

Report On Audit

**HOUSING AUTHORITY OF THE
CITY OF LINDEN**

**For the Year Ended
September 30, 2020**

Housing Authority of the City of Linden
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Linden
1601 Dill Avenue
Linden, New Jersey 07036-1779

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Linden (a governmental public corporation) in the City of Linden, New Jersey, which comprise the statement of net position as of September 30, 2020 and 2019, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Linden as of September 30, 2020 and 2019, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 16 and pages 57-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the City of Linden. The accompanying supplemental information on pages 62-72 is presented for additional analysis and is not required part of the basic financial statements.

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued reports dated July 2, 2021 on our consideration of the Housing Authority of the City of Linden's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: July 2, 2021

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

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

FINANCIAL HIGHLIGHTS

The liabilities and deferred inflows of the Authority exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$6,354,396 a decrease in the financial position of \$2,137,361 or 51% percent as compared to the prior year.

As noted above, the net position of the Authority was a negative (\$6,354,396) as of September 30, 2020. Of this amount, the unrestricted net position is a negative (\$7,414,212) representing an increase in the deficit of \$2,097,737 or 39% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 19 the financial statements, which is included in this report.

The net investment in capital assets increased \$60,109 or 6% percent for an ending balance of \$1,048,941.

The restricted net position decreased \$99,733 from the previous year for an ending balance of \$10,875. Additional information on the Authority's restricted net position can be found in Note 18 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent on September 30, 2020, is \$1,991,179 representing an increase of \$255,362 or 15% percent from the prior year. Total restricted deposits and funded reserves increased \$69,653 or 38% percent for an ending balance of \$250,642. The full detail of these amounts can be found in the Statement of Cash Flows on pages 20-21 of this report.

The Authority's total assets and deferred outflows are \$4,845,799 of which capital assets net book value is \$1,048,941, restricted deposits and funded reserves is \$250,642, deferred outflow amount is \$1,071,365, leaving total current assets at \$2,474,851.

Total current assets increased from the previous year by \$11,977 or less than 1% percent. Unrestricted cash and cash equivalents increased by \$255,362, investments decreased by \$98,523, accounts receivables decreased by \$148,165, and prepaid expenses increased by \$3,303.

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

FINANCIAL HIGHLIGHTS - CONTINUED

Total restricted deposits and funded reserves increased from the previous year by \$69,653 or 38% percent for an ending balance of \$250,642.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$60,109 or 6% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$201,852, less the recording of depreciation expense in the amount of \$141,743. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$50,921 for an ending balance of \$1,071,365. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$2,667,869 for an ending balance of \$4,207,908. 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 \$6,992,287, of which noncurrent liabilities are stated at \$6,642,796. Total liabilities decreased during the year as compared to the prior year in the amount of \$439,690 or 6% percent. Total current liabilities increased during the year by \$94,082, leaving non-current liabilities for a decrease of \$533,772 as compared to the previous fiscal year.

Total current liabilities increased from the previous year by \$94,082 or 37% percent. Account's payables decreased by \$57,161, accrued liabilities increased by \$7,751, and tenant security deposit payable increased by \$2,055. Unearned revenue increased \$141,437 during the year.

Total noncurrent liabilities decreased by \$533,772 or 7% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$46,815, with no offsetting assets, increased \$9,093 from the previous year.

Accrued other post-employment benefits (OPEB) liabilities decreased \$542,865 for ending balance of \$6,595,981. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities on September 30, 2020, can be found in Notes 15-16 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$5,404,889 as compared to \$5,705,017 from the prior year for a decrease of \$300,128 or 5% percent. The Authority had total operating expenses of \$5,892,674 as compared to \$5,917,829 from the previous year for a decrease of \$25,155 or less than 1% percent, resulting in deficiency of revenue from operations in the amount of \$487,785 as compared to deficiency of revenue from operations in the amount of \$212,812 for the prior year for an increase in the deficit in the amount of \$274,973 or 129% percent from the previous year.

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

FINANCIAL HIGHLIGHTS - CONTINUED

Total capital improvements contributions from HUD were in the amount of \$201,852 as compared to \$137,058 from the previous year for an increase of \$64,794 or 47% percent. The Authority had capital outlays in the amount of \$201,852 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 \$4,610,293 for the fiscal year 2020 as compared to \$4,634,094 for the previous fiscal year 2019 for a decrease of \$23,801 or less than 1% 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 Voucher Program
3. Public Housing Capital Fund Program

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 17 through 21.

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 22 through 56.

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 62-63 of this report.

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Schedule of Expenditures of Federal Award -Continued

- 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 Linden are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended September 30, 2020. Type B programs for the Housing Authority of the City of Linden are those which are less than \$750,000 in expenditures for the fiscal year ended September 30, 2020.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between September 30, 2020, and September 30, 2019:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase
	September-20	September-19	(Decrease)
Cash	\$ 2,241,821	\$ 1,916,806	\$ 325,015
Other Current Assets	483,672	727,057	(243,385)
Capital Assets - Net	1,048,941	988,832	60,109
Deferred Outflows	1,071,365	1,122,286	(50,921)
Total Assets	4,845,799	4,754,981	90,818
Less: Current Liabilities	(349,491)	(255,409)	(94,082)
Less: Non Current Liabilities	(6,642,796)	(7,176,568)	533,772
Less: Deferred Inflows	(4,207,908)	(1,540,039)	(2,667,869)
Net Position	<u>\$ (6,354,396)</u>	<u>\$ (4,217,035)</u>	<u>\$ (2,137,361)</u>
Net Investment in Capital Assets	\$ 1,048,941	\$ 988,832	\$ 60,109
Restricted Net Position	10,875	110,608	(99,733)
Unrestricted Net Position	(7,414,212)	(5,316,475)	(2,097,737)
Total Net Position	<u>\$ (6,354,396)</u>	<u>\$ (4,217,035)</u>	<u>\$ (2,137,361)</u>

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

Cash increased by \$325,015 or 17% percent. Net cash used by operating activities was \$98,005, net cash provided by capital and related financing activities was \$308,589, and net cash provided by investing activities was \$114,431. The full detail of this amount can be found in the Statement of Cash Flows on pages 20-21 of this audit report.

Other current assets decreased \$243,385. Account receivable decreased \$148,165, prepaid expenses increased \$3,303 and investments decreased \$98,523.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$60,109 or 6% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$201,852, less the recording of depreciation expense in the amount of \$141,743.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$50,921 for an ending balance of \$1,071,365. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$2,667,869 for an ending balance of \$4,207,908.

Total current liabilities increased from the previous year by \$94,082 or 37% percent. Account's payables decreased by \$57,161, accrued liabilities increased by \$7,751, and tenant security deposit payable increased by \$2,055. Unearned revenue increased \$141,437 during the year.

Total noncurrent liabilities decreased by \$533,772 or 7% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$46,815, with no offsetting assets, increased \$9,093 from the previous year.

Accrued other post-employment benefits (OPEB) liabilities decreased \$542,865 for ending balance of \$6,595,981.

The Authority's reported net position of negative (\$6,354,396) which is made up of three categories. The net investment in capital assets in the amount of \$1,048,941 represents majority of the total account 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 September 30, 2019	\$	988,832
Depreciation Expense		(141,743)
Purchase of Fixed Assets		201,852
Balance September 30, 2020	<u>\$</u>	<u>1,048,941</u>

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported restricted net position in the amount of \$10,875 which decreased \$99,733 compared to the prior fiscal year. A full detail of this account can be found in the Notes to the Financial Statements Section Notes – 18.

The Housing Authority of the City of Linden operating results for September 30, 2020, reported an increase in the deficit of the unrestricted position of \$2,097,737 or 39% percent for an ending balance of a deficit (\$7,414,212). A full detail of this account can be found in the Notes to the Financial Statements Section Note – 19 Unrestricted Net Position

The following summarizes the changes in Net Position between September 30, 2020, and September 30, 2019:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase
	<u>September-20</u>	<u>September-19</u>	<u>(Decrease)</u>
<u>Revenues</u>			
Tenant Revenues	\$ 777,562	\$ 796,578	\$ (19,016)
HUD Subsidies	4,408,441	4,497,036	(88,595)
Other Revenues	218,886	411,403	(192,517)
Total Operating Income	<u>5,404,889</u>	<u>5,705,017</u>	<u>(300,128)</u>
<u>Expenses</u>			
Operating Expenses	5,750,931	5,594,701	156,230
Depreciation Expense	141,743	323,128	(181,385)
Total Operating Expenses	<u>5,892,674</u>	<u>5,917,829</u>	<u>(25,155)</u>
Operating Income before Non Operating Income	(487,785)	(212,812)	(274,973)
Interest Income	15,908	18,550	(2,642)
HUD Capital Grants	<u>201,852</u>	<u>137,058</u>	<u>64,794</u>
Change in Net Position	(270,025)	(57,204)	(212,821)
Net Position Prior Year	(4,217,035)	(4,420,624)	203,589
Prior Period Adjustment	(1,867,336)	260,793	(2,128,129)
Total Net Position	<u>\$ (6,354,396)</u>	<u>\$ (4,217,035)</u>	<u>\$ (2,137,361)</u>

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Approximately 82% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 14% percent resulted from tenant revenue. Charges for various services provided the remaining 4% percent of the total operating income.

The Housing Authority of the City of Linden received from the capital fund program \$201,852 in grant money an increase of \$64,794 from the prior fiscal year. The Authority had capital expenditures of \$201,852 which was funded through the capital fund program. The current year additions included elevator panel replacement, window and screen replacements, paving the parking lot, stair railing installation, and bathtub resurfacing.

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 59% percent of total operating expenses. Administrative expenses accounted for 17% percent, tenant services expense accounted for 2% percent, utilities expense accounted for 7% percent, maintenance expense accounted for 9% percent, other operating expenses accounted for 3% percent, and depreciation accounted for the remaining 3% percent of the total operating expenses.

The Authority's operating expenses exceeded its operating revenue resulting in excess expenses from operations in the amount of \$487,785 as compared to excess of expenses from operations of \$212,812 for the previous year. The key elements for the change in the operating deficit in comparison to the prior year are as follows:

- The Authority reported a decrease in HUD PHA operating grants in the amount of \$88,595 or 2% percent, due to a decrease in Federal funding subsidy by HUD in comparison to the past few fiscal years.
- Administrative expenses increased \$24,515 or 2% percent.
- Tenant Services expenses increased \$57,956 or 71% percent.
- Maintenance expenses increased \$83,393 or 18% percent.
- Housing Assistance Payments expense decreased \$12,474 or by less than 1% percent, due to an increase in family income.

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four-year period of time ending on September 30, 2020:

	September-20	September-19	September-18	September-17
Significant Income				
Total Tenant Revenue	\$ 777,562	\$ 796,578	\$ 797,533	\$ 789,916
HUD Operating Grants	4,408,441	4,497,036	4,831,277	4,593,575
HUD Capital Grants	201,852	137,058	13,006	228,464
Investment Income	15,908	18,550	13,567	13,851
Other Income	134,327	204,821	221,833	141,101
Portability Income (HCV Program)	84,559	147,592	186,267	89,259
Total	\$ 5,622,649	\$ 5,801,635	\$ 6,063,483	\$ 5,856,166
Payroll Expense				
Administrative Salaries	\$ 451,361	\$ 418,171	\$ 463,306	\$ 486,983
Tenant Services Salaries	64,154	61,800	49,800	49,754
Utilities Labor	49,798	57,667	61,562	53,340
Maintenance Labor	155,002	173,000	184,686	160,021
Employee Benefits Expense	543,729	584,313	616,923	551,238
Total Payroll Expense	\$ 1,264,044	\$ 1,294,951	\$ 1,376,277	\$ 1,301,336
Other Significant Expenses				
Other Administrative Expenses	\$ 256,869	\$ 238,917	\$ 273,012	\$ 257,447
Utilities Expense	306,719	292,056	293,098	283,093
Maintenance Materials Cost	117,123	65,700	57,819	58,317
Maintenance Contract Cost	157,517	51,954	75,965	67,800
Insurance Premiums	105,172	95,004	83,492	77,902
Housing Assistance Payments	3,392,378	3,341,819	3,726,657	3,620,980
HAP Portability Expense	84,559	147,592	128,656	89,259
Total	\$ 4,420,337	\$ 4,233,042	\$ 4,638,699	\$ 4,454,798
Total Operating Expenses	\$ 5,892,674	\$ 5,917,829	\$ 6,471,556	\$ 6,064,825
Total of Federal Awards	\$ 4,610,293	\$ 4,634,094	\$ 4,844,283	\$ 4,822,039

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenue was not sufficient to cover all expenses.

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

THE AUTHORITY AS A WHOLE -CONTINUED

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

HOUSING AUTHORITY OF THE CITY OF LINDEN 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 Linden 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.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency, or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

HOUSING AUTHORITY OF THE CITY OF LINDEN PROGRAMS - CONTINUED

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.

BUDGETARY HIGHLIGHTS

For the year ended September 30, 2020, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

NEW INITIATIVES

For the fiscal year 2020 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 82% percent of its revenue from the Department of Housing and Urban Development, (2019 fiscal year was 79% 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. 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 Linden all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 - Capital Assets

The Authority's net investment in capital assets as of September 30, 2020, was \$1,048,941 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increase during the year in the Authority's investment in capital assets was \$60,109 or 6% percent. Major capital expenditures of \$201,852 were made during the year. Major capital assets events during the fiscal year included the following:

- Parking Lot Paving
- Window and Screen Replacement
- Elevator Panel Upgrade
- Stair Rail Installation
- Bathroom Tub Resurfacing

	September-20	September-19	Increase (Decrease)
Land	\$ 1	\$ 1	\$ -
Building	10,939,479	10,939,479	-
Furniture, Equipment - Dwelling	560,465	560,465	-
Furniture, Equipment - Administration	393,661	393,661	-
Construction In Process	343,169	141,317	201,852
Total Fixed Assets	12,236,775	12,034,923	201,852
Accumulated Depreciation	(11,187,834)	(11,046,091)	(141,743)
Net Book Value	\$ 1,048,941	\$ 988,832	\$ 60,109

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

2 - Debt Administration

The Authority has no outstanding debt on September 30, 2020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

**HOUSING AUTHORITY OF THE CITY OF LINDEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2020**

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

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2021.

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mrs. Ann J. Ferguson, Executive Director, Housing Authority of the City of Linden, 1601 Dill Avenue, Linden, N.J. 07036-1779, or call (908) 298-3820.

HOUSING AUTHORITY OF THE CITY OF LINDEN
STATEMENT OF NET POSITION - 1
AS OF SEPTEMBER 30, 2020 AND 2019

	2020	2019
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 1,991,179	\$ 1,735,817
Investments	405,078	503,601
Accounts Receivables, Net of Allowances	53,350	201,515
Prepaid Expenses	25,244	21,941
Total Current Assets	2,474,851	2,462,874
 Restricted Deposits and Funded Reserves		
HCV HAP Reserves	10,875	110,608
Tenant Security Deposit	72,436	70,381
PIH Cares Act Reserves	26,390	-
HCV Cares Act Reserves	140,941	-
Total Restricted Deposits and Funded Reserves	250,642	180,989
 Noncurrent Assets		
Capital Assets		
Land	1	1
Building	10,939,479	10,939,479
Furniture, Equipment - Dwelling	560,465	560,465
Furniture, Equipment - Administration	393,661	393,661
Construction In Process	343,169	141,317
Total Capital Assets	12,236,775	12,034,923
Less: Accumulated Depreciation	(11,187,834)	(11,046,091)
Net Book Value	1,048,941	988,832
Total Assets	3,774,434	3,632,695
 Deferred Outflow of Resources		
State of New Jersey P.E.R.S.	1,071,365	1,122,286
Total Assets and Deferred Outflow of Resources	\$ 4,845,799	\$ 4,754,981

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LINDEN
STATEMENT OF NET POSITION - 2
AS OF SEPTEMBER 30, 2020 AND 2019

	2020	2019
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 109,924	\$ 167,085
Accrued Liabilities	25,694	17,943
Tenant Security Deposit Payable	72,436	70,381
Unearned Revenue	141,437	-
Total Current Liabilities	349,491	255,409
Noncurrent Liabilities		
Accrued Compensated Absences - Long-Term	46,815	37,722
Accrued Pension and Other Post-Employment Benefits (OPEB)	6,595,981	7,138,846
Total Noncurrent Liabilities	6,642,796	7,176,568
Total Liabilities	6,992,287	7,431,977
Deferred Inflow of Resources		
State of New Jersey P.E.R.S.	4,207,908	1,540,039
Net Position:		
Net Investment in Capital Assets	1,048,941	988,832
Restricted	10,875	110,608
Unrestricted	(7,414,212)	(5,316,475)
Total Net Position	(6,354,396)	(4,217,035)
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 4,845,799	\$ 4,754,981

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LINDEN
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Revenue:		
Tenant Rental Revenue	\$ 777,562	\$ 796,578
HUD PHA Operating Grants	4,408,441	4,497,036
Other Revenue	218,886	411,403
Total Revenue	5,404,889	5,705,017
Operating Expenses:		
Administrative Expense	1,022,303	997,788
Tenant Services	139,074	81,118
Utilities Expense	398,699	405,494
Maintenance Expense	551,500	468,107
Other Operating Expenses	162,418	152,783
Housing Assistance Payments	3,476,937	3,489,411
Depreciations Expense	141,743	323,128
Total Operating Expenses	5,892,674	5,917,829
Excess Expenses From Operations	(487,785)	(212,812)
Non Operating Income:		
Investment Income	15,908	18,550
Excess Expenses Before Capital Contributions	(471,877)	(194,262)
Capital Grant Contributions	201,852	137,058
Change in Net Position	(270,025)	(57,204)
Beginning Net Position	(4,217,035)	(4,420,624)
Prior Period Adjustment - Due to GASB 68	(1,867,336)	260,793
Beginning Net Position - Restated	(6,084,371)	(4,159,831)
Ending Net Position	\$ (6,354,396)	\$ (4,217,035)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LINDEN
STATEMENT OF CASH FLOWS - 1
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 776,459	\$ 796,578
Receipts from Federal Grants	4,366,325	4,502,450
Receipts from Misc. Sources	407,858	366,718
Payments to Vendors and Suppliers	(600,947)	(621,632)
Housing Assistance Payments	(3,476,937)	(3,489,411)
Payment of Utilities Cost	(306,719)	(292,056)
Payments to Employees	(720,315)	(710,638)
Payment of Employee Benefits	(543,729)	(584,313)
Net Cash (Used) by Operating Activities	(98,005)	(32,304)
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	201,852	137,058
Acquisitions and Construction of Capital Assets	(201,852)	(148,902)
Accrued Pension and Other Post-Employment Benefits (OPEB) Liabilities	(542,865)	(640,390)
Net Effect of Deferred Inflows and Outflows	2,718,790	855,106
Prior Period Adjustment	(1,867,336)	260,793
Net Cash Provided by Capital and Related Financing Activities	308,589	463,665
Cash Flow From Investing Activities		
Interest Income	15,908	18,550
(Purchase) of Investments	98,523	(209,771)
Net Cash Provided (Used) by Investing Activities	114,431	(191,221)
Net Increase in Cash and Cash Equivalents	325,015	240,140
Beginning Cash, Cash Equivalents and Restricted Cash	1,916,806	1,676,666
Ending Cash, Cash Equivalents and Restricted Cash	\$ 2,241,821	\$ 1,916,806
<u>Reconciliation of Cash Balances:</u>		
Cash and Cash Equivalents - Unrestricted	\$ 1,991,179	\$ 1,735,817
Cash and Cash Equivalents - Restricted	250,642	180,989
Total Ending Cash, Cash Equivalents	\$ 2,241,821	\$ 1,916,806

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LINDEN
STATEMENT OF CASH FLOWS - 2
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Reconciliation of Operating Income to Net Cash		
(Used) by Operating Activities		
Excess of Expenses Over Revenue	\$ (487,785)	\$ (212,812)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense	141,743	323,128
(Increase) Decrease in:		
Accounts Receivables	148,165	(44,189)
Prepaid Expenses	(3,303)	(2,509)
Increase (Decrease) in:		
Accounts Payable	(57,161)	36,329
Accrued Expenses	7,751	(135,418)
Unearned Revenue	141,437	-
Compensated Absences - Long term	9,093	5,571
Tenant Security Deposit	2,055	(2,404)
Net Cash (Used) By Operating Activities	\$ (98,005)	\$ (32,304)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

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

1. Organization - The Authority is a governmental public corporation which was organized under the public corporation law created under federal and state housing law 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 Linden in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

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

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. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

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

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

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. 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 LINDEN

Notes to Financial Statements September 30, 2020, and 2019

Basis of Accounting – Continued

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

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

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. Amounts not received by September 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as unearned revenue.

HUD operating, and capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

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.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

Report Presentation -

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

The 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.

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.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

Other accounting policies - Continued

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

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

Other accounting policies - Continued

14 - Taxes

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

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

15 - Net Position

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

Other accounting policies - Continued

16 - Operating and non-operating revenues and expenses

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, tenants dwelling rents, and various charges to tenants.

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

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 2020.

18- Recent Accounting Pronouncements

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

Budgetary and Policy Control -

The Authority submits its annual operating 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.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

Activities - The only 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	14.850	NJ-66	200
Capital Fund	14.872		
Resident Opportunity and Supportive Services	14.870		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-66	357

A. Public and Indian Housing

The Public and Indian housing program is designed to provide low-cost housing within the City of Linden. Funding is provided by eligible residents who are charged monthly rent based on family size, family income and other determinants, as well as by subsidies provided by HUD.

B. 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.

C. 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 payable to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD.

D. Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

Activities

E. 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.

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.

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.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

NOTE 3 - PENSION PLAN

The Authority only has one pension plan for their employees. 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.

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 \$205,676 and \$197,704 for 2019.

Post Employment Retirement Benefits

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

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/2019divisioncombined.pdf>

Further information on the Pension Plan and its effects due to the adoption of GASB 68 can be found in Note 16– Accrued Pension Liability.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

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.

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.

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 September 30, 2020 and 2019, 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.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

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>September-20</u>	<u>September-19</u>
Insured	\$ 761,042	\$ 820,681
Collateralized held by pledging bank's trust department in the Authority's name	1,885,857	1,599,726
Total	\$ 2,646,899	\$ 2,420,407

Investments

The Authority's investments on September 30, 2020, included the following:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	08-Nov-20	\$ 402,446
Certificate of Deposit	15-Nov-20	115,256
Money Market Account	Upon Demand	102,605
Total Investments		\$ 620,307

Restricted Cash

The Authority has total noncurrent restricted cash on September 30, 2020, and 2019 in consists of the following:

	<u>September-20</u>	<u>September-19</u>
Security Deposit	\$ 72,436	\$ 70,381
HAP Reserve	10,875	110,608
PIH Cares Act Reserve	26,390	-
HCV Cares Act Reserve	140,941	-
Total Restricted Cash	\$ 250,642	\$ 180,989

The restricted cash in the amount of \$10,875 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 AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Restricted Cash

The Authority has restricted cash for the tenants on September 30, 2020, in the amount of \$72,436. This amount is held as security deposits for the tenants an interest-bearing account.

The restricted cash in the amount of \$26,390 and \$140,941 for 2020 was reported under the PIH Cares Act Program and Housing Choice Voucher Cares Act Program for grant money received but not expend during the year and is reported as a reserve for future use.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on September 30, 2020, and 2019 consisted of the following:

	<u>September-20</u>	<u>September-19</u>
Tenants Accounts Receivable - Present	\$ 1,103	\$ -
Less: Allowance for Doubtful Accounts	-	-
Net Tenants Accounts Receivable	<u>1,103</u>	<u>-</u>
Other Receivable -Other Authorities	11	-
Other Receivable -City of Linden	42,105	88,972
Donations Receivable	-	100,000
Accrued Interest Income	10,131	12,543
Net Other Receivables	<u>52,247</u>	<u>201,515</u>
Net Accounts Receivable	<u>\$ 53,350</u>	<u>\$ 201,515</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 Linden 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 LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

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 September 30, 2020, and 2019 consisted of prepaid insurance.

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 September 30, 2020, 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.

Depreciation Expense

Depreciation expense for the primary government for the period ended September 30, 2020, was \$141,743 and \$323,128 for 2019. 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 Linden 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.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

NOTE 8 - FIXED ASSETS – CONTINUED

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 2020 nor in 2019.

Below is a schedule of changes in fixed assets for the twelve months ending September 30, 2020, and 2019:

	September-19	Additions	Transfer	September-20
Land	\$ 1	\$ -	\$ -	\$ 1
Building	10,939,479	-	-	10,939,479
Furniture, Equipment - Dwelling	560,465	-	-	560,465
Furniture, Equipment - Administration	393,661	-	-	393,661
Construction in Process	141,317	201,852	-	343,169
Total Fixed Assets	12,034,923	201,852	-	12,236,775
Accumulated Depreciation	(11,046,091)	(141,743)	-	(11,187,834)
Net Book Value	\$ 988,832	\$ 60,109	\$ -	\$ 1,048,941

	September-18	Additions	Transfer	September-19
Land	\$ 1	\$ -	\$ -	\$ 1
Building	10,798,274	-	141,205	10,939,479
Furniture, Equipment - Dwelling	538,465	-	22,000	560,465
Furniture, Equipment - Administration	381,818	11,843	-	393,661
Construction in Process	145,463	137,059	(141,205)	141,317
Total Fixed Assets	11,864,021	148,902	22,000	12,034,923
Accumulated Depreciation	(10,700,963)	(323,128)	(22,000)	(11,046,091)
Net Book Value	\$ 1,163,058	\$ (174,226)	\$ -	\$ 988,832

Below is a schedule of the net book value of the fixed assets for the Authority as of September 30, 2020:

	<u>Net Book Value</u>	<u>September-20</u>
Land		\$ 1
Building		595,817
Furniture, Equipment - Dwelling		78,813
Furniture, Equipment - Administration		31,141
Construction in Process		343,169
Net Book Value		<u>\$ 1,048,941</u>

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

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 liability discussed in Note 15 and the pension liability discussed in Note 16 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, 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 as of September 30, 2020:

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 68,384	\$ 68,384
Changes in Assumptions	-	380,439	380,439
Net Difference Between Projected and Actual Earning on Pension Plan Investments	2,295	-	2,295
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	51,148	345,220	396,368
Contribution Subsequent to the Measurement Date	-	223,879	223,879
Total	\$ 53,443	\$ 794,043	\$ 1,071,365

Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 814,741	\$ 16,831	\$ 831,572
Changes in Assumptions	987,304	1,322,425	2,309,729
Net Difference Between Projected and Actual Earning on Pension Plan Investments	848,141	60,142	908,283
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	158,324	158,324
Total	\$ 2,650,186	\$ 1,557,722	\$ 4,207,908

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as 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.

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.

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

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB 68. 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.

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 ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 10 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of September 30, 2020, and 2019. Accounts payable vendors are amount owing to creditors as a result of delivered goods and completed services. The Authority accounts payable on September 30, 2020, and 2019 consist of the following:

	<u>September-20</u>	<u>September-19</u>
Accounts Payable Vendors	\$ 67,819	\$ 32,734
Accounts Payable - Other Government	42,105	134,351
Total Accounts Payable	<u>\$ 109,924</u>	<u>\$ 167,085</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 Linden. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes. During year ended September 30, 2020, PILOT expense of \$42,105 and \$44,685 for 2019 was incurred and \$42,105 was payable on September 30, 2020.

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 September 30. Accrued expenses on September 30, 2020, and 2019 consisted of the following:

	<u>September-20</u>	<u>September-19</u>
Compensated Absences - Current Portion	\$ 5,202	\$ 4,192
Accrued Wages and Payroll Taxes	4,361	13,751
Accrued Invoices	16,131	-
Total Accrued Liabilities	<u>\$ 25,694</u>	<u>\$ 17,943</u>

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

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 three unused sick days up to a maximum of \$25,000 under the Authority’s current personnel policy.

The Authority has determined that the potential liability for accumulated vacation time, sick leave, and terminal pay for September 30, 2020, and 2019 as stated below. The Authority’s management estimated that ten percent (10%) is a reasonable amount for the current portion of accrued compensated absences.

	<u>September-20</u>	<u>September-19</u>
Compensated Absences - Sick Time	\$ 48,320	\$ 38,936
Payroll Taxes	3,697	2,978
Total Compensated Absences	<u>52,017</u>	<u>41,914</u>
Less: Current Portion	<u>(5,202)</u>	<u>(4,192)</u>
Noncurrent Compensated Absences	<u>\$ 46,815</u>	<u>\$ 37,722</u>

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 September 30, 2020, in the amount of \$141,437 consisted of the following:

	<u>September-20</u>
Tenant's Prepaid Rents	\$ 496
HCV Cares Act Funds	<u>140,941</u>
Total Accounts Payable	<u>\$ 141,437</u>

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 15 – ACCRUED PENSION AND OPEB LIABILITIES

The Authority as of September 30, 2020, and 2019 reported accrued pension and OPEB liability amounts as follows:

	<u>September-20</u>	<u>September-19</u>
Accrued OPEB	\$ 2,786,020	\$ 3,225,321
Accrued Pension	3,809,961	3,913,525
Total OPEB and Pension Liabilities	<u>\$ 6,595,981</u>	<u>\$ 7,138,846</u>

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

OPEB Liability

The Authority as of September 30, 2020, reported a net OPEB liability in the amount of \$2,786,020 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	<u>OPEB</u>
Employer OPEB Liability	\$ 2,842,204
Plan Net Position	<u>(56,184)</u>
Employer Net OPEB Liability	<u>\$ 2,786,020</u>

The Authority allocation percentage is 0.0205670% as of June 30, 2019.

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 LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

OPEB Liability – Plan Description and Benefits Provided - continued

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who:

- 1) retired on a disability pension; or
- 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation's agreement.

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended June 30, 2019, were \$2,786,020.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

Employees covered by benefits terms: On June 30, 2019 (the census date), the following employees were covered by the benefits terms:

Total Plan Members	<u>23</u>
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Net OPEB Liability

The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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, 2019, 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 = 2.00% to 6.00%
 Thereafter = 3.00% to 7.00%

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-2019 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-2019 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-2019 scale.

Certain actuarial assumptions used in the June 30, 2018, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013, to June 30, 2018, and July 1, 2014, to June 30, 2018, respectively.

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

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 15 – OPEB LIABILITIES - CONTINUED

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2019, was 3.50%. 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 (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 322,348	\$ 2,786,020	\$ 2,432,259

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	\$ 2,351,058	\$ 2,786,020	\$ 3,340,888

Change in Assumptions: Effective June 30, 2019.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 15 – OPEB LIABILITIES - CONTINUED

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for the 2019, 2018 and 2017 amounts, respectively.

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2020</u>
Service Cost	\$ 137,094
Interest on Total OPEB liability	130,823
Expected Investment Return	(2,321)
Administrative Expenses	1,949
Changes in Benefits Term	(392)
Current Period Deferred	
Inflows/Outflows of Resources	(127,393)
Changes in Assumptions or Other	
Inputs	(166,465)
Net Difference Between Projected and	
Actual Investments Earning on Pension	(412,596)
Plan Investments	
Benefit Payments	
Change in Plan	-
Net Change in Total OPEB Liability	<u>(439,301)</u>
Total OPEB Liability, Beginning	<u>3,225,321</u>
Total OPEB Liability, Ending	<u>\$ 2,786,020</u>

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 15 – OPEB LIABILITIES - CONTINUED

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

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

Year Ending June 30, 2020	\$ (293,121)
Year Ending June 30, 2021	(293,121)
Year Ending June 30, 2022	(293,301)
Year Ending June 30, 2023	(293,592)
Year Ending June 30, 2024	(293,858)
Thereafter	(332,757)
Total	<u>\$ (1,799,750)</u>

NOTE 16 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of September 30, 2020, reported a net pension liability in the amount of \$3,809,961 due to GASB #68. The component of the current year net pension liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 8,773,261
Plan Net Position	(4,963,300)
Employer Net Pension Liability	<u>\$ 3,809,961</u>

The Authority allocation percentage is 0.0211447364% as of June 30, 2019.

Plan Description

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Net Pension Liability Information

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

The following represents the membership tiers for PERS:

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

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Allocation Percentage Methodology

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

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Allocation Percentage Methodology -Continued

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2019, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2019.

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 2019 the State's pension contribution was less than the actuarial determined amount.

Actuarial Assumptions

The total pension liability for June 30, 2019, measurement dates were determined by using an actuarial valuation as of July 1, 2018, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial valuations used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the Pub-2010 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the Pub-2010 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions -continued

The actuarial assumptions used in the July 1, 2018, evaluation was based on the results of an actuarial experience study for the period July 1, 2014, to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% on June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100%</u>	

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 6.28% 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 (5.28% percent) or 1 percentage-point higher (7.28% 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 (5.28%)	Current Discount (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,846,079	\$ 3,809,961	\$ 2,985,723

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

NOTE 16 – ACCRUED PENSION LIABILITY – CONTINUED

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

Year Ending June 30, 2020	\$	(110,014)
Year Ending June 30, 2021		(356,884)
Year Ending June 30, 2022		(318,677)
Year Ending June 30, 2023		(149,635)
Year Ending June 30, 2024		(15,365)
Total	\$	<u>(950,575)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2019, are as follows:

Service Cost	\$	170
Interest on the Total Pension Liability		503,725
Member Contributions		(117,059)
Administrative Expenses		3,101
Expected Investment Return Net of Investment Expenses		(312,558)
Pension Expense Related to Specific Liabilities of Individual Employers		(1,464)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		37,924
Changes of Assumptions		(115,911)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		36,874
Total	\$	<u>34,802</u>

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 17 – NET INVESTMENT IN CAPITAL ASSETS

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

Balance September 30, 2019	\$ 988,832
Depreciation Expense	(141,743)
Purchase of Fixed Assets	201,852
Balance September 30, 2020	<u>\$ 1,048,941</u>

NOTE 18 – RESTRICTED NET POSITION

The Authority restricted net position account balance on September 30, 2020, is \$10,875 and \$110,608 for 2019. The restricted net position consisted of HAP Reserves.

HUD requires any excess HAP reserves held by the Authority to be deposited in an interest-bearing account. The Authority HAP reserves may only be used for eligible HAP needs of rent, family self-sufficient escrow payments or utility reimbursements.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on June 30, 2020, is \$710,878.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 19 – UNRESTRICTED NET POSITION

The Authority’s unrestricted net position account balance on September 30, 2020, is a deficit of (\$7,414,212) and (\$5,316,475) for 2019. The detail of the account balance is as follows:

	PIH Program Reserves	HCV Adm Reserves	Business Reserves	Total
Balance September 30, 2018	\$ (5,409,012)	\$ (628,482)	\$ 341,992	\$ (5,695,502)
Increase During the Year	-	178,875	23,104	201,979
(Decrease) During the Year	(83,745)	-	-	(83,745)
Prior Period Adjustment	54,272	206,521	-	260,793
Balance September 30, 2019	(5,438,485)	(243,086)	365,096	(5,316,475)
Increase During the Year	-	17,778	48,502	66,280
(Decrease) During the Year	(296,681)	-	-	(296,681)
Prior Period Adjustment	(1,794,596)	(72,740)	-	(1,867,336)
Balance September 30, 2020	\$ (7,529,762)	\$ (298,048)	\$ 413,598	\$ (7,414,212)

NOTE 20 – 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 September 30, 2020, and 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 senior building for the purpose of determining potential liability issues.

NOTE 19 - 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 September 30, 2020, were \$577,616.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for September 30, 2020, was in the amount of \$3,590,744.

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

NOTE 20 - 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 \$4,610,293 to the Authority which represents approximately 82% percent of the Authority's total revenue for the fiscal year September 30, 2020.

NOTE 21 - CONSTRUCTION COMMITMENTS

On September 30, 2020, the Authority outstanding construction commitments pertaining to its capital fund were not material. The cost pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 22 - RELATED PARTY TRANSACTION

The Housing Authority of the City of Linden manages several properties. The property management agreements provide the details for each entity to pay the Housing Authority of the City of Linden direct cost for administrative salaries, maintenance salaries, employee benefits, maintenance, maintenance contracts, management agent fee, and direct office overhead expense related to the direct operations and administration of each entity. As of September 30, 2020, and 2019, the following cost were incurred and paid by the Housing Authority of the City of Linden.

Linden Housing Corporation	<u>September-20</u>	<u>September-19</u>
Administrative Salaries	\$ 730,478	\$ 677,823
Summer Interns Salaries	12,247	16,127
Social Worker Salaries	47,721	44,390
Maintenance Salaries	196,571	233,207
Employee Benefits	310,192	342,200
Total	<u>1,297,209</u>	<u>1,313,747</u>
Less Payments Made During the Period	<u>(1,297,209)</u>	<u>(1,313,747)</u>
Payable Balance at September 30,	<u>\$ -</u>	<u>\$ -</u>

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements
September 30, 2020, and 2019

NOTE 22 - RELATED PARTY TRANSACTION - CONTINUED

Mongil Corporation	<u>September-20</u>	<u>September-19</u>
Management Fee	\$ 44,928	\$ 44,928
Administrative Salaries	61,465	59,675
Social Worker	41,081	39,884
Maintenance Salaries	85,340	72,118
Employee Benefits	89,638	75,630
Bookkeeping Service	4,560	-
Maintenance Contracts	35,555	39,926
Total	<u>362,567</u>	<u>332,161</u>
Less Payments Made During the Period	<u>(362,567)</u>	<u>(332,161)</u>
Payable Balance at September 30,	<u>\$ -</u>	<u>\$ -</u>

NOTE 23 - CONTINGENCIES

Litigation – On September 30, 2020, the Authority was not involved in any threatened 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 number of disallowances, if any, which may arise from future audits will not be material.

NOTE 24- PRIOR PERIOD ADJUSTMENTS

As of September 30, 2020, the Authority had a prior period adjustment in the amount of (\$1,867,336) as detailed below:

Net Pension Liability Adjustment June 2018	\$ (235,250)
OPEB Liability Adjustment June 2018	<u>(1,632,086)</u>
Total Prior Period Adjustment	<u>\$ (1,867,336)</u>

HOUSING AUTHORITY OF THE CITY OF LINDEN

Notes to Financial Statements September 30, 2020, and 2019

NOTE 25 – SUBSEQUENT EVENTS

Coronavirus Pandemic:

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

Events that occur after the Statement of Net Position 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 Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru July 2, 2021; 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 LINDEN

Required Supplementary Information

September 30, 2020

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>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 137,094	\$ 32,787	\$ 90,831
Interest on Total OPEB liability	130,823	94,767	110,450
Expected Investment Return	(2,321)	-	-
Administrative Expenses	1,949	-	-
Changes in Benefits Term	(392)	-	-
Current Period Deferred	-	-	-
Inflows/Outflows of Resources	(127,393)	-	-
Changes in Assumptions or Other	-	-	-
Inputs	(166,465)	183,920	-
Net Difference Between Projected and	-	-	-
Actual Investments Earning on Pension	(412,596)	-	-
Plan Investments	-	-	-
Benefit Payments	-	(110,193)	(129,259)
Change in Plan	-	-	-
Net Change in Total OPEB Liability	(439,301)	201,281	72,022
Total OPEB Liability, Beginning	3,225,321	3,024,040	2,952,018
Total OPEB Liability, Ending	<u>\$ 2,786,020</u>	<u>\$ 3,225,321</u>	<u>\$ 3,024,040</u>
Covered, Employee Payroll	\$ 720,315	\$ 710,638	\$ 709,554
Plan Fiduciary Net Position as a	-	-	-
Percentage of the Total OPEB Liability	386.78%	453.86%	426.19%

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

HOUSING AUTHORITY OF THE CITY OF LINDEN

Required Supplementary Information
September 30, 2020

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.

	2020	2019	2018
Housing Authority's proportion of the net pension liability	0.00211447364%	0.0198762026%	0.02042750%
Housing Authority's proportionate share of the net pension liability	\$ 3,809,961	\$ 3,913,525	\$ 4,755,196
Housing Authority's covered employee payroll	\$ 720,315	\$ 710,638	\$ 709,554
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	528.93%	550.71%	670.17%
Plan fiduciary net position as a percentage of the total pension liability	43.42%	46.41%	48.01%

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

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

HOUSING AUTHORITY OF THE CITY OF LINDEN

Required Supplementary Information
September 30, 2020

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.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Housing Authority's proportion of the net pension liability	0.02111178%	0.01915086%	0.00901700%
Housing Authority's proportionate share of the net pension liability	\$ 6,252,702	\$ 4,298,983	\$ 3,560,493
Housing Authority's covered employee payroll	\$ 750,098	\$ 648,417	\$ 782,064
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	833.58%	663.00%	455.27%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

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

HOUSING AUTHORITY OF THE CITY OF LINDEN

Required Supplementary Information
September 30, 2020

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 205,676	\$ 197,704	\$ 189,239
Contribution in relation to the contractually required contribution	(205,676)	(197,704)	(189,239)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 720,315	\$ 710,638	\$ 709,554
Contribution as a percentage of covered employee payroll	28.55%	27.82%	26.67%

**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 LINDEN

Required Supplementary Information
September 30, 2020

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

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

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Contractually required contribution	\$ 187,554	\$	\$ 180,252	\$	\$ 156,773
Contribution in relation to the contractually required contribution	(187,554)		(180,252)		(156,773)
Contribution deficiency (excess)	<u>\$ -</u>	\$	<u>\$ -</u>	\$	<u>\$ -</u>
Authority's covered payroll	\$ 750,098	\$	\$ 648,417	\$	\$ 782,064
Contribution as a percentage of covered employee payroll	25.00%		27.80%		20.05%

**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 LINDEN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2020**

Programs funded by:

U.S. Department of Housing and Urban Development

<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>Public and Indian Housing Program</u>				
NJ066 14.850	\$ -	\$ 577,616	\$ 577,616	\$ -
<u>PIH CARES ACT</u>				
NJ066-DC 14.PHC	-	63,917	63,917	-
Grant Total 14.850	-	641,533	641,533	-
<u>Section 8 Housing Choice Voucher Program</u>				
NJ39P066 14.871	-	3,590,744	3,590,744	-
<u>HCV CARES Act Funding 14.HCC</u>				
Grant Total 14.871	-	10,946	10,946	-
		3,601,690	3,601,690	-
<u>Public Housing Capital Fund Program</u>				
NJ39P066 14.872	-	367,070	367,070	-
Grant Total 14.872	-	367,070	367,070	-
Total Expenditures of Federal Awards	\$ -	\$ 4,610,293	\$ 4,610,293	\$ -

**HOUSING AUTHORITY OF THE CITY OF LINDEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2020**

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of Linden is under programs of the federal government for the year ended September 30, 2020. 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 Linden, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the City of Linden.

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 Linden 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 Linden had no loans outstanding on September 30, 2020.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2020.

Note 6. Sub recipients:

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

**HOUSING AUTHORITY OF THE CITY OF LINDEN
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF SEPTEMBER 30, 2020**

	NJ39P066501-17		
	Budget	Actual Cost	Overrun
Operations	\$ 30,000	\$ 30,000	\$ -
Management Improvements	12,000	12,000	-
Administration	19,500	19,500	-
Fees and Costs	15,000	15,000	-
Site Improvements	12,000	12,000	-
Dwelling Structure	106,530	106,530	-
Total	\$ 195,030	\$ 195,030	\$ -
Funds Advanced	\$ 195,030		
Funds Expended	195,030		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-1 was completed on November 20, 2019
4. There were no budget overruns noted.

Housing Authority City of Linden (NJ066)
LINDEN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
111 Cash - Unrestricted	\$1,125,699		\$371,493	\$493,987		\$1,991,179	\$1,991,179
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted	\$72,436			\$10,875	\$140,941	\$151,816	\$151,816
114 Cash - Tenant Security Deposits		\$26,390				\$72,436	\$72,436
115 Cash - Restricted for Payment of Current Liabilities		\$26,390				\$26,390	\$26,390
100 Total Cash	\$1,198,135	\$26,390	\$371,493	\$504,862	\$140,941	\$2,241,821	\$2,241,821
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government			\$42,105	\$11		\$42,116	\$42,116
125 Accounts Receivable - Miscellaneous							
126 Accounts Receivable - Tenants	\$1,103					\$1,103	\$1,103
126.1 Allowance for Doubtful Accounts - Tenants	\$0					\$0	\$0
126.2 Allowance for Doubtful Accounts - Other			\$0	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable	\$10,131					\$10,131	\$10,131
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$11,234	\$0	\$42,105	\$11	\$0	\$53,350	\$53,350
131 Investments - Unrestricted	\$405,078					\$405,078	\$405,078
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$23,675			\$1,569		\$25,244	\$25,244
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$1,638,122	\$26,390	\$413,598	\$506,442	\$140,941	\$2,725,493	\$2,725,493
161 Land	\$1					\$1	\$1
162 Buildings	\$10,939,479					\$10,939,479	\$10,939,479
163 Furniture, Equipment & Machinery - Dwellings	\$560,465					\$560,465	\$560,465

Housing Authority City of Linden (NJ066)
LINDEN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
164 Furniture, Equipment & Machinery - Administration	\$393,661					\$393,661	\$393,661
165 Leasehold Improvements							
166 Accumulated Depreciation	-\$11,187,834					-\$11,187,834	-\$11,187,834
167 Construction in Progress	\$343,169					\$343,169	\$343,169
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,048,941	\$0	\$0	\$0	\$0	\$1,048,941	\$1,048,941
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$1,048,941	\$0	\$0	\$0	\$0	\$1,048,941	\$1,048,941
200 Deferred Outflow of Resources	\$985,656			\$85,709		\$1,071,365	\$1,071,365
290 Total Assets and Deferred Outflow of Resources	\$3,672,719	\$26,390	\$413,598	\$592,151	\$140,941	\$4,845,799	\$4,845,799
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$41,356	\$26,390		\$73		\$67,819	\$67,819
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$4,361					\$4,361	\$4,361
322 Accrued Compensated Absences - Current Portion	\$3,708			\$1,494		\$5,202	\$5,202
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$42,105					\$42,105	\$42,105
341 Tenant Security Deposits	\$72,436					\$72,436	\$72,436
342 Unearned Revenue	\$496					\$496	\$496
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$140,941	\$141,437	\$141,437

Housing Authority City of Linden (NJ066)
LINDEN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities							
346 Accrued Liabilities - Other	\$16,131					\$16,131	\$16,131
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$180,593	\$26,390	\$0	\$1,567	\$140,941	\$349,491	\$349,491
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current	\$33,370			\$13,445		\$46,815	\$46,815
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$6,068,302			\$527,679		\$6,595,981	\$6,595,981
350 Total Non-Current Liabilities	\$6,101,672	\$0	\$0	\$541,124	\$0	\$6,642,796	\$6,642,796
300 Total Liabilities	\$6,282,265	\$26,390	\$0	\$542,691	\$140,941	\$6,992,287	\$6,992,287
400 Deferred Inflow of Resources	\$3,871,275			\$336,633		\$4,207,908	\$4,207,908
508.4 Net Investment in Capital Assets	\$1,048,941	\$0		\$0		\$1,048,941	\$1,048,941
511.4 Restricted Net Position	\$0	\$0		\$10,875		\$10,875	\$10,875
512.4 Unrestricted Net Position	-\$7,529,762	\$0	\$413,598	-\$298,048	\$0	-\$7,414,212	-\$7,414,212
513 Total Equity - Net Assets / Position	-\$6,480,821	\$0	\$413,598	-\$287,173	\$0	-\$6,354,396	-\$6,354,396
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,672,719	\$26,390	\$413,598	\$592,151	\$140,941	\$4,845,799	\$4,845,799

Housing Authority City of Linden (NJ066)
LINDEN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
70300 Net Tenant Rental Revenue	\$759,372					\$759,372	\$759,372
70400 Tenant Revenue - Other	\$18,190					\$18,190	\$18,190
70500 Total Tenant Revenue	\$777,562	\$0	\$0	\$0	\$0	\$777,562	\$777,562
70600 HUD PHA Operating Grants	\$742,834	\$63,917		\$3,590,744	\$10,946	\$4,408,441	\$4,408,441
70610 Capital Grants	\$201,852					\$201,852	\$201,852
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue							
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$15,908					\$15,908	\$15,908
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery				\$19,783		\$19,783	\$19,783
71500 Other Revenue	\$47,721		\$60,939	\$90,443		\$199,103	\$199,103
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$1,785,877	\$63,917	\$60,939	\$3,700,970	\$10,946	\$5,622,649	\$5,622,649
91100 Administrative Salaries	\$302,007			\$149,354		\$451,361	\$451,361
91200 Auditing Fees	\$6,575			\$6,325		\$12,900	\$12,900
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing	\$2,941					\$2,941	\$2,941
91500 Employee Benefit contributions - Administrative	\$247,029			\$67,044		\$314,073	\$314,073
91600 Office Expenses	\$50,976			\$57,877		\$108,853	\$108,853
91700 Legal Expense	\$55,912			\$12,000		\$67,912	\$67,912
91800 Travel							

Housing Authority City of Linden (NJ066)
LINDEN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
91810 Allocated Overhead							
91900 Other	\$46,887		\$6,430		\$10,946	\$64,263	\$64,263
91000 Total Operating - Administrative	\$712,327	\$0	\$6,430	\$292,600	\$10,946	\$1,022,303	\$1,022,303
92000 Asset Management Fee							
92100 Tenant Services - Salaries	\$64,154					\$64,154	\$64,154
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services	\$65,616					\$65,616	\$65,616
92400 Tenant Services - Other	\$3,297		\$6,007			\$9,304	\$9,304
92500 Total Tenant Services	\$133,067	\$0	\$6,007	\$0	\$0	\$139,074	\$139,074
93100 Water	\$70,570					\$70,570	\$70,570
93200 Electricity	\$129,028					\$129,028	\$129,028
93300 Gas	\$72,472					\$72,472	\$72,472
93400 Fuel							
93500 Labor	\$49,798					\$49,798	\$49,798
93600 Sewer	\$34,649					\$34,649	\$34,649
93700 Employee Benefit Contributions - Utilities	\$42,182					\$42,182	\$42,182
93800 Other Utilities Expense							
93000 Total Utilities	\$398,699	\$0	\$0	\$0	\$0	\$398,699	\$398,699
94100 Ordinary Maintenance and Operations - Labor	\$143,785	\$11,217				\$155,002	\$155,002
94200 Ordinary Maintenance and Operations - Materials and Other	\$105,023	\$12,100				\$117,123	\$117,123
94300 Ordinary Maintenance and Operations Contracts	\$116,917	\$40,600				\$157,517	\$157,517
94500 Employee Benefit Contributions - Ordinary Maintenance	\$121,858					\$121,858	\$121,858
94000 Total Maintenance	\$487,583	\$63,917	\$0	\$0	\$0	\$551,500	\$551,500
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Housing Authority City of Linden (NJ066)
LINDEN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
96110 Property Insurance	\$43,879					\$43,879	\$43,879
96120 Liability Insurance	\$32,344					\$32,344	\$32,344
96130 Workmen's Compensation	\$15,171			\$6,278		\$21,449	\$21,449
96140 All Other Insurance	\$7,500					\$7,500	\$7,500
96100 Total Insurance Premiums	\$98,894	\$0	\$0	\$6,278	\$0	\$105,172	\$105,172
96200 Other General Expenses							
96210 Compensated Absences	\$8,031			\$5,038		\$5,038	\$5,038
96300 Payments in Lieu of Taxes	\$42,105			\$2,072		\$10,103	\$10,103
96400 Bad debt - Tenant Rents						\$42,105	\$42,105
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$50,136	\$0	\$0	\$7,110	\$0	\$57,246	\$57,246
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,880,706	\$63,917	\$12,437	\$305,988	\$10,946	\$2,273,994	\$2,273,994
97000 Excess of Operating Revenue over Operating Expenses	-\$94,829	\$0	\$48,502	\$3,394,982	\$0	\$3,348,655	\$3,348,655
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments				\$3,392,378		\$3,392,378	\$3,392,378
97350 HAP Portability-In				\$84,559		\$84,559	\$84,559
97400 Depreciation Expense	\$141,743					\$141,743	\$141,743
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							

Housing Authority City of Linden (NJ066)
LINDEN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$2,022,449	\$63,917	\$12,437	\$3,782,925	\$10,946	\$5,892,674	\$5,892,674
10010 Operating Transfer In	\$77,970					\$77,970	\$77,970
10020 Operating transfer Out	-\$77,970					-\$77,970	-\$77,970
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)	-\$236,572	\$0	\$48,502	-\$81,955	\$0	-\$270,025	-\$270,025
Total Expenses							
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	-\$4,449,653	\$0	\$365,096	-\$132,478	\$0	-\$4,217,035	-\$4,217,035
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,794,596			-\$72,740		-\$1,867,336	-\$1,867,336
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity				-\$298,048		-\$298,048	-\$298,048
11180 Housing Assistance Payments Equity				\$10,875		\$10,875	\$10,875

Housing Authority City of Linden (NJ066)
LINDEN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
11190 Unit Months Available	2400	0		4284		6684	6684
11210 Number of Unit Months Leased	2364	0		3699		6063	6063
11270 Excess Cash	\$1,284,400					\$1,284,400	\$1,284,400
11610 Land Purchases	\$0					\$0	\$0
11620 Building Purchases	\$233,119					\$233,119	\$233,119
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0	\$0
11650 Leasehold Improvements Purchases	\$31,267					\$31,267	\$31,267
11660 Infrastructure Purchases	\$0					\$0	\$0
13510 CFFP Debt Service Payments	\$0					\$0	\$0
13901 Replacement Housing Factor Funds	\$0					\$0	\$0



Hymanson, Parnes & Giampaolo

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

Board of Commissioners
Housing Authority of the City of Linden
1601 Dill Avenue
Linden, New Jersey 07036-1779

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of the City of Linden (hereafter referred to as the Authority), which comprise the statement of net position as of September 30, 2020 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the City of Linden internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for 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 Linden's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Linden 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 Linden 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: July 2, 2021



Hymanson, Parnes & Giampaolo

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

Board of Commissioners
Housing Authority of the City of Linden
1601 Dill Avenue
Linden, New Jersey 07036-1779

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Linden 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 Linden major federal programs for the year ended September 30, 2020. Housing Authority of the City of Linden 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 Linden 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 Linden 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 Linden compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Linden 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 September 30, 2020.

Report on Internal Control Over Compliance

Management of Housing Authority of the City of Linden 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 Linden'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 Linden 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: July 2, 2021

HOUSING AUTHORITY OF THE CITY OF LINDEN
 Schedule of Findings and Questioned Cost
 Year Ended September 30, 2020

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

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

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

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

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

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

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Voucher Program	\$ 3,601,690
14.872	Public Housing Capital Fund Program	\$ 367,070

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

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

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
 Housing Authority of the City of Linden
 1601 Dill Avenue
 Linden, New Jersey 07036-1779

We have performed the procedures enumerated below on whether the electronic submission of certain information agrees with the hard copy documents within the reporting package for the year ended September 30, 2020. The U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) is responsible for the Uniform Financial Reporting Standards (UFRS) procedures.

Housing Authority of the City of Linden has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the REAC's UFRS requirements for the submission of the PHA financial data for the year ended September 30, 2020. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

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

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

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

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

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

July 2, 2021