

Report On Audit

**HOUSING AUTHORITY OF THE
CITY OF UNION CITY**

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

Housing Authority of the City of Union City
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**HOUSING AUTHORITY OF THE CITY OF UNION CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

As Management of the Housing Authority of the City of Union City (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 assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,841,073 an increase in the financial position of \$1,455,219 as compared to the prior year.

As noted above, the net position of the Authority was \$1,841,073 as of June 30, 2021. Of this amount, the unrestricted net position is a negative (\$8,388,452) representing a decrease in the deficit of \$1,314,686 or 14% percent from the previous year. During the year, the Authority recorded a prior period adjustment to adjust the opening balance in the amount of \$5,419. Additional information on the Authority's unrestricted net positions can be found in Note 21 the financial statements, which is included in this report.

The net investment in capital assets increased \$139,746 or 1% percent for an ending balance of \$10,109,632.

The restricted net position increased \$787 from the previous year for an ending balance of \$119,893. Additional information on the Authority's restricted and unrestricted net positions can be found in Note 20 to the financial statements.

The Authority's total cash and cash equivalents increased \$704,376 or 21% percent during the fiscal year for an ending balance of \$4,134,510. The Authority's unrestricted cash, and cash equivalent is \$3,546,540 representing an increase of \$572,929 or 19% percent from the prior year. Total restricted deposits and funded reserves increased \$131,447 or 29% percent for an ending balance of \$587,970. The full detail of this amount can be found in the Statement of Cash Flows on pages 21-22 of this report.

The Authority's total assets and deferred outflows are \$19,406,662 of which capital assets net book value is \$11,334,051; deferred outflow amount is \$3,373,283, leaving total current assets at \$4,699,328.

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

FINANCIAL HIGHLIGHTS - CONTINUED

Total current assets increased from the previous year by \$623,817 or 15% percent. Unrestricted cash and cash equivalents increased by \$572,929, total restricted deposits and funded reserves increased from the previous year by \$131,447 or 29% percent, investments decreased \$2,059, accounts receivables decreased by \$69,479, and prepaid expenses decreased by \$9,021.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$70,835 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$756,555, less the recording of depreciation expense in the amount of \$827,390. A full detail of the 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 \$1,365,283 for an ending balance of \$3,373,283. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$449,732 for an ending balance of \$4,481,187. 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 \$13,084,402 of which current liabilities are stated at \$1,300,622 and noncurrent liabilities are stated at \$11,783,780. Total liabilities increased during the year as compared to the prior year in the amount of \$912,778 or 7% percent. Total current liabilities decreased during the year by \$583,878, leaving non-current liabilities for an increase of \$1,496,656 as compared to the previous fiscal year.

As previously stated, total current liabilities decreased during the year by \$583,878 or 31% percent. Accounts payable decreased by \$687,629, accrued liabilities decreased by \$29,260, tenant security deposit payable increased \$11,370, unearned revenue increased \$82,322 and the current portion of the note payable increased \$39,319.

Total noncurrent liabilities increased by \$1,496,656 or 15% percent. The increase was comprised of four accounts, long-term capital bonds which decreased by \$249,900 for an ending balance of \$950,100, accrued compensated absences – long term with no offsetting assets decreased \$54,731 from the prior fiscal year for an ending balance of \$503,989. Noncurrent other liabilities decreased \$2 for an ending balance of \$8,927.

Accrued other post-employment benefits (OPEB) liabilities increased \$1,801,289 for an ending balance of \$10,320,764. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities on June 30, 2021 can be found in Notes 17-18 to the financial statements, which is included in this report.

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

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had total operating revenue of \$14,986,108 as compared to \$13,534,800 from the prior year for an increase of \$1,451,308 or 11% percent. The Authority had total operating expenses of \$14,189,436 as compared to \$14,049,019 from the previous year for an increase of \$143,006 or 1% percent, resulting in excess revenue from operations in the amount of \$796,672 for the current year as compared to a deficiency of revenue from operations in the amount of \$514,219 for an increase of \$1,310,891 or 255% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$641,316 as compared to \$638,604 from the previous year for an increase of \$2,712 or less than 1% percent. The Authority's had capital outlays in the amount of \$756,554 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 \$10,614,010 for the fiscal year 2021 as compared to \$9,823,379 for the previous fiscal year 2020 for an increase of \$790,631 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.

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

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

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

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

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

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values.

**HOUSING AUTHORITY OF THE CITY OF UNION CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Notes to the Financial Statements - continued

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 60.

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 66-67 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 Union City 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 Union City are those which are less than \$750,000 in expenditures for the fiscal year ended June 30, 2021.

**HOUSING AUTHORITY OF THE CITY OF UNION CITY
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	\$ 4,134,510	\$ 3,430,134	\$ 704,376
Other Current Assets	564,818	645,377	(80,559)
Capital Assets - Net	11,334,051	11,404,886	(70,835)
Deferred Outflow of Resources	3,373,283	2,008,000	1,365,283
Total Assets	19,406,662	17,488,397	1,918,265
Less: Current Liabilities	(1,300,622)	(1,884,500)	583,878
Less: Non Current Liabilities	(11,783,780)	(10,287,124)	(1,496,656)
Less: Deferred Inflow of Resources	(4,481,187)	(4,930,919)	449,732
Net Position	<u>\$ 1,841,073</u>	<u>\$ 385,854</u>	<u>\$ 1,455,219</u>
Net Investment in Capital Assets	\$ 10,109,632	\$ 9,969,886	\$ 139,746
Restricted Net Position	119,893	119,106	787
Unrestricted Net Position	(8,388,452)	(9,703,138)	1,314,686
Net Position	<u>\$ 1,841,073</u>	<u>\$ 385,854</u>	<u>\$ 1,455,219</u>

Cash increased by \$704,376 or 21% percent. Net cash provided by operating activities was \$1,024,634, net cash used by capital and related financing activities was \$334,129, and net cash provided by investing activities was \$13,871. The full detail of this amount can be found in the Statement of Cash Flows on pages 21-22 of this audit report.

Other current assets decreased \$80,559. Investments decreased \$2,059, accounts receivables decreased by \$69,479, and prepaid expenses decreased by \$9,021.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$70,835 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$756,555, less the recording of depreciation expense in the amount of \$827,390. A full detail of the 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 \$1,365,283 for an ending balance of \$3,373,283. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$449,732 for an ending balance of \$4,481,187.

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

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

Total current liabilities decreased from the previous year by \$583,878 or 31% percent. Account payables decreased by \$687,629, accrued liabilities decreased by \$29,260, tenant security deposit payable increased by \$11,370, unearned revenue increased \$82,322 and the current portion of the note payable increased \$39,319.

Total noncurrent liabilities increased by \$1,496,656 or 15% percent. The increase was comprised of four accounts, long-term capital bonds which decreased by \$249,900 for an ending balance of \$950,100, accrued compensated absences – long term with no offsetting assets decreased \$54,731 from the prior fiscal year for an ending balance of \$503,989. Noncurrent other liabilities decreased \$2 for an ending balance of \$8,927.

Accrued other post-employment benefits (OPEB) liabilities increased \$1,801,289 for ending balance of \$10,320,764. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities on June 30, 2021, can be found in Notes 17-18 to the financial statements, which is included in this report.

The Authority's reported net position is \$1,841,073 which is made up of three categories. The net investment in capital assets in the amount of \$10,109,632 represents the majority of the net position balance. 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		\$ 9,969,886
Payment of Debt		235,000
Acquisition in Fixed Assets		756,555
Depreciation Expense		(827,390)
Loan Liability - Current		(24,419)
Balance June 30, 2021		\$ 10,109,632

The Authority reported a restricted net position of \$119,893, an increase of \$787 from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The account balance consists of HAP reserves that is restricted for the Housing Choice Voucher program and funds for debt leveraging program. Additional information on these funds can be found in Note 4 Restricted Cash and Note 20 Restricted Net Position.

Housing Authority of the City of Union City operating results for June 30, 2021 reported a decrease in the deficit in unrestricted position of \$1,314,686 or 14% percent for an ending balance of a deficit (\$8,388,452). A full detail of these accounts can be found in the Notes to the Financial Statements Section Note – 21 Unrestricted Net Position.

**HOUSING AUTHORITY OF THE CITY OF UNION CITY
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
	June-21	June-20	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 3,564,992	\$ 3,638,133	\$ (73,141)
HUD Subsidies	9,972,694	9,184,775	787,919
Other Revenues	1,448,422	711,892	736,530
Total Operating Income	14,986,108	13,534,800	1,451,308
<u>Expenses</u>			
Operating Expenses	13,362,046	13,254,190	107,856
Depreciation Expense	827,390	794,829	32,561
Total Operating Expenses	14,189,436	14,049,019	140,417
Operating Income before Non Operating Income	796,672	(514,219)	1,310,891
Interest Income	11,812	51,070	(39,258)
Capital Grants	641,316	638,604	2,712
Change in Net Position	1,449,800	175,455	1,274,345
Net Position Prior Year	385,854	(90,052)	475,906
Prior Period Adjustments	5,419	300,451	(295,032)
Total Net Position	\$ 1,841,073	\$ 385,854	\$ 1,455,219

Approximately 66% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 24% percent resulted from tenant revenue. Charges for various services provided the remaining 10% percent of the total operating income.

The Housing Authority of the City of Union City received from the capital fund program \$641,316 in grant money an increase of \$2,712 from the prior fiscal year. The Authority had capital expenditures of \$756,554 which was funded through the capital fund program. The current year additions included a boiler replacement, a new maintenance van, common area upgrades, repairs to the stairs, and various unit upgrades.

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

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 48% percent of total operating expenses. Administrative expenses accounted for 16% percent, tenant services accounted for 1% percent, utilities expense accounted for 10% percent, maintenance expense accounted for 12% percent, protective services accounted for 2% percent, other operating expenses accounted for 4% percent, interest expenses accounted for less than 1% percent, and depreciation accounted for the remaining 6% percent of the total operating expenses.

The Authority's operating revenue exceeded its operating expenses resulting in excess revenue from operations in the amount of \$796,672 from operations as compared to excess expenses from operations of \$514,219 for the previous year. The key elements for the increase in excess revenue in comparison to the prior year are as follows:

- Total tenant rental income decreased in the amount of \$73,141 or 2% mainly due to lower tenant household income.
- The Authority reported an increase in HUD PHA operating grants in the amount of \$787,919 or 9% percent, due to additional Federal funding subsidy by HUD in comparison to the past few fiscal years.
- Fraud recovery revenue decreased \$54,664 or 47% percent.
- The Authority experienced an increase in other revenue in the amount of \$791,194 or 133%.
- The Authority experienced increases in the following operating expense accounts:
 - Tenant services expense increased \$151,728 or 1,064% percent
 - Maintenance expense increased \$46,462 or 3% percent
 - Protective services increased \$3,717 or 2% percent
 - Housing Assistance Payments increased \$165,576 or 2% percent
 - Depreciation expense increased \$32,561 or 4% percent
- To combat the increases shown above, the Authority reduced the following operating expense accounts:
 - Administrative expenses decreased \$38,134 or 2% percent
 - Utilities expense decreased \$143,632 or 9% percent
 - Other operating expenses decreased \$69,134 or 12% percent
 - Interest expense decreased \$8,727 or 12% percent

Total net cash provided by operating activities during the year was \$1,024,634 as compared to cash provided by operating activities of \$772,732 from the prior year. A full detail of these amounts can be found on the Statement of Cash Flows on pages 21-22 of this report.

**HOUSING AUTHORITY OF THE CITY OF UNION CITY
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	\$ 3,564,992	\$ 3,638,133	\$ 3,110,952	\$ 2,965,432
HUD Operating Grants	9,972,694	9,184,775	8,780,470	8,609,699
HUD Capital Grants	641,316	638,604	228,746	276,801
Investment Income	11,812	51,070	48,269	9,230
Other Income	1,448,422	711,892	1,415,582	1,722,975
Total	\$ 15,639,236	\$ 14,224,474	\$ 13,584,019	\$ 13,584,137
Payroll Expense				
Administrative Salaries	\$ 1,286,951	\$ 1,285,745	\$ 1,253,349	\$ 1,264,098
Utilities Labor	68,140	67,025	55,542	65,390
Maintenance Labor	540,131	542,266	514,797	424,869
Protective Services Labor	161,594	170,497	172,190	145,210
Employee Benefits Expense	1,008,784	1,009,788	2,391,194	1,988,738
Total Payroll Expense	\$ 3,065,600	\$ 3,075,321	\$ 4,387,072	\$ 3,888,305
Other Significant Expenses				
Other Administrative Expenses	\$ 364,873	\$ 371,193	\$ 401,648	\$ 381,185
Utilities Expense	1,461,879	1,511,457	1,365,333	1,234,197
Maintenance Supplies	654,200	549,207	423,107	585,558
Maintenance Contract Cost	206,085	177,804	166,107	141,874
Insurance Premiums	246,089	315,677	213,246	260,763
Housing Assistance Payments	6,914,912	6,749,336	6,934,767	7,198,116
Total	\$ 9,848,038	\$ 9,674,674	\$ 9,504,208	\$ 9,801,693
Total Operating Expenses	\$ 14,189,436	\$ 14,049,019	\$ 15,336,233	\$ 15,043,101
Total of Federal Awards	\$ 10,614,010	\$ 9,823,379	\$ 9,109,660	\$ 8,886,500

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).

**HOUSING AUTHORITY OF THE CITY OF UNION CITY
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HOUSING AUTHORITY OF THE CITY OF UNION CITY 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 Union City 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 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 UNION CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON JUNE 30, 2021**

BUDGETARY HIGHLIGHTS

The Authority submits its annual operating budgets 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2021, was \$11,334,051 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$70,835 or 1% percent. Major capital expenditures of \$756,554 were made during the year.

- boiler replacement
- new maintenance van
- common area upgrades
- repairs to the stairs and doors
- various unit upgrades.

	June-21	June-20	Increase (Decrease)
Land	\$ 697,390	\$ 697,390	\$ -
Building	34,152,888	33,738,644	414,244
Furniture, Equipment - Dwelling	35,980	133,790	(97,810)
Furniture, Equipment - Administration	606,943	477,548	129,395
Construction in Process	1,190,080	879,355	310,725
Total Fixed Assets	36,683,281	35,926,727	756,554
Accumulated Depreciation	(25,349,230)	(24,521,841)	(827,389)
Net Book Value	<u>\$ 11,334,051</u>	<u>\$ 11,404,886</u>	<u>\$ (70,835)</u>

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 has participated in the New Jersey pooled leveraging program. Through this financing of majority capital projects will be completed on an expedited basis. Capital Project Bond payable of \$1,224,419 in outstanding debt. A full disclosure of loans payable on June 30, 2021, can be found in Note 16 to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF UNION CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 68% percent of its revenue from the Department of Housing and Urban Development, (2020 fiscal year was 69% 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 made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

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 Union City all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the City of Union City 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.

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.

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 increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- 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.
- Converting Low Income Housing Program rental units into RAD subsidy units.
- 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. Stanley Sanger, Executive Director, Housing Authority of the City of Union City, 3911 Kennedy Boulevard, Union City, N.J. 07087, or call (201) 864-1515.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
STATEMENT OF NET POSITION - 1
AS OF JUNE 30, 2021

	2021
Assets	
Current Assets:	
Cash and Cash Equivalents	
Operating	\$ 3,546,540
Restricted	587,970
Total cash and equivalents	4,134,510
Investments	176,449
Accounts Receivables, Net of Allowances	118,300
Prepaid Expenses	270,069
Total Current Assets	4,699,328
 Noncurrent Assets	
Capital Assets	
Land	697,390
Building	34,152,888
Furniture, Equipment - Dwelling	35,980
Furniture, Equipment - Administration	606,943
Construction in Process	1,190,080
Total Capital Assets	36,683,281
Less: Accumulated Depreciation	(25,349,230)
Net Book Value	11,334,051
Total Assets	16,033,379
 Deferred Outflow of Resources	
NJ PERS and OPEB	3,373,283
Total Assets and Deferred Outflow of Resources	\$ 19,406,662

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
STATEMENT OF NET POSITION - 2
AS OF JUNE 30, 2021

	2021
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 360,927
Accrued Liabilities	183,266
Tenant Security Deposit Payable	206,125
Unearned Revenue	275,985
Long Term Debt - Current	274,319
Total Current Liabilities	1,300,622
Noncurrent Liabilities	
Long Term Debt - Noncurrent	950,100
Accrued Compensated Absences - Long-Term	503,989
Noncurrent Liabilities - Other	8,927
Accrued Pension and OPEB Liabilities	10,320,764
Total Noncurrent Liabilities	11,783,780
Total Liabilities	13,084,402
Deferred Inflow of Resources	
NJ PERS and OPEB	4,481,187
Net Position:	
Net Investment in Capital Assets	10,109,632
Restricted	119,893
Unrestricted	(8,388,452)
Total Net Position	1,841,073
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 19,406,662

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF UNION CITY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

	2021
Revenue:	
Tenant Rental Revenue	\$ 3,564,992
HUD PHA Operating Grants	9,972,694
Fraud Recovery	61,961
Other Revenue	1,386,461
Total Revenue	14,986,108
 Operating Expenses:	
Administrative Expense	2,330,620
Tenant Services	166,255
Utilities Expense	1,461,879
Maintenance Expense	1,661,829
Protective Services	236,256
Other Operating Expenses	526,073
Interest Expense	64,222
Housing Assistance Payments	6,914,912
Depreciations Expense	827,390
Total Operating Expenses	14,189,436
 Excess Revenue From Operations	 796,672
 Nonoperating Revenue	
Investment Income	11,812
Excess Revenue Before Capital Contributions	808,484
 Capital Grant Contributions	 641,316
 Change in Net Position	 1,449,800
Beginning Net Position	385,854
Prior period Adjustment	5,419
Beginning Net Position - Restated	391,273
 Ending Net Position	 \$ 1,841,073

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF UNION CITY
STATEMENT OF CASH FLOW - 1
FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

	2021
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 3,479,947
Receipts from Federal Grants	10,030,116
Receipts from Fraud Recovery	115,784
Receipts from Misc. Sources	1,386,461
Payments to Vendors and Suppliers	(3,899,266)
Housing Assistance Payments	(6,914,912)
Payments to Employees	(2,164,712)
Payment of Employee Benefits	(1,008,784)
Net Cash Provided by Operating Activities	1,024,634
Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	641,316
Acquisitions and Construction of Capital Assets	(756,554)
Payment of Debt	(235,000)
Net Effect of Deferred Inflows and Outflows	(1,815,015)
Increase in Accrued Pension and OPEB Liabilities	1,801,289
Prior Period Adjustment	29,835
Net Cash (Used) by Capital and Related Financing Activities	(334,129)
Cash Flow From Investing Activities	
Interest Income	11,812
Sale of Investments	2,059
Net Cash Provided by Investing Activities	13,871
Net Increase in Cash and Cash Equivalents	704,376
Beginning Cash, Cash Equivalents and Restricted Cash	3,430,134
Ending Cash, Cash Equivalents and Restricted Cash	\$ 4,134,510
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 3,546,540
Cash and Cash Equivalents - Restricted	587,970
Total Ending Cash	\$ 4,134,510

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
STATEMENT OF CASH FLOW - 2
FOR THE TWELVE MONTHS ENDED JUNE 30, 2021

	2021
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Excess of Expenses Over Revenue	\$ 796,672
Adjustments to reconcile excess revenue from operations to net cash provided by operating activities:	
Depreciation Expense	827,390
(Increase) Decrease in:	
Accounts Receivables	69,479
Prepaid Expenses	9,021
Increase (Decrease) in:	
Accounts Payable	(687,629)
Accrued Expenses	(29,260)
Unearned Revenue	82,322
Compensated Absences - Long Term	(54,731)
Tenant Security Deposit	11,370
Net Cash Provided By Operating Activities	\$ 1,024,634
Interest Expense Paid during the Year	\$ 64,742

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

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 Union City 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 Union City. 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 Union City 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 Union City reporting entity.

The Authority's financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

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 similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

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

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 portability income for the Housing Choice Voucher program, resident's charges, tenant late fees, cell phone tower income and City of Union City forgiveness of PILOT expense from the prior years. 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.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

Basis of Accounting – Continued 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.

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 Union City'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 UNION CITY

Notes to Financial Statements

June 30, 2021

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- 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.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements June 30, 2021

Other accounting policies - Continued

12- 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.

13 - 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 portability income for the Housing Choice Voucher program, resident's charges, tenant late fees, cell phone tower income and City of Union City forgiveness of PILOT expense from the prior years.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Non-Operating Revenue and Expenses

Authority's nonoperating revenues relate primarily to capital grants provided by HUD and interest income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

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 10% of its net shelter rent.

15- 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.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

Other accounting policies - Continued

15 – Certain conditions -continued

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.

16 - 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."

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

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.

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 budgets 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	NJ-26	455
Public Housing Capital fund Program	14.872		
Public Housing CARES Act Funding	14.PHC		
<u>Section 8 Housing</u>			
Housing Choice Voucher	14.871	NJ-39VO-26	693
Housing Choice Voucher CARES Act Funding	14.HCC		
<u>Busines Activities</u>			
Veterans Housing			112
2601 Central Ave			37
519-521 Summit			12

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

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 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 Union City 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 Vouchers 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.

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.

Business Activities –

The Authority owns 112 units of a Veterans housing complex in the City of Union City. As well as 49 units at 2601 Central Avenue in the City of Union City.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

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.

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 revenue 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.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

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/2020divisioncombined.pdf>

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

NOTE 3 - PENSION PLAN -CONTINUED

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.

The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2020 amounted to \$207,087.

Post-Employment Retirement Benefits

The Authority provides post-employment health care benefits 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 due to the adoption of GASB #68 can be found in Note 18- Accrued Pension Liability.

NOTE 4 – CASH, CASH EQUIVALENTS

The Authority's 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. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

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 collateralized at all times. 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.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED

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.

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 of 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>Bank Balances</u>
Insured	\$ 426,449
Collateralized held by pledging bank's trust department in the Authority's name	<u>3,884,510</u>
Total Cash, Cash Equivalents	<u><u>\$ 4,310,959</u></u>

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED

Restricted Cash and Funded Reserves

The Authority has total restricted cash on June 30, 2021 in the amount of \$587,970 which consists of the following:

	<u>June-21</u>
Tenant Security Deposits	\$ 206,126
HAP Funded Reserve	118,956
FSS Escrow Deposits	8,927
CFP Funded Reserve	937
PIH CARES Act Funds	6,689
HCV CARES Act Funds	246,335
Total Restricted Cash and Funded Reserves	<u>\$ 587,970</u>

The tenant security deposit restricted cash on June 30, 2021, was \$206,126. 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 \$118,956 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. The Authority invested these funds with Bank of America. 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.

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. The amount of restricted cash held for this program on June 30, 2021, was in the amount of \$8,927.

The amount of \$937 for 2021 is held in trust at the Wells Fargo Bank. These funds at Wells Fargo Bank are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

The restricted cash in the amount of \$6,689 and \$246,335 for 2021 which was reported under the Public Housing CARES Act Program and 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:

<u>Investment</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Fair Value Amount</u>
Fixed Income Securites	Various	Various	\$ 176,449

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

NOTE 5 - ACCOUNTS RECEIVABLE

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

	<u>June-21</u>
Tenants Accounts Receivable - Present	\$ 160,025
Less: Allowance for Doubtful Accounts - Tenants	<u>(115,742)</u>
Net Tenants Accounts Receivable	<u>44,283</u>
Tenants Accounts Receivable - Fraud	148,722
Less: Allowance for Doubtful Accounts - Fraud	<u>(101,102)</u>
Net Tenants Accounts Receivable - Fraud	<u>47,620</u>
Accounts Receivable - PHA Programs	23,078
Accrued Interest Receivable	<u>3,319</u>
Net Other Receivables	<u>26,397</u>
Net Accounts Receivables Total	<u><u>\$ 118,300</u></u>

Tenant 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 Union City 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 of time 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 UNION CITY

Notes to Financial Statements
June 30, 2021

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 on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses on June 30, 2021, consisted of the following:

	<u>June-21</u>
Prepaid Insurance	\$ 27,931
Insurance Deposits	79,467
Inventory - Materials Net of Obsolete	148,156
Inventory - Fuel Oil	14,515
Total Prepaid Expenses	<u>\$ 270,069</u>

The Authority reported insurance deposit in the amount of \$79,467 which represents the required HAARG insurance deposits. This insurance deposit will be refunded sixty months (60) after the Authority cancels the coverage with HAARG.

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short-term loans, services provided during the course of 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 \$1,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

NOTE 8 - FIXED ASSETS – CONTINUED

Depreciation Expense

Depreciation expense for June 30, 2021, was \$827,389. 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

The Housing Authority of the City of Union City reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recoverability is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2021.

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

	June-20	Additions	Transfers	June-21
Land	\$ 697,390	\$ -	\$ -	\$ 697,390
Building	33,738,644	318,653	95,591	34,152,888
Furniture, Equipment - Dwelling	133,790	5,537	(103,347)	35,980
Furniture, Equipment - Administration	477,548	26,048	103,347	606,943
Construction in Process	879,355	406,316	(95,591)	1,190,080
Total Fixed Assets	35,926,727	756,554	-	36,683,281
Accumulated Depreciation	(24,521,841)	(827,389)		(25,349,230)
Net Book Value	\$ 11,404,886	\$ (70,835)	\$ -	\$ 11,334,051

HOUSING AUTHORITY OF THE CITY OF UNION CITY

Notes to Financial Statements

June 30, 2021

NOTE 8 - FIXED ASSETS – CONTINUED

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

<u>Net Book Value of Fixed Assets</u>	<u>June-21</u>
Land	\$ 697,390
Building	9,295,988
Furniture, Equipment - Dwelling	-
Furniture, Equipment - Administration	150,593
Construction in Process	1,190,080
Net Book Value	<u>\$ 11,334,051</u>

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 17 and 18 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 are as follows:

Deferred Outflows of Resources	<u>OPEB</u>	<u>Pension</u>	<u>Total</u>
Differences Between Expected and Actual Experiences	\$ 190,531	\$ 56,210	\$ 246,741
Changes in Assumptions	1,081,940	100,147	1,182,087
Net Difference Between Projected and Actual Earning on Pension Plan Investments	4,594	105,517	110,111
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	1,532,708	301,636	1,834,344
Total	<u>\$ 2,809,773</u>	<u>\$ 563,510</u>	<u>\$ 3,373,283</u>