

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2019

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 1,167,161	\$ 18,359	\$ 1,185,520
Changes in Assumptions	1,458,196	1,138,447	2,596,643
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	33,397	33,397
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	567,254	567,254
Contributions Subsequent to the Measurement	-	-	-
Total	<u>\$ 2,625,357</u>	<u>\$ 1,757,457</u>	<u>\$ 4,382,814</u>

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 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 \$67,899 and \$1,185,520.

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 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 \$586,705 and \$2,596,643.

Net Difference between Projected and Actual Investments Earning 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. 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 \$3,038 and \$33,397.

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NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

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 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 \$1,484,487 and \$567,254.

NOTE 10 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of June 30, 2019. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at June 30, 2019 consist of the following:

	June-19
Accounts Payable Vendors	\$ 147,942
Accounts Payable - Other Government	652,910
Total Accounts Payable	<u>\$ 800,852</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 Union City. 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, 2019, PILOT expense of \$101,714 was accrued, with a payable amount of \$652,910 at June 30, 2019.

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NOTE 12 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before June 30, and are payable at some future date. Accrued liabilities at June 30, 2019 consist of the following:

	<u>June-19</u>
Compensated Absences - Current Portion	\$ 60,225
Accrued Expenses - Wages and Payroll Taxes	35,582
Accrued Expenses - Utility Invoices	61,107
Accrued Interest Payable	13,314
Total Accrued Liabilities	<u>\$ 170,228</u>

NOTE 13 – 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.

Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of retirement, an employee is compensated for one for two unused sick days up to a maximum of \$18,000 under the Authority's current personnel policy. Upon retirement under the State of New Jersey Public Employees Retirement system after fifteen (15) or more years of service, employees will receive a payment equal to four (4) days' pay for every year of service with the Authority. Generally, unused vacation may be carried over for a one-year period. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

The Authority has determined that the potential liability for accumulated vacation and sick time at June 30, 2019 as follows:

	<u>June-19</u>
Accumulated Sick Time	\$ 239,226
Accumulated Vacation Time	209,354
Accumulated Terminal Leave Time	110,708
Accrued Payroll Taxes	42,803
Total	<u>602,091</u>
Compensated Absences - Current Portion	<u>(60,225)</u>
Total Compensated Absences - Noncurrent	<u>\$ 541,866</u>

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Notes to Financial Statements

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NOTE 14 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement 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. The unearned revenue for June 30, 2019 in the amount of \$14,247 consist of the following:

	<u>June-19</u>
Unearned Operating Subsidy	\$ 842
July Prepaid Rents	13,405
Total Unearned Revenue	<u>\$ 14,247</u>

NOTE 15 – OTHER LIABILITIES NONCURRENT

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family.

If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited. For June 30, 2019, the Authority determined a liability in the amount of \$8,929 with a funded bank account balance at June 30, 2019 of \$8,929.

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Notes to Financial Statements

June 30, 2019

NOTE 16 – LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND

The Authority participated on December 23, 2004 with other New Jersey Housing Authorities in the issuance of \$79,860,000 in Series 2004 HMFA Bonds. The Authority portion of the Series 2004 HMFA Bonds is \$3,915,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2025.

The faith and credit of the Housing Authority of the City of Union City was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2005. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Bank of New York, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

The interest payable for November 1, 2019 is \$38,714 and May 1, 2020 is \$38,714.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

June 30, 2020	\$	220,000
June 30, 2021		235,000
June 30, 2022		245,000
June 30, 2023		255,000
June 30, 2024		275,000
Sub Total		<u>1,230,000</u>
Therafter		425,000
Total Capital Project Bonds	\$	<u><u>1,655,000</u></u>

HOUSING AUTHORITY OF THE CITY OF UNION CITY

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NOTE 17 – ACCRUED PENSION AND OPEB LIABILITIES

The Authority as of June 30, 2019 reported accrued pension and OPEB liability amounts as follows:

	<u>June-19</u>
Accrued OPEB Liability	\$ 5,748,552
Accrued Pension Liability	3,560,464
Total OPEB and Pension Liabilities	<u>\$ 9,309,016</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 - 18 will discuss the effect of GASB #68 pension liability which arose from that.

OPEB Liability

The Authority as of June 30, 2019 reported a net OPEB liability in the amount of \$5,748,552 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2018, the last evaluation date, is as follows:

Employer OPEB Liability	\$ 5,863,946
Plan Net Position	(115,394)
Employer Net OPEB Liability	<u>\$ 5,748,552</u>

The Authority allocation percentage is 0.036693% as of June 30, 2018.

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 UNION CITY

Notes to Financial Statements
June 30, 2019

NOTE 17 –OPEB LIABILITIES - CONTINUED

Plan Description - 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 negotiations agreement.

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

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, 2018 were \$5,748,552.

Employees covered by benefits terms: At June 30, 2018 (the census date), the following employees were covered by the benefits terms:

Retired Employees Receiving Benefits	11
Actives Eligible for Benefits	27
Active Employees	4
Total Employees	<u>42</u>

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2019

NOTE 17 –OPEB LIABILITIES - CONTINUED

Net OPEB Liability

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.5%

Salary Increases

Through 2026 = 1.65% to 8.98%

Thereafter = 2.65% to 9.98%

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-2017 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-2017 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-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were 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, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% 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 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2019

NOTE 17 –OPEB LIABILITIES - CONTINUED

Actuarial Assumptions – Continued

Discount Rate

The discount rate for June 30, 2018 was 3.87%. 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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.87%	3.87%	4.87%
Total OPEB Liability	\$ 6,744,572	\$ 5,748,552	\$ 4,952,958

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	\$ 4,795,214	\$ 5,748,552	\$ 6,982,313

Change in Assumptions: Effective June 30, 2018.

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 8.14 and 8.04 years for the 2018 and 2017 amounts, respectively.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements
June 30, 2019

NOTE 17 –OPEB LIABILITIES - CONTINUED

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2019</u>
Service Cost	\$ 328,856
Interest on Total OPEB liability	280,365
Expected Investment Return	(3,445)
Administrative Expenses	3,009
Inflows/Outflows of Resources	(163,468)
Changes in Assumptions or Other Inputs	(222,424)
Net Difference Between Projected and Actual Investments Earning on Pension	840
Benefit Payments	-
Change in Plan	<u>(3,563,397)</u>
Net Change in Total OPEB Liability	(3,339,664)
Total OPEB Liability, Beginning	<u>9,088,216</u>
 Total OPEB Liability, Ending	 <u><u>\$ 5,748,552</u></u>

*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, 2019	\$ (385,053)
Year Ending June 30, 2020	(385,053)
Year Ending June 30, 2021	(385,053)
Year Ending June 30, 2022	(385,374)
Year Ending June 30, 2023	(385,892)
Therafter	(695,895)
Total	<u><u>\$ (2,622,319)</u></u>

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of June 30, 2019 reported a net pension liability in the amount of \$3,560,464 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2018, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 7,672,926
Plan Net Position	<u>(4,112,462)</u>
Employer Net Pension Liability	<u>\$ 3,560,464</u>

The Authority allocation percentage is 0.0180830576% as of June 30, 2018.

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.

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.

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Notes to Financial Statements

June 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

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.

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, 2018 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2018.

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 2018 the State's pension contribution was less than the actuarial determined amount.

Net Pension Liability Information

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.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions

The total pension liability for June 30, 2018 measurement dates were determined by using an actuarial valuation as of July 1, 2016, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial valuations used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65-4.15%, based on age
Thereafter	2.65-5.15%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 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 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the RP-2000 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 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 evaluation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that 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% at June 30, 2018) 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.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions – Continued

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, 2018 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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Notes to Financial Statements
June 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED

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 50% 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, 2046. 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 5.66% 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 (4.66% percent) or 1 percentage-point higher (6.66% 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 (4.66%)	Current Discount (5.66%)	1% Increase (6.66%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,476,873	\$ 3,560,464	\$ 2,791,655

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, 2019	\$ 24,711
Year Ending June 30, 2020	(34,213)
Year Ending June 30, 2021	(245,338)
Year Ending June 30, 2022	(212,662)
Year Ending June 30, 2023	(68,097)
Total	<u>\$ (535,599)</u>

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2019

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

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 5.48, 5.57, 5.72, and 6.44 years for the 2018, 2017, 2016, and 2015 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, 2018, are as follows:

Service Cost	\$	196,339
Interest on the Total Pension Liability		356,285
Member Contributions		(93,396)
Administrative Expenses		2,444
Expected Investment Return Net of Investment Expenses		(254,385)
Pension Expense Related to Specific Liabilities of Individual Employers		(2,762)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		31,219
Changes of Assumptions		72,748
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		(4,873)
Total	\$	<u>303,620</u>

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements
June 30, 2019

NOTE 19 – RESTRICTED NET POSITION

The Authority’s Restricted Net Position account balance at June 30, 2019 is \$213,228 which was reported under the Housing Choice Voucher Program as a HAP reserve for future use. 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 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 at June 30, 2019 was \$937,186.

NOTE 20 – UNRESTRICTED NET POSITION

The Authority’s unrestricted net position account balance at June 30, 2019 is a negative \$(10,234,839) as follows:

	Balance June-18	Prior Period Adjustments	Increase For the Year	Decrease For the Year	Balance June-19
LH Program Reserves	\$ (6,437,795)	\$ 990,862	\$ 378,524	\$ -	\$ (5,068,409)
HCV Program Reserves	(2,247,432)	-	-	(71,245)	(2,318,677)
COCC Center Reserves	(4,475,460)	2,348,801	-	(1,455,906)	(3,582,565)
Business Activities Reserves	426,428	-	308,384	-	734,812
Total Reserves	\$ (12,734,259)	\$ 3,339,663	\$ 686,908	\$ (1,527,151)	\$ (10,234,839)

NOTE 21 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended June 30, 2019, the Authority’s risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker’s compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its buildings for the purpose of determining potential liability issues.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2019

NOTE 22 - 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, 2019 were \$2,098,378.

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 programs provide 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 contribution for the Housing Choice Voucher for June 30, 2019 was \$6,258,244.

NOTE 23 - 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 \$9,109,660 to the Authority which represents approximately 67% percent of the Authority's total revenue for the fiscal year June 30, 2019.

NOTE 24 - CONTINGENCIES

Litigation – At June 30, 2019, the Authority was not involved in any threatening litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2019

NOTE 25 - PRIOR PERIOD ADJUSTMENTS

As of June 30, 2019 the Authority had a prior period adjustment in the amount of \$3,339,663 while recording GASB #75 Net OPEB Liability from the State of New Jersey audit report for the OPEB liability as of June 30, 2018.

NOTE 26 - SUBSEQUENT EVENTS

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 March 16, 2020; 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 UNION CITY

Required Supplementary Information
June 30, 2019

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>2019</u>	<u>2018</u>
Service Cost	\$ 328,856	\$ 207,298
Interest on Total OPEB liability	280,365	301,387
Expected Investment Return	(3,445)	-
Administrative Expenses	3,009	-
Inflows/Outflows of Resources	(163,468)	-
Changes in Assumptions or Other Inputs	(222,424)	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	840	-
Benefit Payments	-	(63,075)
Change in Plan	<u>(3,563,397)</u>	<u>-</u>
Net Change in Total OPEB Liability	<u>(3,339,664)</u>	<u>445,610</u>
Total OPEB Liability, Beginning	<u>9,088,216</u>	<u>8,642,606</u>
Total OPEB Liability, Ending	<u>\$ 5,748,552</u>	<u>\$ 9,088,216</u>
Covered, Employee Payroll	\$ 1,959,380	\$ 1,899,567
Total OPEB Liability as a percentage of covered employee payroll	293.39%	478.44%

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

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Required Supplementary Information
June 30, 2019

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.

	2019	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.0180830576%	0.0164969990%	0.019359500%	0.020945250%	0.021043190%
Housing Authority's proportionate share of the net pension liability	\$ 3,560,464	\$ 3,840,236	\$ 5,733,725	\$ 4,701,790	\$ 3,939,860
Housing Authority's covered employee payroll	\$ 1,959,380	\$ 1,899,567	\$ 1,861,480	\$ 1,774,438	\$ 1,850,093
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.71%	202.16%	308.02%	264.97%	212.95%
Plan fiduciary net position as a percentage of the total pension liability	46.41%	48.01%	59.86%	52.07%	52.08%

**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 UNION CITY

Required Supplementary Information
June 30, 2019

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.

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 179,868	\$ 152,827	\$ 171,987	\$ 180,073	\$ 173,477
Contribution in relation to the contractually required contribution	(179,868)	(152,827)	(171,987)	(180,073)	(173,477)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 1,959,380	\$ 1,899,567	\$ 1,861,480	\$ 1,774,438	\$ 1,850,093
Contribution as a percentage of covered employee payroll	9.18%	8.05%	9.24%	10.15%	9.38%

**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 UNION CITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED JUNE 30, 2019**

Programs funded by:
U.S. Department of Housing and Urban Development

	CFDA #'s	Grant Period		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
		From	To				
Public and Indian Housing Program							
NJ026-00000117D	14.850	1/1/2017	12/31/2017	343,153	214	214	343,153
NJ026-00000118D	14.850	1/1/2018	12/31/2018	375,387	190,901	190,901	375,387
NJ026-00000119D	14.850	1/1/2019	12/31/2019	240,553	160,488	160,488	160,488
NJ026-00000217D	14.850	1/1/2017	12/31/2017	701,922	422	422	701,922
NJ026-00000217D	14.850	1/1/2018	12/31/2018	771,096	391,530	391,530	771,096
NJ026-00000219D	14.850	1/1/2019	12/31/2019	525,994	350,951	350,951	350,951
NJ026-00000317D	14.850	1/1/2017	12/31/2017	506,244	252	252	506,244
NJ026-00000318D	14.850	1/1/2018	12/31/2018	584,106	296,584	296,584	584,106
NJ026-00000319D	14.850	1/1/2019	12/31/2019	473,261	315,767	315,767	315,767
NJ026-00000417D	14.850	1/1/2017	12/31/2017	345,814	189	189	345,814
NJ026-00000418D	14.850	1/1/2018	12/31/2018	385,095	195,535	195,535	385,095
NJ026-00000419D	14.850	1/1/2019	12/31/2019	293,076	195,545	195,545	195,545
Grant Subtotal				5,545,701	2,098,378	2,098,378	4,840,024
Public Housing Capital Fund Program							
NY06P022501-17	14.872	8/16/2017	8/15/2021	664,919	20,615	20,615	537,133
NY06P022501-18	14.872	5/22/2018	5/28/2022	1,032,134	732,423	732,423	732,423
Grant Subtotal				1,697,053	753,038	753,038	1,269,556
Section 8 Housing Choice Voucher Program							
NJ39P0023	14.871	7/1/2018	6/30/2019	6,258,244	6,258,244	6,258,244	6,258,244
Grant Subtotal				6,258,244	6,258,244	6,258,244	6,258,244
Total Federal Awards Expended				\$ 13,500,998	\$ 9,109,660	\$ 9,109,660	\$ 12,367,824

**HOUSING AUTHORITY OF THE CITY OF UNION CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2019**

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of Union City is under programs of the federal government for the year ended June 30, 2019. 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 Union City, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the City of Union City.

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 Union City 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 Union City had \$1,655,000 as a loan balance outstanding at June 30, 2019. Note 16 presented on page 44 of this report have full disclosure regarding the loan activity for the Housing Authority of the City of Union City.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2019.

Note 6. Sub recipients:

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

Union City Housing Authority (NJ026)
UNION CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,250,745	\$97,048	\$42,735		\$2,390,528		\$2,390,528
112 Cash - Restricted - Modernization and Development				\$92	\$92		\$92
113 Cash - Other Restricted		\$222,157			\$222,157		\$222,157
114 Cash - Tenant Security Deposits	\$140,317		\$33,154		\$173,471		\$173,471
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$2,391,062	\$319,205	\$75,889	\$92	\$2,786,248	\$0	\$2,786,248
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous	\$3,500		\$51,946		\$55,446		\$55,446
126 Accounts Receivable - Tenants	\$23,956	\$1,230	\$6,269		\$31,455		\$31,455
126.1 Allowance for Doubtful Accounts - Tenants	-\$8,340	\$0	-\$241		-\$8,581		-\$8,581
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery	\$57,636	\$138,689			\$196,325		\$196,325
128.1 Allowance for Doubtful Accounts - Fraud	-\$43,227	-\$104,017			-\$147,244		-\$147,244
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful	\$33,525	\$35,902	\$57,974	\$0	\$127,401	\$0	\$127,401
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$72,525	\$5,348	\$13,702	\$35,454	\$127,029		\$127,029
143 Inventories	\$189,158		\$7,847		\$197,005		\$197,005
143.1 Allowance for Obsolete Inventories	\$0		\$0		\$0		\$0
144 Inter Program Due From	\$107,797		\$900,000	\$0	\$1,007,797	-\$1,007,797	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$2,794,067	\$360,455	\$1,055,412	\$35,546	\$4,245,480	-\$1,007,797	\$3,237,683
161 Land	\$660,990		\$36,400		\$697,390		\$697,390
162 Buildings	\$32,745,803		\$741,282	\$158,180	\$33,645,265		\$33,645,265
163 Furniture, Equipment & Machinery - Dwellings			\$26,835	\$102,144	\$128,979		\$128,979

Union City Housing Authority (NJ026)
UNION CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
14.871							
164 Furniture Equipment & Machinery - Administration	\$476,345				\$476,345		\$476,345
165 Leasehold Improvements							
166 Accumulated Depreciation	-\$22,921,666		-\$600,821	-\$204,098	-\$23,726,585		-\$23,726,585
167 Construction in Progress	\$365,165				\$365,165		\$365,165
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$11,326,637	\$0	\$203,696	\$56,226	\$11,586,559	\$0	\$11,586,559
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current -							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$11,326,637	\$0	\$203,696	\$56,226	\$11,586,559	\$0	\$11,586,559
200 Deferred Outflow of Resources	\$607,082	\$179,790	\$6,758	\$1,348,499	\$2,142,129		\$2,142,129
290 Total Assets and Deferred Outflow of Resources	\$14,727,786	\$540,245	\$1,265,866	\$1,440,271	\$17,974,168	-\$1,007,797	\$16,966,371
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$94,500	\$7,544	\$26,270	\$19,628	\$147,942		\$147,942
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$29,147			\$6,435	\$35,582		\$35,582
322 Accrued Compensated Absences - Current Portion	\$34,900	\$20,858		\$4,467	\$60,225		\$60,225
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$13,314				\$13,314		\$13,314
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$652,910				\$652,910		\$652,910
341 Tenant Security Deposits	\$140,317		\$33,154		\$173,471		\$173,471
342 Unearned Revenue	\$7,890		\$6,357		\$14,247		\$14,247
343 Current Portion of Long-term Debt - Capital	\$220,000				\$220,000		\$220,000
344 Current Portion of Long-term Debt - Operating							
345 Other Current Liabilities							

Union City Housing Authority (NJ026)
UNION CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
		14,871					
346 Accrued Liabilities - Other	\$56,741		\$4,366		\$61,107		\$61,107
347 Inter Program - Due To				\$1,007,797	\$1,007,797	-\$1,007,797	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$1,249,719	\$28,402	\$70,147	\$1,038,327	\$2,386,595	-\$1,007,797	\$1,378,798
351 Long-term Debt, Net of Current - Capital	\$1,435,000				\$1,435,000		\$1,435,000
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other		\$8,929			\$8,929		\$8,929
354 Accrued Compensated Absences - Non Current	\$313,955	\$187,705		\$40,206	\$541,866		\$541,866
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$6,096,056	\$2,146,405	\$248,927	\$817,628	\$9,309,016		\$9,309,016
350 Total Non-Current Liabilities	\$7,845,011	\$2,343,039	\$248,927	\$857,834	\$11,294,811	\$0	\$11,294,811
300 Total Liabilities	\$9,094,730	\$2,371,441	\$319,074	\$1,896,161	\$13,681,406	-\$1,007,797	\$12,673,609
400 Deferred Inflow of Resources	\$1,029,828	\$274,253	\$8,284	\$3,070,449	\$4,382,814		\$4,382,814
508.4 Net Investment in Capital Assets	\$9,671,637		\$203,696	\$56,226	\$9,931,559		\$9,931,559
511.4 Restricted Net Position		\$213,228			\$213,228		\$213,228
512.4 Unrestricted Net Position	-\$5,068,409	-\$2,318,677	\$734,812	-\$3,582,565	-\$10,234,839	\$0	-\$10,234,839
513 Total Equity - Net Assets / Position	\$4,603,228	-\$2,105,449	\$938,508	-\$3,526,339	-\$90,052	\$0	-\$90,052
600 Total Liabilities, Deferred Inflows of Resources and	\$14,727,786	\$540,245	\$1,265,866	\$1,440,271	\$17,974,168	-\$1,007,797	\$16,966,371

Union City Housing Authority (NJ026)
UNION CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,321,444		\$789,508		\$3,110,952		\$3,110,952
70400 Tenant Revenue - Other							
70500 Total Tenant Revenue	\$2,321,444	\$0	\$789,508	\$0	\$3,110,952	\$0	\$3,110,952
70600 HUD PHA Operating Grants	\$2,522,226	\$6,258,244			\$8,780,470		\$8,780,470
70610 Capital Grants	\$329,190				\$329,190		\$329,190
70710 Management Fee				\$603,732	\$603,732	-\$603,732	\$0
70720 Asset Management Fee				\$68,040	\$68,040	-\$68,040	\$0
70730 Book Keeping Fee				\$106,839	\$106,839	-\$106,839	\$0
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue				\$778,611	\$778,611	-\$778,611	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$954	\$8,071	\$35,650	\$3,594	\$48,269		\$48,269
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery		\$228,746			\$228,746		\$228,746
71500 Other Revenue	\$116,531	\$1,206,778	\$7,363	\$84,910	\$1,415,582		\$1,415,582
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$5,290,345	\$7,701,839	\$832,521	\$867,115	\$14,691,820	-\$778,611	\$13,913,209
91100 Administrative Salaries	\$496,342	\$317,241		\$439,766	\$1,253,349		\$1,253,349
91200 Auditing Fees	\$10,796	\$2,699		\$833	\$14,328		\$14,328
91300 Management Fee	\$505,643		\$98,089		\$603,732	-\$603,732	\$0
91310 Book-keeping Fee	\$40,711	\$56,227	\$9,900		\$106,838	-\$106,838	\$0
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$189,105	\$248,709		\$1,671,422	\$2,109,236		\$2,109,236
91600 Office Expenses	\$131,816	\$38,164	\$28,017	\$115,795	\$313,792		\$313,792
91700 Legal Expense	\$39,059	\$3,788	\$14,012	\$6,409	\$63,268		\$63,268
91800 Travel	\$8,105		\$790	\$1,365	\$10,260		\$10,260

Union City Housing Authority (NJ026)
UNION CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2019

	14.871	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
91810 Allocated Overhead							
91900 Other	\$1				\$1	-\$1	\$0
91000 Total Operating - Administrative	\$1,421,577	\$666,829	\$150,808	\$2,235,590	\$4,474,804	-\$710,571	\$3,764,233
92000 Asset Management Fee	\$54,600		\$13,440		\$68,040	-\$68,040	\$0
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$10,630		\$1,125		\$11,755		\$11,755
92500 Total Tenant Services	\$10,630	\$0	\$1,125	\$0	\$11,755	\$0	\$11,755
93100 Water	\$214,545		\$45,234		\$259,779		\$259,779
93200 Electricity	\$175,171		\$21,157		\$196,328		\$196,328
93300 Gas	\$306,077		\$442		\$306,519		\$306,519
93400 Fuel	\$139,234				\$139,234		\$139,234
93500 Labor	\$55,542				\$55,542		\$55,542
93600 Sewer	\$392,005		\$71,468		\$463,473		\$463,473
93700 Employee Benefit Contributions - Utilities	\$21,722				\$21,722		\$21,722
93800 Other Utilities Expense							
93000 Total Utilities	\$1,304,296	\$0	\$138,301	\$0	\$1,442,597	\$0	\$1,442,597
94100 Ordinary Maintenance and Operations - Labor	\$504,237			\$10,560	\$514,797		\$514,797
94200 Ordinary Maintenance and Operations - Materials and	\$357,417	\$4,990	\$56,873	\$3,827	\$423,107		\$423,107
94300 Ordinary Maintenance and Operations Contracts	\$145,850	\$65	\$20,192		\$166,107		\$166,107
94500 Employee Benefit Contributions - Ordinary	\$189,350			\$4,953	\$194,303		\$194,303
94000 Total Maintenance	\$1,196,854	\$5,055	\$77,065	\$19,340	\$1,298,314	\$0	\$1,298,314
95100 Protective Services - Labor	\$172,190				\$172,190		\$172,190
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services	\$65,933				\$65,933		\$65,933
95000 Total Protective Services	\$238,123	\$0	\$0	\$0	\$238,123	\$0	\$238,123

Union City Housing Authority (NJ026)
UNION CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
		14,871					
96110 Property Insurance	\$39,281		\$25,916	\$30,729	\$95,926		\$95,926
96120 Liability Insurance	\$31,064		\$25,916	\$10,110	\$67,090		\$67,090
96130 Workmen's Compensation	\$21,392	\$7,445		\$21,393	\$50,230		\$50,230
96140 All Other Insurance							
96100 Total Insurance Premiums	\$91,737	\$7,445	\$51,832	\$62,232	\$213,246	\$0	\$213,246
96200 Other General Expenses	\$3,891	\$30,659	\$27,276	\$0	\$61,826		\$61,826
96210 Compensated Absences	\$1,732	\$13,851		\$5,860	\$21,443		\$21,443
96300 Payments in Lieu of Taxes	\$101,714				\$101,714		\$101,714
96400 Bad debt - Tenant Rents	\$23,210		\$2,410		\$25,620		\$25,620
96500 Bad debt - Mortgages							
96600 Bad debt - Other	\$43,227	\$104,017			\$147,244		\$147,244
96800 Severance Expense							
96000 Total Other General Expenses	\$173,774	\$148,527	\$29,686	\$5,860	\$357,847	\$0	\$357,847
96710 Interest of Mortgage (or Bonds) Payable	\$83,197				\$83,197		\$83,197
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$83,197	\$0	\$0	\$0	\$83,197	\$0	\$83,197
96900 Total Operating Expenses	\$4,574,788	\$827,856	\$462,257	\$2,323,022	\$8,187,923	-\$778,611	\$7,409,312
97000 Excess of Operating Revenue over Operating	\$715,557	\$6,873,983	\$370,264	-\$1,455,907	\$6,503,897	\$0	\$6,503,897
97100 Extraordinary Maintenance	\$7,842		\$61,880		\$69,722		\$69,722
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments		\$5,791,215			\$5,791,215		\$5,791,215
97350 HAP Portability-In		\$1,143,552			\$1,143,552		\$1,143,552
97400 Depreciation Expense	\$953,896		\$27,713	\$10,545	\$992,154		\$992,154
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							

Union City Housing Authority (NJ026)
UNION CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
90000 Total Expenses	\$5,536,526	14,871 \$7,762,623	\$551,850	\$2,333,567	\$16,184,566	-\$778,611	\$15,405,955
10010 Operating Transfer In	\$233,350				\$233,350		\$233,350
10020 Operating transfer Out	-\$233,350				-\$233,350		-\$233,350
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$246,181	-\$60,784	\$280,671	-\$1,466,452	-\$1,492,746	\$0	-\$1,492,746
11020 Required Annual Debt Principal Payments	\$210,000	\$0	\$0	\$0	\$210,000	\$0	\$210,000
11030 Beginning Equity	\$3,858,547	-\$2,044,665	\$657,837	-\$4,408,688	-\$1,936,969	\$0	-\$1,936,969
11040 Prior Period Adjustments, Equity Transfers and	\$990,862			\$2,348,801	\$3,339,663	\$0	\$3,339,663
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 -							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity		-\$2,318,677			-\$2,318,677		-\$2,318,677
11180 Housing Assistance Payments Equity		\$213,228			\$213,228		\$213,228
11190 Unit Months Available	5460	8316	1344	0	15120	0	15120
11210 Number of Unit Months Leased	5428	7497	1320	0	14245	0	14245
11270 Excess Cash	\$917,216				\$917,216		\$917,216

Union City Housing Authority (NJ026)
UNION CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers.	1 Business Activities	COCC	Subtotal	ELIM	Total
11610 Land Purchases	\$0			\$0	\$0		\$0
11620 Building Purchases	\$119,190			\$0	\$119,190		\$119,190
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0			\$0	\$0		\$0
11660 Infrastructure Purchases	\$0			\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$298,209			\$0	\$298,209		\$298,209
13901 Replacement Housing Factor Funds	\$0			\$0	\$0		\$0



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**INDEPENDENT AUDITOR'S REPORT
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 Union City
3911 Kennedy Boulevard
Union City, New Jersey 07087

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 the Housing Authority of the City of Union City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Union City basic financial statements, and have issued our report thereon dated March 16, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Union City 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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: March 16, 2020



Hymanson, Parnes & Giampaolo
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**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 Union City
3911 Kennedy Boulevard
Union City, New Jersey 07087

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Union City 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 Union City major federal programs for the year ended June 30, 2019. Housing Authority of the City of Union City 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 Union City 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 Union City 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 Union City compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Union City 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, 2019.

Report on Internal Control Over Compliance

Management of Housing Authority of the City of Union City 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 Union City'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 Union City's internal control over compliance.

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

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

Purpose of This Report

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: March 16, 2020