers rents outstanding after the 5th day of the month as past due and late charges are applied accordingly. The Housing Authority of the City of South Amboy carries its accounts receivable at cost less an allowance for doubtful accounts. Accounts are written off as uncollectible when management determines that a sufficient period has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2021, and 2020

NOTE 6 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off monthly. Prepaid expenses on June 30, 2021, and 2020 consisted prepaid insurance premiums.

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short-term loans, services provided during operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority on June 30, 2021 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value.

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated.

Depreciation

Depreciation expense for June 30, 2021, was \$69,254 and \$68,903 for 2020.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 8 - FIXED ASSETS - CONTINUED

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2021 nor 2020.

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2021, and 2020:

	June-20	Additions	June-21
Land	\$ 137,125	\$ -	\$ 137,125
Building	8,525,352	37,049	8,562,401
Furniture, Equipment - Dwelling	458,491	26,295	484,786
Furniture, Equipment - Administration	248,944	-	248,944
Construction in Process	1,266,595	147,576	1,414,171
Total Fixed Assets	10,636,507	210,920	10,847,427
Accumulated Depreciation	(8,089,302)	(69,254)	(8,158,556)
Net Book Value	\$ 2,547,205	\$ 141,666	2,688,871

	June-19	Additions	June-20
Land	\$ 137,125	\$ -	\$ 137,125
Building	8,468,245	57,107	8,525,352
Furniture, Equipment - Dwelling	458,190	301	458,491
Furniture, Equipment - Administration	248,944	-	248,944
Construction in Process	1,049,200	217,395	1,266,595
Total Fixed Assets	10,361,704	274,803	10,636,507
Accumulated Depreciation	(8,020,399)	(68,903)	(8,089,302)
Net Book Value	\$ 2,341,305	\$ 205,900	2,547,205

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

NOTE 8 - FIXED ASSETS - CONTINUED

Below is a schedule of the net book value of the fixed assets for the Housing Authority of the City of South Amboy as of June 30, 2021:

	<u>June-21</u>
Land	\$ 137,125
Building	946,624
Furniture, Equipment - Dwelling	102,354
Furniture, Equipment - Administration	88,597
Construction in Progress	<u>1,414,171</u>
Net Book Value	<u><u>\$ 2,688,871</u></u>

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The OPEB and Pension Liability discussed in Note 15 and 16 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS and OPEB, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority’s deferred outflows and inflows for June 30, 2021, are as follows:

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 45,365	\$ 12,490	\$ 57,855
Changes in Assumptions	257,607	22,253	279,860
Net Difference Between Projected and Actual Earning on Pension Plan Investments	1,094	23,446	24,540
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	296,142	37,601	333,743
Total	\$ 600,208	\$ 95,790	\$ 695,998

Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 320,731	\$ 2,426	\$ 323,157
Changes in Assumptions	383,021	287,210	670,231
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	538,321	206,837	745,158
Total	\$ 1,242,073	\$ 496,473	\$ 1,738,546

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2021, and 2020

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as OPEB and pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$57,855 and \$323,157.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as OPEB and pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$279,860 and \$670,231.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB 68 and GASB #75. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$24,540 and \$-0-.

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net OPEB and pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of PERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$333,743 and \$745,158.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 10 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statements of Net Position as of June 30, 2021, and 2020. Accounts payable vendors are amount owing to creditors or generally on open accounts, because of delivered goods and completed services. Accounts payable on June 30, 2021, and 2020 consisted of the following:

	<u>June-21</u>	<u>June-20</u>
Accounts Payable Vendors	\$ 16,797	\$ 13,854
Accounts Payable - HUD	2,876	2,875
Accounts Payable - PHA	2,988	-
Accounts Payable - P.I.L.O.T.	91,042	83,046
Total Accounts Payable	<u>\$ 113,703</u>	<u>\$ 99,775</u>

NOTE 11 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State, and local law, the Authority’s programs are exempt from income, property, and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of South Amboy. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes. During the fiscal year ended June 30, 2021, PILOT expense was \$45,568 and \$37,572 for 2020. PILOT payable on June 30, 2021, was \$91,042.

NOTE 12 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statements of Net Position. Accrued expenses are liabilities covering expenses incurred on or before June 30 and are payable at some future date. Accrued liabilities on June 30, 2021, and 2020 consisted of the following:

	<u>June-20</u>	<u>June-20</u>
Compensated Absences - Current Portion	\$ 11,644	\$ 9,777
Accrued Liabilities - Utilities	35,150	29,661
Accrued Wages and Payroll Taxes	7,387	14,909
Total Accrued Liabilities	<u>\$ 54,181</u>	<u>\$ 54,347</u>

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 13 - UNEARNED REVENUE

The Authority reported unearned revenues on its Statements of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. Unearned Revenue consisted of the following:

	June-21	June-20
Prepaid Rents	\$ 4,061	\$ 3,731
PIH CARES Acts Funds	5,933	-
HCV CARES Acts Funds	51,476	23,824
Total Unearned Revenue	<u>\$ 61,470</u>	<u>\$ 27,555</u>

NOTE 14 - ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Employees may only accumulate vacation leave with the approval of the Executive Director. Unused sick leave may be carried to future periods and used in the event of extended illness. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service based on the current provisions outlined in the union contract.

The Authority has determined that the potential liability for accumulated vacation and sick time on June 30, 2021, as follows:

Balance on			Balance on	Current
30-Jun-20	Additions	Payments	30-Jun-21	Portion
\$ 97,766	\$ 18,670	\$ -	\$ 116,436	\$ 11,644

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of June 30, 2021 and 2020 reported accrued pension and OPEB liability amounts as follows:

	June-21	June-20
Accrued OPEB Liability	\$ 1,722,336	\$ 1,453,494
Accrued Pension Liability	685,941	937,689
Total OPEB and Pension Liability	<u>\$ 2,408,277</u>	<u>\$ 2,391,183</u>

These amounts arose due to adoption of GASB #75 in 2018 year as well as GASB #68 which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 16 will discuss the effect of GASB #68 and the pension liability which arose from that.

OPEB Liability

The Authority as of June 30, 2021, reported a net OPEB liability in the amount of \$1,722,336 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2020, the last evaluation date, is as follows:

	OPEB
Employer OPEB Liability	\$ 1,738,158
Plan Net Position	<u>(15,822)</u>
Employer Net OPEB Liability	<u>\$ 1,722,336</u>

The Authority allocation percentage is 0.0095970% as of June 30, 2020.

OPEB Liability – Plan Description and Benefits Provided

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

Benefits Provided: The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2021, and 2020

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

OPEB Liability – Plan Description and Benefits Provided - continued

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 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
- 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 negotiation's 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.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended June 30, 2021 were \$1,722,336.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

Employees covered by benefits terms: On June 30, 2020 (the census date), the following employees were covered by the benefits terms:

Plan Members

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Net OPEB Liability

The total OPEB liability as of June 30, 2020, latest report, was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions: The total OPEB Liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.21%

Salary Increases

Through 2026 = 2.00% to 6.00%

Thereafter = 3.00% to 7.00%

Actuarial Assumptions - Continued

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2020 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2020 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2020 scale.

Certain actuarial assumptions used in the June 30, 2020, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2020 and July 1, 2014 to June 30, 2020, respectively.

100% of active members are considered to participate in the Plan upon retirement.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 15 – OPEB LIABILITIES - CONTINUED

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2020, was 2.21%. This represents the municipal bond return rate as 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.

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority’s OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	1.21%	2.21%	3.21%
Total OPEB Liability	\$ 2,036,166	\$ 1,722,336	\$ 1,473,912

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority’s OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 1,425,235	\$ 1,722,336	\$ 2,111,395

Change in Assumptions: Effective June 30, 2020.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 15 – OPEB LIABILITIES - CONTINUED

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 year for the 2020.

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2021</u>
Service Cost	\$ 58,153
Interest on Total OPEB liability	47,740
Expected Investment Return	(732)
Administrative Expenses	951
Changes in Benefits Term	99
Current Period Deferred Inflows/Outflows of Resources	(52,841)
Changes in Assumptions or Other Inputs	(40,178)
Net Difference Between Projected and Actual Investments Earning on Pension Plan Investments	435
Benefit Payments	-
Change in Plan Valuation	<u>255,215</u>
Net Change in Total OPEB Liability	268,842
Total OPEB Liability, Beginning	<u>1,453,494</u>
Total OPEB Liability, Ending	<u><u>\$ 1,722,336</u></u>

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 15 – OPEB LIABILITIES - CONTINUED

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

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

Year Ending June 30, 2021	\$	(92,584)
Year Ending June 30, 2022		(92,668)
Year Ending June 30, 2023		(92,804)
Year Ending June 30, 2024		(92,928)
Year Ending June 30, 2025		(63,365)
Therafter		34,663
Total	\$	<u><u>(399,686)</u></u>

NOTE 16 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of June 30, 2021, reported a net pension liability in the amount of \$685,941 due to GASB #68. The component of the current year net pension liability of the Authority as of June 30, 2020, the last evaluation date, is as follows:

	<u>June-21</u>
Employer Total Pension Liability	\$ 2,847,886
Plan Net Position	<u>(2,161,945)</u>
Employer Net Pension Liability	<u><u>\$ 685,941</u></u>

The Authority allocation percentage is 0.0042063182% as of June 30, 2020.

Plan Description

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. The State of New Jersey, Public Employees' Retirement System (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 Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Net Pension Liability Information

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 Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

The following represents the membership tiers for PERS:

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

The local employers' contribution amounts are based on an 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 the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. 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 assets.

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

NOTE 16 – ACCRUED PENSION LIABILITY – CONTINUED

Allocation Percentage Methodology -continued

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2020, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2020.

The contribution for PERS is set by NJSA 43:15A and requires contributions by 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 include 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. For fiscal year 2020 the State's pension contribution was less than the actuarial determined amount.

Actuarial Assumptions

The total pension liability for June 30, 2020, measurement dates were determined by using an actuarial valuation as of July 1, 2018, with update procedures used to roll forward the total pension liability to June 30, 2020. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2020 projection scale. Post-mortality rates were based on the Pub-2010 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2020 projection scale. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions – Continued

The actuarial assumptions used in the July 1, 2020, evaluation was based on the results of an actuarial experience study for the period July 1, 2014, to June 30, 2020. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% on June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2020, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
	<u>100%</u>	

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2021, and 2020

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.0% as of June 30, 2020. 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, 2020, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal year.

The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their 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 June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0% percent) or 1 percentage-point higher (8.0% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
	<hr/>		
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 968,367	\$ 685,941	\$ 545,176

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

NOTE 16 – ACCRUED PENSION LIABILITY – CONTINUED

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2021	\$	(145,497)
Year Ending June 30, 2022		(13,544)
Year Ending June 30, 2023		(77,836)
Year Ending June 30, 2024		(31,173)
Year Ending June 30, 2025		(6,145)
Total	\$	<u>(274,195)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2020, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2020, are as follows:

Service Cost	\$	54,602
Interest on the Total Pension Liability		185,441
Benefits Changes		(1,150)
Member Contributions		(38,233)
Administrative Expenses		815
Expected Investment Return Net of Investment Expenses		(82,035)
Pension Expense Related to Specific Liabilities of Individual Employers		(78)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		17,366
Changes of Assumptions		(99,762)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		17,761
Total	\$	<u>54,727</u>

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2021, and 2020

NOTE 17 – NET INVESTMENT IN CAPITAL ASSETS

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

	June-21	June-20
Beginning Balance	\$ 2,547,205	\$ 2,341,305
Acquisition in Fixed Assets	210,920	274,803
Depreciation Expense	(69,254)	(68,903)
Balance June 30,	<u>\$ 2,688,871</u>	<u>\$ 2,547,205</u>

NOTE 18 – RESTRICTED NET POSITION

The Authority restricted net position account balance on June 30, 2021, is \$26,911 and \$54,148 for 2020. The balance pertains to the HCV HAP reserve.

Housing Choice Voucher Program - Reserves

Prior to January 1, 2005, excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net position.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority.

The amount of HUD held reserves for the Authority on June 30, 2021, was \$274,343.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2021, and 2020

NOTE 19 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance on June 30, 2021, is a negative (\$2,942,725). The detail of the account balance is as follows:

	PIH Reserve	Section 8 HCV Adm. Reserve	Total
Balance June 30, 2019	\$ (3,118,794)	\$ (376,713)	\$ (3,495,507)
Increase During the Year		5,648	5,648
Decrease During the Year	(73,588)	-	(73,588)
Prior Period Adjustment GASB #75	485,479	42,216	527,695
Balance June 30, 2020	(2,706,903)	(328,849)	(3,035,752)
Increase During the Year	83,610	9,417	93,027
Balance June 30, 2021	<u>\$ (2,623,293)</u>	<u>\$ (319,432)</u>	<u>\$ (2,942,725)</u>

NOTE 20 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended June 30, 2021, were \$513,863 and \$442,563 for 2020.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for June 30, 2021, was in the amount of \$1,116,500 and \$1,237,519 for 2020.

NOTE 21 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low-income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD was \$1,805,155 to the Authority which represents approximately 59% percent of the Authority's total revenue for the year ended June 30, 2021.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2021, and 2020

NOTE 22 – CONTINGENCIES AND COMMITMENTS

Litigation – On June 30, 2021, the Authority was not involved in any threatened litigation.

Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the years ended June 30, 2021.

Other Insurance

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Unemployment Insurance

The Authority provides unemployment insurance through direct billings from the New Jersey Unemployment Insurance Fund. For the year ended June 30, 2021, the Authority paid no benefits from the unemployment reserve. On June 30, 2021, the Authority did not recognize a liability for unpaid, unasserted claims, if any, as these would be deemed immaterial.

National Health Emergency

The United States is presently during a national health emergency related to the COVID-19 virus (coronavirus). The overall consequences of coronavirus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law to provide additional funding to Public Housing Authority's to prevent, prepare for and respond to coronavirus, including to maintain normal operations during the period the program was impacted. During the year ended June 30, 2021, the Authority received \$63,715 in total CARES Act funding of which \$57,409 was unspent. The overall impact of this situation on the Authority and its future results and financial position is not presently determinable.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2021, and 2020

NOTE 23 – SUBSEQUENT EVENTS

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments because of job loss or other pandemic related issues. The Authority already received additional operating subsidy from HUD to offset these expenses.

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru February 25, 2022, the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Required Supplementary Information

June 30, 2021

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

<u>Total OPEB Liability</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 58,153	\$ 71,523	\$ 32,787	\$ 29,463
Interest on Total OPEB liability	47,740	68,252	94,767	99,335
Expected Investment Return	(732)	(1,211)	-	-
Administrative Expenses	951	1,017	-	-
Changes in Benefits Term	99	(204)	-	-
Current Period Deferred Inflows/Outflows of Resources	(52,841)	(66,462)	-	-
Changes in Assumptions or Other Inputs	(40,178)	(86,846)	198,725	-
Net Difference Between Projected and Actual Investments Earning on Pension Plan Investments	435	384	-	-
Benefit Payments	-	-	(110,193)	(107,147)
Change in Plan Valuation	255,215	(1,446,326)	-	-
Net Change in Total OPEB Liability	268,842	(1,459,873)	216,086	21,651
Total OPEB Liability, Beginning	1,453,494	2,913,367	2,697,281	2,675,630
Total OPEB Liability, Ending	\$ 1,722,336	\$ 1,453,494	\$ 2,913,367	\$ 2,697,281
Covered, Employee Payroll	\$ 616,381	\$ 577,169	\$ 477,668	\$ 307,878
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%	2.02%	0.00%	0.00%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Required Supplementary Information
June 30, 2021

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2021	2020	2019	2018
Housing Authority's proportion of the net pension liability	0.0042063182%	0.0052040421%	0.00505722%	0.00530153%
Housing Authority's proportionate share of the net pension liability	\$ 685,941	\$ 937,689	\$ 995,741	\$ 1,234,111
Housing Authority's covered employee payroll	\$ 616,381	\$ 577,169	\$ 510,130	\$ 447,668
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	111.29%	162.46%	195.19%	275.68%
Plan fiduciary net position as a percentage of the total pension liability	75.91%	43.42%	48.01%	48.01%

**The amounts determined for each fiscal year were determined as of June 30. Schedule is intended to show information for ten years.*

Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Required Supplementary Information
June 30, 2021

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.00502923%	0.0497631%	0.00409942%
Housing Authority's proportionate share of the net pension liability	\$ 1,489,515	\$ 1,117,084	\$ 767,523
Housing Authority's covered employee payroll	\$ 467,262	\$ 551,832	\$ 429,093
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	318.78%	202.43%	178.87%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Required Supplementary Information
June 30, 2021

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2021	2020	2019	2018
Contractually required contribution	\$ 46,015	\$ 50,620	\$ 50,303	\$ 49,113
Contribution in relation to the contractually required contribution	(46,015)	(50,620)	(50,303)	(49,113)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 616,381	\$ 577,169	\$ 510,130	\$ 447,668
Contribution as a percentage of covered employee payroll	7.47%	8.77%	9.86%	10.97%

**The amounts determined for each fiscal year were determined as of June 30. Schedule is intended to show information for ten years.*

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Required Supplementary Information
June 30, 2021

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 44,679	\$ 42,783	\$ 33,795
Contribution in relation to the contractually required contribution	(44,679)	(42,783)	(33,795)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 467,262	\$ 551,832	\$ 429,093
Contribution as a percentage of covered employee payroll	9.56%	7.75%	7.88%

**The amounts determined for each fiscal year were determined as of June 30. Schedule is intended to show information for ten years.*

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

Programs funded by:					
<u>U.S. Department of Housing and Urban Development</u>					
	<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>Public and Indian Housing Program</u>					
NJ035	14.850	-	513,863	513,863	-
<u>PIH CARES ACT</u>					
NJ035-DC	14.PHC	-	215	215	-
Grant Total 14.850		-	<u>514,078</u>	<u>514,078</u>	-
<u>Public Housing Capital Fund Program</u>					
NJ39P035501	14.872	-	174,577	174,577	-
Grant Total 14.872		-	<u>174,577</u>	<u>174,577</u>	-
<u>Section 8 Housing Choice Voucher Program</u>					
NJ39P035	14.871	-	1,116,500	1,116,500	-
<u>HCV CARES ACT</u>					
NJ-035	14.HCC	-		-	-
Grant Total 14.871		-	<u>1,116,500</u>	<u>1,116,500</u>	-
Total Expenditures of Federal Awards		\$ -	\$ <u>1,805,155</u>	\$ <u>1,805,155</u>	\$ -

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of South Amboy is under programs of the federal government for the year ended June 30, 2021. The information in this 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). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the City of South Amboy, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the City of South Amboy.

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.

Note 3. Indirect Cost Rate

The Housing Authority of the City of South Amboy has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:

The Housing Authority of the City of South Amboy had no outstanding loans as of June 30, 2021.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2021.

Note 6. Sub recipients:

Of the federal expenditures presented in the schedule above, the Housing Authority of the City of South Amboy did not provide federal awards to any sub recipients.

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$484,236		\$101,309		\$585,545		\$585,545
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted			\$26,911	\$51,476	\$78,387		\$78,387
114 Cash - Tenant Security Deposits	\$57,627				\$57,627		\$57,627
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$541,863	\$0	\$128,220	\$51,476	\$721,559	\$0	\$721,559
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects	\$120,167	\$215			\$120,382		\$120,382
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous							
126 Accounts Receivable - Tenants	\$38,424				\$38,424		\$38,424
126.1 Allowance for Doubtful Accounts - Tenants	-\$23,652				-\$23,652		-\$23,652
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable	\$3				\$3		\$3
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$134,942	\$215	\$0	\$0	\$135,157	\$0	\$135,157
131 Investments - Unrestricted	\$28,079				\$28,079		\$28,079
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$42,917				\$42,917		\$42,917
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From	\$215				\$215	-\$215	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$748,016	\$215	\$128,220	\$51,476	\$927,927	-\$215	\$927,712
161 Land	\$137,125				\$137,125		\$137,125
162 Buildings	\$8,562,401				\$8,562,401		\$8,562,401
163 Furniture, Equipment & Machinery - Dwellings	\$484,786				\$484,786		\$484,786
164 Furniture, Equipment & Machinery - Administration	\$248,944				\$248,944		\$248,944

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
165 Leasehold Improvements							
166 Accumulated Depreciation	-\$8,158,556				-\$8,158,556		-\$8,158,556
167 Construction in Progress	\$1,414,171				\$1,414,171		\$1,414,171
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,688,871	\$0	\$0	\$0	\$2,688,871	\$0	\$2,688,871
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	\$2,688,871	\$0	\$0	\$0	\$2,688,871	\$0	\$2,688,871
200 Deferred Outflow of Resources	\$654,238		\$41,760		\$695,998		\$695,998
290 Total Assets and Deferred Outflow of Resources	\$4,091,125	\$215	\$169,980	\$51,476	\$4,312,796	-\$215	\$4,312,581
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$16,797				\$16,797		\$16,797
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$6,827		\$560		\$7,387		\$7,387
322 Accrued Compensated Absences - Current Portion	\$10,605		\$1,039		\$11,644		\$11,644
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs			\$2,876		\$2,876		\$2,876
332 Account Payable - PHA Projects			\$2,988		\$2,988		\$2,988
333 Accounts Payable - Other Government	\$91,042				\$91,042		\$91,042
341 Tenant Security Deposits	\$58,555				\$58,555		\$58,555
342 Unearned Revenue	\$9,994				\$9,994		\$9,994
343 Current Portion of Long-term Debt - Capital				\$51,476	\$51,476		\$51,476
Projects/Mortgage Revenue							
344 Current Portion of Long-term Debt - Operating							
Borrowings							
345 Other Current Liabilities							
346 Accrued Liabilities - Other	\$35,150				\$35,150		\$35,150

South Amboy Housing Authority (NJ035)
 SOUTH AMBOY, NJ
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	14.PHC Public Housing CARES Act \$215	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
347 Inter Program - Due To				\$215	-\$215	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$228,970	\$7,463	\$51,476	\$288,124	-\$215	\$287,909
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	\$95,443	\$9,349		\$104,792		\$104,792
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$2,066,901	\$341,376		\$2,408,277		\$2,408,277
350 Total Non-Current Liabilities	\$2,162,344	\$350,725	\$0	\$2,513,069	\$0	\$2,513,069
300 Total Liabilities	\$2,391,314	\$358,188	\$51,476	\$2,801,193	-\$215	\$2,800,978
400 Deferred Inflow of Resources	\$1,634,233	\$104,313		\$1,738,546		\$1,738,546
508.4 Net Investment in Capital Assets	\$2,688,871			\$2,688,871		\$2,688,871
511.4 Restricted Net Position		\$26,911		\$26,911		\$26,911
512.4 Unrestricted Net Position	-\$2,623,293	-\$319,432	\$0	-\$2,942,725		-\$2,942,725
513 Total Equity - Net Assets / Position	\$65,578	-\$292,521	\$0	-\$226,943	\$0	-\$226,943
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,091,125	\$169,980	\$51,476	\$4,312,796	-\$215	\$4,312,581

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$779,889				\$779,889		\$779,889
70400 Tenant Revenue - Other	\$26,848				\$26,848		\$26,848
70500 Total Tenant Revenue	\$806,737	\$0	\$0	\$0	\$806,737		\$806,737
70600 HUD PHA Operating Grants	\$540,863	\$215	\$1,116,500		\$1,657,578		\$1,657,578
70610 Capital Grants	\$147,577				\$147,577		\$147,577
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue							
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$627		\$583		\$1,210		\$1,210
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery	\$6,507		\$8,135		\$14,642		\$14,642
71500 Other Revenue	\$251,495		\$203,741		\$455,236		\$455,236
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$1,753,806	\$215	\$1,328,959	\$0	\$3,082,980		\$3,082,980
91100 Administrative Salaries	\$296,449		\$39,101		\$335,550		\$335,550
91200 Auditing Fees	\$4,898		\$4,898		\$9,796		\$9,796
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$80,073		\$29,091		\$109,164		\$109,164
91600 Office Expenses	\$62,736	\$215	\$30,373		\$93,324		\$93,324
91700 Legal Expense	\$10,200		\$6,800		\$17,000		\$17,000
91800 Travel							
91810 Allocated Overhead							
91900 Other							

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
91000 Total Operating - Administrative	\$454,356	\$215	\$110,263	\$0	\$664,834		\$564,834
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$832				\$832		\$832
92500 Total Tenant Services	\$832	\$0	\$0	\$0	\$832		\$832
93100 Water	\$52,419				\$52,419		\$52,419
93200 Electricity	\$96,657				\$96,657		\$96,657
93300 Gas	\$102,692				\$102,692		\$102,692
93400 Fuel							
93500 Labor	\$29,120				\$29,120		\$29,120
93600 Sewer	\$53,435				\$53,435		\$53,435
93700 Employee Benefit Contributions - Utilities	\$16,735				\$16,735		\$16,735
93800 Other Utilities Expense							
93000 Total Utilities	\$351,058	\$0	\$0	\$0	\$351,058		\$351,058
94100 Ordinary Maintenance and Operations - Labor	\$254,208				\$254,208		\$254,208
94200 Ordinary Maintenance and Operations - Materials and Other	\$73,680				\$73,680		\$73,680
94300 Ordinary Maintenance and Operations Contracts	\$109,160				\$109,160		\$109,160
94500 Employee Benefit Contributions - Ordinary Maintenance	\$63,336				\$63,336		\$63,336
94000 Total Maintenance	\$500,384	\$0	\$0	\$0	\$500,384		\$500,384
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	\$0		\$0
96110 Property Insurance	\$39,469				\$39,469		\$39,469
96120 Liability Insurance	\$19,735				\$19,735		\$19,735

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
96130 Workmen's Compensation	\$19,735		\$2,598		\$22,333		\$22,333
96140 All Other Insurance							
96100 Total Insurance Premiums	\$78,939	\$0	\$2,598	\$0	\$81,537		\$81,537
96200 Other General Expenses							
96210 Compensated Absences	\$18,281		\$12,950		\$12,950		\$12,950
96300 Payments in Lieu of Taxes	\$45,568		\$389		\$18,670		\$18,670
96400 Bad debt - Tenant Rents	\$9,858				\$45,568		\$45,568
96500 Bad debt - Mortgages					\$9,858		\$9,858
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$73,707	\$0	\$13,339	\$0	\$87,046		\$87,046
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	\$0		\$0
96900 Total Operating Expenses	\$1,459,276	\$215	\$126,200	\$0	\$1,585,691		\$1,585,691
97000 Excess of Operating Revenue over Operating Expenses	\$294,530	\$0	\$1,202,759	\$0	\$1,497,289		\$1,497,289
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments			\$1,025,277		\$1,025,277		\$1,025,277
97350 HAP Portability-In			\$193,302		\$193,302		\$193,302
97400 Depreciation Expense	\$69,254				\$69,254		\$69,254
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$1,528,530	\$215	\$1,344,779	\$0	\$2,873,524		\$2,873,524
10010 Operating Transfer In							

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act	14.HCC Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
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	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$225,276	\$0	-\$15,820	\$0	\$209,456		\$209,456
Total Expenses							
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	-\$159,698	\$0	-\$276,701	\$0	-\$436,399		-\$436,399
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			-\$319,432		-\$319,432		-\$319,432
11180 Housing Assistance Payments Equity			\$26,911		\$26,911		\$26,911
11190 Unit Months Available	1824	0	1332	0	3156		3156
11210 Number of Unit Months Leased	1660	0	1211	0	2871		2871
11270 Excess Cash	\$346,874				\$346,874		\$346,874
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$147,577				\$147,577		\$147,577

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0		\$0
11650 Leasehold Improvements Purchases	\$0				\$0		\$0
11660 Infrastructure Purchases	\$0				\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0		\$0

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

Board of Commissioners
Housing Authority of the City of South Amboy
250 South Broadway
South Amboy, New Jersey 08879

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, the financial statements of Housing Authority of the City of South Amboy (hereafter referred to as the Authority), which comprise the statements of net position as of June 30, 2021 and 2020 and the related statements of revenue, expenses and changes in net position, statements of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the City of South Amboy internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of South Amboy's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of South Amboy 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 Housing Authority of the City of South Amboy 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*.

Purpose of this Report

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

Giampaolo & Associates

Lincroft, New Jersey

Date: February 25, 2022

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

Board of Commissioners
Housing Authority of the City of South Amboy
250 South Broadway
South Amboy, New Jersey 08879

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of South Amboy compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the City of South Amboy major federal programs for the year ended June 30, 2021. Housing Authority of the City of South Amboy major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of South Amboy 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of South Amboy compliance with those requirements and performing such other procedures as we consider 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 Housing Authority of the City of South Amboy compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of South Amboy 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 June 30, 2021.

Report on Internal Control Over Compliance

Management of Housing Authority of the City of South Amboy 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 Housing Authority of the City of South Amboy'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 Housing Authority of the City of South Amboy 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. Accordingly, this report is not suitable for any other purpose.

Giampaolo & Associates

Lincroft, New Jersey

Date: February 25, 2022

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Schedule of Findings and Questioned Cost

Year Ended June 30, 2021

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Voucher Program	\$ 1,116,500

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as a low-risk auditee _____ X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of South Amboy
250 South Broadway
South Amboy, New Jersey 08879

We have performed the procedures enumerated below on whether the electronic submission of certain information agrees with the hard copy documents within the reporting package for the year ended June 30, 2021. The U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) is responsible for the Uniform Financial Reporting Standards (UFRS) procedures.

Housing Authority of the City of South Amboy has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the REAC’s UFRS requirements for the submission of the PHA financial data for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Procedure	UFRS Rule Information	Hardcopy Documents	Agrees	Does Not Agree
1	Balance Sheet and Revenue and Expense (Data lines 111 to 13901)	Financial Data Schedule of all CFDAs, If Applicable	Yes	
2	Footnotes (data element G5000-010)	Footnotes to the audited basic financial statements	Yes	
3	Type of Opinion on FDS (data element G3100-040)	Auditors Report on Supplemental Data	Yes	
4	Audit findings narrative (date element G5200-010)	Schedule of Findings and Questioned Costs	Yes	

Procedure	UFRS Rule Information	Hardcopy Documents	Agrees	Does Not Agree
5	General Information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Yes	
6	Financial Statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	Yes	
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	Yes	
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Yes	
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Yes	

We were engaged by Housing Authority of the City of South Amboy to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on UFRS Rule Information. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of REAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Housing Authority of the City of South Amboy and REAC, and is not intended to be, and should not be, used by anyone other than these specified parties.

Giampaolo & Associates

Lincroft, New Jersey
February 25, 2022