

HOUSING AUTHORITY OF THE CITY OF HOBOKEN

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2020, AND 2019

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
Hoboken, New Jersey
FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS
HOUSING AUTHORITY OF THE CITY OF HOBOKEN
September 30, 2020

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A. Financial Highlights

1- The liabilities of the Authority exceeded its assets at the close of the most recent fiscal year by \$5,076,585 (net position) versus \$7,562,344 for the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported deficit in ending Unrestricted Net Position of (\$18,696,397).

3 – The Authority's unrestricted cash and cash equivalent balance at September 30, 2020 was \$4,340,390, representing a decrease of \$385,969 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$17,515,193, and Total Operating Expenses of \$17,391,893 including depreciation and amortization expense of \$2,303,466 for the year ended September 30, 2020.

5 – The Authority's capital outlays for the fiscal year were \$7,489,123 of which \$2,533,168 was funded from the Capital Fund Program, \$4,601,224 from NJHMFA and the remainder from operations.

6 – The Authority's Expenditures of Federal Awards amounted to \$14,485,188 for the current fiscal year.

B. Using the Annual Report

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements and Notes to Financial Statements included in the this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

2 – General Purpose Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

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

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

2 – General Purpose Financial Statements (continued)

some items that will only result in cash flows in future fiscal periods (e.g.; depreciation and earned but unused vacation leave).

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 8 through 10.

3 – Notes To Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found on pages 11 through 27 of this report.

4 – Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and the Uniform Guidance, Audits of States, Local Governments, and Non-profit Organizations. The schedule of expenditures of Federal awards can be found on page 28 of this report.

C. The Authority as a Whole

The Authority's Total Net Position increased by \$2,485,759. The increase was primarily caused by the Capital Fund Capital grants received which amounted to \$2,485,759 and a increase of revenues over expenses of \$737,852 from the prior fiscal year.

The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were sufficient to cover all expenses, after excluding depreciation during the fiscal year.

By far, the largest portion of the Authority's net position reflects its 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 not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

D. Budgetary Highlights

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

E. Capital Assets and Debt Administration

As of September 30, 2020, the Authority's investment in capital assets for its Proprietary Fund was \$22,826,632 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$7,489,123 during the fiscal year pertained principally to expenditures made in accordance with the Authority's Capital Fund and CDBG and Programs.

Additional information on the Authority's capital assets can be found in Note 4 to the Financial Statements which is included in this Report.

2 – Long Term Debt

During the year ended September 30, 2005, the Authority entered into a Capital Fund Leveraging Pool. The New Jersey Housing and Mortgage Finance Agency issued bonds and the funds were distributed to the Housing Authority. In December 2004, the Authority received \$10,550,000 to be used for capital improvements to its building. Further details can be found in Note 10 to the financial statements. The balance outstanding on this debt at September 30, 2020 is \$3,865,000. \$630,000 of which is included in current liabilities.

During 2018 the Authority received a loan from the Fund for Restoration of Multi-Family Public Housing Set-Aside Program (FRM-PHA). This Program is funded with Community Development Block Grant - Disaster Relief (CDBG-DR) monies which have been appropriated pursuant to the Disaster Relief Appropriations Act of 2013. As of September 30, 2020, the Authority has recorded a loan payable of \$5,294,988. Additional information can be found in Note 9 to the financial statements

F. Significant Changes From FYE September 30, 2019 to September 30, 2020

Accounts Receivable HUD increased by \$882,603 mainly due to an increase of a balance receivable under the CDBG program. This amount varies based on when grant money is spent and when it is received from HUD.

Construction in Progress and Non-Current Loan Liability increased due to the adjustment to properly reflect the reallocation of Capital Costs paid directly to the contractor by NJHMFA.

Accrued Pension and OPEB liabilities decreased by \$498,205 and Deferred Inflows decreased by \$74,607, due to the annual adjustments associated with the GASB 68 pension liability per the New Jersey State report.

Capital Grants decreased by \$738,056. The amounts vary from year to year based on what is awarded and projects completed therefore the money could be drawn down accordingly.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

G. Economic Factors and Next Year's Budgets and Rates

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

1 – The state of the economy, particularly in light of current world affairs.

2 – The need for Congress to reduce the federal deficit and the possible continued cut-backs in HUD subsidies and grants.

H. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Mark Recko, Executive Director, Housing Authority of the City of Hoboken, 400 Harrison Street, Hoboken, NJ 07030 or call (201) 798-0370.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Computation of Net Position are as follows:

	Year Ended	
	<u>Sept. 30, 2020</u>	<u>Sept. 30, 2019</u>
Cash and Other Current Assets	\$ 7,123,789	\$ 5,800,993
Capital Assets - Net	22,826,632	17,647,871
Deferred Outflow of Resources	<u>813,964</u>	<u>1,199,355</u>
Total Assets	30,764,385	24,648,219
Less: Total Liabilities	(25,375,387)	(21,670,373)
Less: Deferred Inflow of Resources	<u>(10,465,583)</u>	<u>(10,540,190)</u>
Net Position	<u>\$ (5,076,585)</u>	<u>\$ (7,562,344)</u>
Invested in Capital Assets	13,616,644	12,489,107
Restricted Net Position	3,168	52,375
Unrestricted Net Position	<u>(18,696,397)</u>	<u>(20,103,826)</u>
Total Net Position	<u>\$ (5,076,585)</u>	<u>\$ (7,562,344)</u>

Computation of Changes in Net Position are as follows:

<u>Revenues</u>		
Tenant Revenues	\$ 5,384,683	\$ 5,840,689
HUD Subsidies	11,952,020	10,800,415
Other Revenues	<u>178,490</u>	<u>265,312</u>
Total Operating Revenues	<u>\$ 17,515,193</u>	<u>\$ 16,906,416</u>
<u>Expenses</u>		
Operating Expenses	12,664,218	12,907,829
Housing Assistance Payments	2,417,313	2,309,673
Depreciation Expenses and Amortization	<u>2,310,362</u>	<u>2,303,466</u>
Total Operating Expenses	<u>17,391,893</u>	<u>17,520,968</u>
Excess (Deficiency) of Operating Revenue Over Expenses	123,300	(614,552)
<u>Non-Operating Income / (Expenses)</u>		
Interest on Long Term Debt	(191,093)	(218,151)
Interest on Investments	20,384	42,072
Excess of Revenues over Expenses		
Before Capital Grant Received	(47,409)	(790,631)
<u>Capital Grants</u>		
HUD Capital Grants	<u>2,533,168</u>	<u>3,271,224</u>
Excess (Deficiency) of Revenues Over Expenses	2,485,759	2,480,593
Net Position - Prior	(7,562,344)	(5,046,286)
Prior Period Adjustment	-	(4,996,651)
Total Net Position	<u>\$ (5,076,585)</u>	<u>\$ (7,562,344)</u>



Polcari & Co.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Hoboken
Hoboken, New Jersey

We have audited the accompanying financial statements of the Housing Authority of the City of Hoboken, which comprise the Statement of Net Position as of September 30, 2020 and 2019 and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the year 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 audits. We conducted our audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Management has not properly reported the OPEB liability required under GASB 75. Accounting principles generally accepted in the United States of America require that an adequate estimated liability be provided for OPEB Liabilities, and related deferred outflows and inflows, which would impact the assets, liabilities and change in expenses reported in the statement of revenues expenses and changes in net position. The amount by which this departure would affect the assets, liabilities, net position, and expenses has not been determined.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5, the Schedule of Proportionate Share of Net Pension Liability of the Public Employees Retirement System (PERS) on page 36, the Schedule of Authority Contributions to the PERS on page 37 and the Schedule of Changes in OPEB liabilities and related ratios on page 38 and the Schedule of Authority Contributions to the OPEB Plan on page 39 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Hoboken. The Financial Data Schedule is presented for purposes of additional analysis as required by U. S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) 200, Uniform Administrative Requirements, Costs principles and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The financial data schedule, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and directly relate to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 general accepted in the United States of America. In our opinion, the financial data schedule is fairly stated in all material respects except for the deviation from GAAP as described above. The schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2021 on our consideration of the Housing Authority of the City of Hoboken'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
December 27, 2021

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
Hoboken, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
As of September 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 4,340,390	\$ 4,726,359
Cash and Cash Equivalents - Restricted	271,439	52,375
Cash - Tenant Security Deposits	372,938	378,559
Accounts Receivable - Tenants (Net of allowance for Doubtful Accounts of \$130,138 and \$46,068)	336,444	70,737
Accounts Receivable - HUD Other Projects	1,112,163	110,772
Prepaid Expenses and Other Current Assets	809,203	462,191
Total Current Assets	7,242,577	5,800,993
<u>FIXED ASSETS</u>		
Land	1,527,036	1,527,036
Buildings	60,844,414	60,484,414
Furniture, Equipment and Machinery	14,789,856	14,690,884
Construction in Progress	13,899,672	6,869,521
Total Fixed Assets	91,060,978	83,571,855
Less: Accumulated Depreciation	(68,234,346)	(65,923,984)
Net Fixed Assets	22,826,632	17,647,871
Deferred Outflow of Resources	813,964	1,199,355
Total Assets and Deferred Outflow of Resources	\$ 30,883,173	\$ 24,648,219

LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable:		
Vendors and Contractors	\$ 373,821	\$ 584,501
Accrued Payroll and Related Taxes	96,886	56,125
Accrued Interest Payable	75,690	87,040
Accounts Payable - HUD	48,591	81,591
Due to Tenants:		
Security Deposits	372,938	378,559
Unearned Revenue	320,415	76,426
Due to Other Governments	571,607	456,832
Other Current Liabilities and Accrued Expenses	134,829	128,609
Long Term Debt - Current Portion	630,000	600,000
Structured Settlement	50,000	100,000
Compensated Absences - Current Portion	41,081	30,389
Total Current Liabilities	2,715,858	2,580,072
Accrued Compensated Absences - Noncurrent	369,722	273,513
Long Term Debt - Non Current	8,529,988	4,558,764
Other Non Current Liabilities	-	-
Accrued Pension and OPEB Liabilities	13,759,819	14,258,024
Total Liabilities	25,375,387	21,670,373
Deferred Inflow of Resources	10,465,583	10,540,190

NET POSITION

Net Investment in Capital Assets	13,616,644	12,389,107
Restricted	3,168	52,375
Unrestricted	(18,577,609)	(20,003,826)
Total Net Position	\$ (4,957,797)	\$ (7,562,344)

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
Hoboken, New Jersey
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>OPERATING REVENUES</u>		
Total Tenant Revenue	\$ 5,384,683	\$ 5,840,689
HUD Grants - Operating	12,070,808	10,800,415
Other	178,490	265,312
Total Operating Revenues	<u>17,633,981</u>	<u>16,906,416</u>
<u>OPERATING EXPENSES</u>		
Administration	2,508,547	2,934,602
Tenant Services	73,935	99,268
Utilities	4,236,990	4,449,923
Ordinary Maintenance & Operations	4,366,205	4,084,243
Protective Services	42,652	-
General Expense	1,435,889	1,339,793
Housing Assistance Payments	2,417,313	2,309,673
Depreciation Expense	2,310,362	2,303,466
Total Operating Expenses	<u>17,391,893</u>	<u>17,520,968</u>
Excess of Operating Revenues Over Expenses	242,088	(614,552)
<u>NON OPERATING REVENUES/(EXPENSES)</u>		
Interest on Debt	(191,093)	(218,151)
Interest Income	20,384	42,072
(Loss) Before Contributions and Transfers	71,379	(790,631)
Capital Grants	<u>2,533,168</u>	<u>3,271,224</u>
Increase/(Decrease) In Net Position	2,604,547	2,480,593
Beginning Net Position	(7,562,344)	(5,046,286)
Prior Period Adjustment	-	(4,996,651)
Ending Net Position	<u>\$ (4,957,797)</u>	<u>\$ (7,562,344)</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
Hoboken, New Jersey
COMPARATIVE STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2020 and 2019

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2020</u>	<u>2019</u>
Cash Received:		
From Tenants for Rental & Other Revenue	\$ 5,362,965	\$ 5,899,833
From Government Agencies for Operating Grants	11,069,417	11,071,898
For Other Operating Revenues	178,490	265,312
Cash Paid:		
To Employees for Operations	(2,721,341)	(2,644,036)
To Suppliers for Operations	(10,502,333)	(10,712,140)
For Housing Assistance Payments	(2,417,313)	(2,309,673)
Net Cash Provided by Operating Activities	<u>969,885</u>	<u>1,571,194</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	2,533,168	3,271,224
Capital Lease Payments	-	(78,233)
Cash Received from Borrowings	4,601,224	693,764
Cash Paid for Repayemnt of Debt	(600,000)	(575,000)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>6,534,392</u>	<u>3,311,755</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Receipt/(Refund) of Security Deposits	(5,621)	13,375
Acquisition of Property and Equipment	(7,489,123)	(3,570,273)
Interest Expense	(202,443)	(228,633)
Interest Income	20,384	42,072
Net Cash Provided by Investing Activities	<u>(7,676,803)</u>	<u>(3,743,459)</u>
Increase/(Decrease) in Cash and Cash Equivalents	(172,526)	1,139,490
Cash and Equivalents at Beginning of Period	5,157,293	4,017,803
Cash and Equivalents at End of Period	<u>\$ 4,984,767</u>	<u>\$ 5,157,293</u>
 <u>RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED BY OPERATIONS</u>		
Operating Income/(Loss)	\$ 242,088	\$ (614,552)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	2,310,362	2,303,466
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants	(265,707)	31,896
Accounts Receivable - HUD and Other Governments	(1,001,391)	271,483
Prepaid Expenses and Other Current Assets	(347,012)	(145,397)
Deferred Outflow of Resources	385,391	662,229
Increase/(Decrease) in Liabilities		
Accounts Payable	(210,680)	27,728
Accrued Payroll	40,761	(21,329)
Unearned Revenue	243,989	27,248
Accounts Payable - HUD and Other Governments	81,775	299
Other Current Liabilities	6,220	(131,109)
Compensated Absences	106,901	(1,690)
Accrued Pension and OPEB Liabilities	(498,205)	(3,989,418)
Structured Settlement	(50,000)	(50,000)
Deferred Inflow of Resources	(74,607)	3,200,340
Net Cash Provided by Operating Activities	<u>\$ 969,885</u>	<u>\$ 1,571,194</u>

Cash Paid for Interest for 2020 and 2019 \$202,443 was \$228,633
See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies:

A. Organization – The Housing Authority of the City of Hoboken (The Authority) is a governmental, public corporation created under the laws of the state of New Jersey to provide housing for qualified individuals in accordance with rules and regulations prescribed by the United States Department of Housing and Urban Development. 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 New Jersey Department of Community Affairs. An executive director is appointed by the Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the City of Hoboken. Operating and modernization subsidies are provided to the Authority by the federal government.

B. Activities – The combined 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 City Counsel, 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 not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.

C. Significant Accounting Policies

a. Basis of Accounting – The accrual basis of accounting is used for measuring financial position and operating results of Proprietary Fund Types. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Proprietary Fund revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Thus, for example, proprietary funds recognized revenue in the period in which a service is provided, regardless of how long after the end of the period the revenue is expected to be collected.

Using the accrual basis of accounting is consistent with the proprietary fund focus on measuring all the costs of providing goods or services for the period and matching those costs with the revenues earned during the period by providing the goods or services.

b. Report Presentation – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority also adopted the provisions of Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures", which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that includes a statement of net assets, a statement of activities and a statement of cash flows. It requires the classification of net assets into three components – Invested in Capital Assets, Net of Related Debt; Restricted Net Assets and Unrestricted Net Assets. Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position" requires the re-naming of the Statement of Net Assets to the Statement of Net Position. The standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position. These classifications are defined as follows:

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

b. Report Presentation – (continued)

Net Investment in Capital Assets – This component consists of land, construction in progress and depreciable assets, net of accumulated depreciation and net of the 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 Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position – This component includes net position subject to restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by the law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net position that does not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt.

The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 have no significant effect on the basic financial statements, except for the classification of net position in accordance with Statement No. 34.

The Enterprise Fund is used for activities which are financed and operated in a manner similar to a private business enterprise where the intent is that the costs (expenses, including depreciation) of providing goods or services to its clients on a continuing basis be financed or recovered primarily through user charges or operating subsidies. All of the Authority's assets, liabilities, revenues, and expenses are reported using a single enterprise fund.

Significant Accounting Policies are as follows:

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash, certificates of deposit, and other investments with original maturities of less than three months from the date of purchase.

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

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 – The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

6 – Operating subsidies received from HUD are recorded as income when earned.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Significant Accounting Policies – (continued)

7 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

8 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower cost or market.

10 - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

11 – The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

12 – The Authority does not have any infrastructure assets for its Proprietary Fund.

13 – Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which the transactions are executed.

14 – Long-lived assets to be held and used are tested for recoverability whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of September 30, 2019, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering AU 360.

c. **Budgetary Policy Control** – 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 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.

d. **Adoption of Accounting Pronouncement** – During the prior fiscal year, the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which requires employers to recognize their proportionate share of the collective net healthcare liability excluding that attributable to employer-paid member contributions. Additional information regarding the adoption of GASB 75 can be found in Note 8 to these financial statements.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – Cash and Cash Equivalents

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority’s name.

Cash and Cash Equivalents of \$4,984,768 and \$5,157,293 at September 30, 2020 and 2019 respectively consisted of the following:

	<u>2020</u>	<u>2019</u>
Checking Accounts	\$ 4,611,330	\$ 4,775,351
Restricted Debt Service Accounts	-	2,883
Security Deposits	372,938	378,559
Petty Cash	500	500
	<u>\$ 4,984,768</u>	<u>\$ 5,157,293</u>

The carrying amount of the Authority’s cash and cash equivalents as of September 30, 2020, was \$4,984,768 and the bank balances were \$5,510,061. Of the bank balances, \$253,233 was covered by FDIC insurance and \$5,256,828 was covered by collateral agreements as required by New Jersey statute. Cash and cash equivalents, except petty cash are held in the Authority’s name.

The Authority’s cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above, 5,256,828 of the Authority’s deposits exceeded FDIC insurance and were collateral agreements required by the State of New Jersey.

NOTE 3 – Account Receivable

HUD

At September 30, 2020, Accounts Receivable HUD is comprised of \$552,952 from activities related to the CDBG Program and \$440,423 was related to Low Rent Public Housing Operating Subsidy.

At September 30, 2019, Accounts Receivable HUD is comprised of \$88,627 from activities related to the CDBG Program and \$22,145 was related to Low Rent Public Housing Operating Subsidy.

Tenants

Tenant accounts receivable are stated net of an allowance for doubtful accounts. Management has determined that an allowance for doubtful accounts of \$130,138 and \$46,068 was required at September 30, 2020 and 2019 respectively.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost less accumulated depreciation. The following is a summary of the changes in fixed assets for the year ended September 30, 2020 and 2019.

	<u>9/30/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Other</u>	<u>9/30/2020</u>
Land	\$ 1,527,036	\$ -	\$ -	\$ -	\$ 1,527,036
Buildings	60,484,414		-	360,000	60,844,414
Furniture and Equipment	14,690,884	98,972	-	-	14,789,856
Construction In Progress	<u>6,869,521</u>	<u>7,390,151</u>	<u>-</u>	<u>(360,000)</u>	<u>13,899,672</u>
Total Fixed Assets	83,571,855	7,489,123	-	-	91,060,978
Accumulated Depreciation	<u>(65,923,984)</u>	<u>(2,310,362)</u>	<u>-</u>	<u>-</u>	<u>(68,234,346)</u>
Net Fixed Assets	<u>\$ 17,647,871</u>	<u>\$ 5,178,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,826,632</u>

	<u>9/30/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Other</u>	<u>9/30/2019</u>
Land	\$ 1,527,036	\$ -	\$ -	\$ -	\$ 1,527,036
Buildings	60,433,818	50,596	-	-	60,484,414
Furniture and Equipment	14,561,196	129,688	-	-	14,690,884
Construction In Progress	<u>3,479,532</u>	<u>3,389,989</u>	<u>-</u>	<u>-</u>	<u>6,869,521</u>
Total Fixed Assets	80,001,582	3,570,273	-	-	83,571,855
Accumulated Depreciation	<u>(63,620,518)</u>	<u>(2,303,466)</u>	<u>-</u>	<u>-</u>	<u>(65,923,984)</u>
Net Fixed Assets	<u>\$ 16,381,064</u>	<u>\$ 1,266,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,647,871</u>

Depreciation expense for 2020 and 2019 was \$2,310,362 and \$2,303,466 respectively.

Expenditures are capitalized when they meet the Capitalization Policy requirements. Under that policy assets purchased or constructed at a cost not to exceed \$1,000 are expensed when incurred.

Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

	<u>Years</u>
Buildings	40
Components	20
Site Improvements	15
Furniture	10
Equipment	5
Vehicles	5
Computers	3

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 5 – Payment in Lieu of Taxes (PILOT)

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 Hoboken. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended September 30, 2020, and 2019, PILOT of \$114,774 and \$139,076 was accrued respectively. The PILOT Liability at September 30, 2020 and 2019 was \$571,607 and \$456,832 respectively.

NOTE 6 – Accrued Compensated Absences

Accrued compensated absences of \$410,803 and \$303,902 at September 30, 2020 and 2019 represents amounts to which employees are entitled to based on accumulated leave earned in accordance with the authority's Personnel Policy. Employees may be compensated for accumulated vacation leave to a maximum of one year in the event of retirement or termination from service at the current salary. Employees may be compensated for sick leave at retirement at 50% of the earned, accrued and unused sick leave up to \$15,000. The current portion was \$41,081 and \$30,389 and at September 30, 2020 and 2019 respectively.

NOTE 7 – Pension Plan

General Information about the Pension Plan

Plan Description - The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at the following website: www.state.nj.us/terasury/pensions/annrpts.shtml.

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and to tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 7 – Pension Plan – (continued)

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for the noncontributory group benefits is based on actual claims paid. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 9, 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. The 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.

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

At June 30, 2020, the measurement date, the Authority reported \$4,917,350 for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentage as of June 30, 2020, was 0.000301541324%.

The components of the Authority's net pension liability as of June 30, 2020, and 2019, the most recent evaluation date is as follows:

	2020	2019
Total Pension Liability	\$ 11,851,949	\$ 12,432,815
Plan Fiduciary Net Position	<u>6,934,599</u>	<u>7,017,260</u>
Net Pension Liability	<u>\$ 4,917,350</u>	<u>\$ 5,415,555</u>

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 7 – Pension Plan – (continued)

Actuarial Assumptions - The Authority's net pension liability for the fiscal year ended September 30, 2020, was determined at a measurement date of July 1, 2019 which was rolled forward to June 30, 2019. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases	2.00 - 6.00%
through 2026	based on years of service
Thereafter	3.00 - 7.00%
	based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. In accordance with State statute, the long term expected rate of return on plan investments (7% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 the PERS's target asset allocation as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	50.00%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 7 – Pension Plan – (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employer. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the net pension liability of the Authority as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1%	Current	1%
Decrease	Assumption	Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$ 6,238,799	\$ 4,917,350	\$ 3,867,542

For the year ended September 30, 2020, the Authority recognized pension expense of \$142,450. At September 30, 2020 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	2020	2019	2019
	Deferred	Deferred	Deferred	Deferred
	Outflows of	Inflows of	Outflows of	Inflows of
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Changes of assumptions	\$ 159,524	\$2,058,941	\$ 540,763	\$ 1,879,722
Differences between expected and actual experience	89,357	17,390	97,202	23,924
Net differences between projected and actual earnings on plan investments	168,079	-	-	85,487
Changes in proportion	<u>389,563</u>	<u>185,633</u>	<u>554,128</u>	<u>347,438</u>
Subtotal	<u>\$ 806,523</u>	<u>\$2,261,964</u>	<u>\$ 1,192,093</u>	<u>\$ 2,336,571</u>
Authority's contributions subsequent to the measurement date	-	-	-	-
Total	<u>\$ 806,523</u>	<u>\$2,261,964</u>	<u>\$ 1,192,093</u>	<u>\$ 2,336,571</u>

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

NOTE 7 – Pension Plan – (continued)

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) relate to pensions will be recognized in pension expense as shown in the below chart. The 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) over the average of the expected remaining service lives:

2021	\$	(617,038)
2022		(562,551)
2023		(321,483)
2024		(130,002)
2025		(28,117)
Total		<u>\$ (1,659,191)</u>

NOTE 8 – Other Post Employee Retirement Benefits – OPEB

Plan Description

The Authority administers a cost sharing multiple employer defined benefit postemployment health care benefit (OPEB) plan. The Authority was required to adopt a resolution to participate in the Plan. Coverage under the plan is available to employee spouses and benefits may continue to surviving spouses. For additional information about the plan, please refer to the State of New Jersey (the State), Division of Pension 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 drugs to retirees and their covered dependents of the Authority. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L 1999, the Authority elects to provide postretirement medical coverage to its employees and must file a resolution with the Division. Under Chapter 88, the Authority has elected to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows the Authority to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the Authority may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

BASIS OF PRESENTATION

GASB Statement No. 75 requires the Authority to recognize its proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

NOTE 8 – Other Post Employee Retirement Benefits – OPEB (continued)

NET OPEB LIABILITY

The State Of New Jersey is expected to release the June 30, 2020, State Health Benefits Audit report during January 2022. The Authority’s financial statements reflect the amounts from June 30, 2019 and do not contain any adjustments or estimates to reflect amounts for liabilities and deferred outflows and inflows as of June 30, 2020.

The Authority’s total other postemployment benefit (“OPEB”) liability of \$8,842,469 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability are as of June 30, 2020, are as follows:

Total OPEB Liability	\$ 9,020,788
Plan Fiduciary Net Position	<u>178,319</u>
Net OPEB Liability	<u>\$ 8,842,469</u>

Plan Fiduciary Net Position
 as a % of Total OPEB Liability 1.98%

The total OPEB liability as of June 30, 2020, was determined by 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 plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases (Based on years of service within the respective plan)

Initial Fiscal Year Applied	
Rate Through 2026	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%

Mortality: PERS - Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

HEALTH CARE TREND ASSUMPTIONS

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

Actuarial assumptions used in the July 1, 2018, valuation was based on the results of the PERS experience studies prepared for July 1, 2014, to June 30, 2018. 100% of active members are considered to participate in the Plan upon retirement.

DISCOUNT RATE

The discount rate for June 2020 was 3.50%. This represents the municipal bond return rate as chosen by the State of New Jersey. The source of 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.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 8 – Other Post Employee Retirement Benefits – OPEB (continued)

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The below presents the total OPEB liability of the Authority as of June 30, 2020, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

	<u>2.50%</u>	<u>3.50%</u>	<u>4.50%</u>
Total OPEB Liability	\$ 10,224,143	\$ 8,842,469	\$ 7,719,676

SENSITIVITY TO NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE TREND RATE

	<u>1% Decrease</u>	Healthcare Cost <u>Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 7,461,954	\$ 8,842,469	\$ 10,603,548

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

	2020 Deferred Outflows of Resources	2020 Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 3,133,574
Differences between expected and actual experience	-	2,585,883
Net differences between projected and actual earnings on plan investments	7,284	-
Changes in proportion	-	2,484,162
Authority's contributions subsequent to the measurement date	-	-
TOTAL	<u>\$ 7,284</u>	<u>\$ 8,203,619</u>

For the year ended June 30, 2020, the Authority recognized OPEB benefit of \$466,241. At June 30, 2020 and 2019, the Authority reported deferred outflows of resources of \$7,284 and \$7,284 respectively and deferred inflows of resources for 2020 and 2019 of \$8,203,619 and \$8,203,619, respectively.

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

Year Ending June 30:	
2020	\$ (930,329)
2021	(930,329)
2022	(930,900)
2023	(931,823)
2024	(932,666)
Thereafter	<u>(1,056,127)</u>
	<u>\$ (5,712,173)</u>

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 9 – Long Term Debt and Capital Leases

1. During the fiscal year ended September 30, 2005, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax-exempt, twenty-year Capital Fund Program Revenue Bonds, 2004 Series A. The Authority's share of the funds from the bond issue pool amounted to \$10,550,000. The net funds received from the leveraging pool are restricted and must be spent in accordance with the Authority's Capital Fund Budget within four years. Interest accrues at 4.63% and is payable semi-annually with principal on May 1 and November 1. During the fiscal year ended September 30, 2020, and 2019 the Authority had restricted cash balance of \$0 and \$2,883 in the restricted accounts at year end respectively.

Repayment of the funds leveraged shall be budgeted from Capital Fund Allocations received by the Authority from the Department of Housing and Urban Development.

The following is a schedule of required principal payments for the next five years and thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	630,000	174,370	804,370
2022	660,000	144,408	804,408
2023	690,000	113,035	803,035
2024	730,000	80,135	810,135
2025	760,000	45,472	805,472
2026	395,000	9,283	404,283
	<u>\$ 3,865,000</u>	<u>\$ 566,703</u>	<u>\$ 4,431,703</u>

2. During 2018, the Authority received a loan from the Fund for Restoration of Multi-Family Public Housing Set-Aside Program (FRM-PHA). This Program is funded with Community Development Block Grant - Disaster Relief (CDBG-DR) monies which have been appropriated pursuant to the Disaster Relief Appropriations Act of 2013. The Authority receives the loan proceeds through the NJ Department of Community Affairs (NJ DCA) which provides the necessary resources to support repairs to damaged public housing units. The note is secured by a mortgage and has a stated interest rate of 0% and forgiveness begins after the proceeds have been expended provide there has been event of default under the loan agreement. Forgiveness of an FRM-PHA subsidy loan occurs annually and equals a forgiveness of 20% per year for five years of the original principal balance provided that the project remains in compliance with FRM-PHA and CDBG-DR requirements. The proceeds from the loan were used across all AMPS of the Authority for capital improvements. At September 30, 2020, the Authority was reimbursed \$4,253,830 and has a \$436,511 receivable for costs accrued and incurred at the balance sheet date. The total amount reported as a loan payable was \$5,294,988.

3. Capital Lease

On November 19, 2013, the Authority financed the acquisition and installation of computer and video equipment through a capital lease purchase agreement. The equipment acquired totaled \$867,067, with the Authority providing a down payment of \$140,000, resulting in an amount financed of \$747,067. The lease is payable over five years in semi-annual installments of \$79,046, including interest at 2.08%. The loan was satisfied as of September 30, 2019.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 9 – Long Term Debt and Capital Leases – (continued)

The following table summarizes the long-term liabilities of the Authority at September 30, 2020.

Loan Description	Balance 10/1/2019	Advances	Payments	Additions (Decreases)	Due in One Year	Balance 9/30/2020
CFFP Loan -2004 Series A	\$ 4,465,000	\$ -	\$ (600,000)	\$ -	\$ 630,000	\$ 3,235,000
NJHMFA- CDBG-DR	693,764	4,601,224	-	-	-	5,294,988
Total Loan Liabilities	<u>5,158,764</u>	<u>4,601,224</u>	<u>(600,000)</u>	<u>-</u>	<u>630,000</u>	<u>8,529,988</u>
Unfunded Pension Liabilities	5,415,555	-	-	(498,205)	-	4,917,350
OPEB Liabilities	8,842,469	-	-	-	-	8,842,469
Compensated Absences	273,513	-	-	137,290	41,081	369,722
Structured Settlement	100,000	-	(50,000)	-	50,000	-
Repayment Agreement with HUD	<u>81,591</u>	<u>-</u>	<u>(33,000)</u>	<u>-</u>	<u>33,000</u>	<u>15,591</u>
Other Long Term Liabilities	<u>14,713,128</u>	<u>-</u>	<u>(83,000)</u>	<u>(360,915)</u>	<u>124,081</u>	<u>14,145,132</u>
All Long Term Liabilities	<u>\$ 19,871,892</u>	<u>\$ 4,601,224</u>	<u>\$ (683,000)</u>	<u>\$ (360,915)</u>	<u>\$ 754,081</u>	<u>\$ 22,675,120</u>

NOTE 10 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft damage to and destruction of assets; errors and omissions and natural disasters for which the Authority carries commercial insurance. During the year ended September 30, 2020, and 2019 the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public officials' errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past fiscal year.

NOTE 11– Construction Commitments

At September 30, 2020 and 2019, the Authority's outstanding construction commitments pertaining to its capital fund were not material. The costs 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 12 – Economic Dependency

For the year ended September 30, 2020, and 2019, a substantial portion of the Authority's revenues were received from the U.S. Dept. Housing & Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 13– Restricted Net Position – Housing Choice Voucher Program

Administrative fees paid by HUD to the Authority in excess of administrative expenses are also part of the undesignated fund balance and are considered to be “administrative fee reserves”. Administrative fee reserves accumulated prior to January 1, 2004, are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR 982.155 – i.e. “other housing purposes permitted by state or local law”. Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

The restricted fund balance also includes interest income on HAP investments, family self sufficiency program forfeitures and fraud recoveries. The Authority’s portion of fraud recoveries (i.e., the higher of 50% of the amount collected or the reasonable and necessary costs that the PHA incurred related to the collection) must continue to be used for activities related to the provision of voucher assistance authorized under Section 8 of the United States Housing Act of 1937. The balance of the recovery amount must be maintained in the restricted fund balance account as excess HAP.

In accordance with HUD requirements, the Authority’s fund balance consists of the following components as of September 30, 2020, and 2019:

Balance at September 30, 2019	\$	(34,702)
Net Administrative Fee Income, excluding fraud		
recovery and investment income income FYE 09/30/2020		(2,074)
Investment income		2,103
Total Unrestricted Net Position at September 30, 2020		\$ (34,673)
 <u>Housing Assistance Payment Reserves included in Restricted Net Position</u>		
Balance at September 30, 2019		52,375
Unspent HAP Revenue for FYE September 30, 2020		(52,375)
Total Restricted Net Position at September 30, 2020		-
 Total Housing Choice Voucher Program Net Position at September 30, 2020		 \$ (34,673)

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 13– Restricted Net Position – Housing Choice Voucher Program – (continued)

Balance at September 30, 2018	\$	36,917	
Transfer to HAP Equity		-	
Net Administrative Fee Income, excluding fraud recovery and investment income income FYE 09/30/2019		(73,707)	
Investment income		<u>2,088</u>	
Total Unrestricted Net Position at September 30, 2019			\$ (34,702)
 <u>Housing Assistance Payment Reserves included in Restricted Net Position</u>			
Balance at September 30, 2018		49,576	
Unspent HAP Revenue for FYE September 30, 2019		<u>2,799</u>	
Total Restricted Net Position at September 30, 2019			<u>52,375</u>
 Total Housing Choice Voucher Program Net Position at September 30, 2019			 <u>\$ 17,673</u>

NOTE 14- Contingencies

Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of office facilities, including the offices of the Authority, and shelter in place orders for all but those deemed essential services. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the Authority has changed the manner in which its services are performed. Those changes include tenant intake and recertification procedures, maintenance services and planning and completion of capital improvements. Additionally, the pandemic has impacted the housing authority's ability to collect rents due to the loss or reduction tenants' income. Although HUD has provided additional subsidies to assist the Authority in meeting these financial challenges, it is probable that this matter will result in a negative impact on the Authority's financial position and results of operations. However, the ultimate financial impact and duration cannot be estimated at this time.

NOTE 15- Prior Period Adjustments and Corrections of Errors

During the previous fiscal year, the Authority made an adjustment to reduce beginning equity by \$4,996,651 for the most recent State of NJ actuarial valuations related to the Authority's OPEB and pension liabilities.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 16- Accounts Payable - HUD

During the prior year, the Authority entered into a repayment agreement with HUD for \$114,591. The amount represents overfunding of the operating subsidy amounts from 2011-2014 because of a clerical error on the number of units leased in the PIC system. Under the terms of the agreement the Authority is required to repay HUD \$33,000 per year if the Operating Fund proration is 90% or higher or \$16,500 if the proration is below 90%. Payments are due each December 31, and the payment made for fiscal year 2020 and 2019 was \$33,000 and \$33,000, respectively.

NOTE 17- Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through December 27, 2021 the date on which the financial statements were available to be issued 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 HOBOKEN
Hoboken, New Jersey
SCHEDULE OF EXPENDITURES OF FEDERAL and STATE and LOCAL AWARDS
For the Year Ended September 30, 2020

DIRECT FEDERAL ASSISTANCE	<u>Funds Expended</u>
<u>Department of Housing and Urban Development</u>	
Low Income Housing Operating Subsidy (CFDA#14.850)	\$ 7,199,772
Capital Fund Program (CFDA# 14.872)	3,629,138
Community Development Block Grant (CFDA# 14.218)	855,760
Section 8 Housing Choice Voucher (CFDA # 14.871)	2,505,372
<u>Coronavirus Aid, Relief, and Economic Security Act (CARES)</u>	
Public Housing CARES Act Funding (CFDA#14.PHC)	<u>413,934</u>
Total Direct Federal Assistance	<u>\$ 14,603,976</u>
 INDIRECT FEDERAL ASSISTANCE	
<u>Department of Housing and Urban Development</u>	
Community Development Block Grant - Disaster Recovery (CFDA#14.269)	
Loaned Through NJ Housing Mortgage Finance Agency (NJHMFA)	<u>\$ 5,294,988</u>
Total Direct and Indirect Federal Assistance	<u>\$ 19,898,964</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
2. There were no subrecipient activities during the audit period.
3. The Authority has elected not to use the 10% de minimis cost rate.
4. The Authority received no non-cash assistance.
5. The Authority received CDBG-DR Funds loaned through NJHMFA. The total amount of the loan funds drawn at September 30, 2020 was \$5,294,988.

Hoboken Housing Authority (NJ015)
HOBOKEN, NJ
Entity Wide Balance Sheet Summary

Fiscal Year End: 09/30/2020

Submission Type: Audited/Single Audit

	Project Total	14-PHC Public Housing CARES Act Funding	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	14.871 Housing Choice Vouchers	14-HCC HCV CARES Act Funding	14.288 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$3,619,878				\$163,184			\$557,328	\$4,340,390		\$4,340,390
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted	\$3,168	\$203,653				\$64,618			\$271,439		\$271,439
114 Cash - Tenant Security Deposits	\$372,938								\$372,938		\$372,938
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	\$3,995,984	\$203,653	\$0	\$0	\$163,184	\$64,618	\$0	\$557,328	\$4,984,767	\$0	\$4,984,767
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects	\$440,423		\$552,952		\$118,788				\$1,112,163		\$1,112,163
124 Accounts Receivable - Other Government											
125 Accounts Receivable - Miscellaneous	\$436,511								\$436,511		\$436,511
126 Accounts Receivable - Tenants	\$466,562								\$466,562		\$466,562
126.1 Allowance for Doubtful Accounts - Tenants	-\$130,138								-\$130,138		-\$130,138
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0				\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery											
128.1 Allowance for Doubtful Accounts - Fraud											
129 Accrued Interest Receivable											
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,213,378	\$0	\$552,952	\$0	\$118,788	\$0	\$0	\$0	\$1,885,118	\$0	\$1,885,118
131 Investments - Unrestricted											
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	\$394,910				\$5,223			\$2,559	\$372,692		\$372,692
143 Inventories											
143.1 Allowance for Obsolete Inventories											
144 Inter Program Due From	\$552,952								\$552,952	-\$552,952	\$0
145 Assets Held for Sale											
150 Total Current Assets	\$6,127,224	\$203,653	\$552,952	\$0	\$287,195	\$64,618	\$0	\$559,887	\$7,795,529	-\$552,952	\$7,242,577
161 Land											
162 Buildings	\$1,527,036								\$1,527,036		\$1,527,036
163 Furniture, Equipment & Machinery - Dwellings	\$60,844,414			\$60,000					\$60,844,414		\$60,844,414
164 Furniture, Equipment & Machinery - Administration	\$12,489,252								\$12,489,252		\$12,489,252
165 Leasehold Improvements	\$1,954,693								\$2,290,604		\$2,290,604
166 Accumulated Depreciation	-\$67,923,894			-\$9,000					-\$68,234,346		-\$68,234,346
167 Construction in Progress	\$5,540,615		\$3,064,069						\$13,899,672		\$13,899,672
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$14,082,116	\$0	\$3,064,069	\$351,000	\$0	\$0	\$5,294,988	\$34,459	\$22,826,632	\$0	\$22,826,632

Hoboken Housing Authority (NJ015)
HOBOKEN, 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 Funding	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	14.289 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	COCC	Subtotal	ELIM	Total
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	\$14,082,116	\$0	\$3,064,069	\$351,000	\$0	\$0	\$5,294,988	\$34,459	\$22,926,632	\$0	\$22,926,632
200 Deferred Outflow of Resources	\$627,872				\$17,916			\$168,176	\$813,964		\$813,964
250 Total Assets and Deferred Outflow of Resources	\$20,837,212	\$203,653	\$3,617,021	\$351,000	\$305,111	\$64,618	\$5,294,988	\$782,522	\$31,436,125	-\$552,952	\$30,883,173
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	\$353,507							\$20,314	\$373,821		\$373,821
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable	\$80,048				\$1,602			\$15,236	\$96,886		\$96,886
322 Accrued Compensated Absences - Current Portion	\$31,899				\$905			\$8,377	\$41,081		\$41,081
324 Accrued Contingency Liability											
325 Accrued Interest Payable	\$75,690								\$75,690		\$75,690
331 Accounts Payable - HUD PHA Programs	\$46,591				\$0				\$46,591		\$46,591
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government	\$571,607								\$571,607		\$571,607
341 Tenant Security Deposits	\$372,938								\$372,938		\$372,938
342 Unearned Revenue	\$52,144	\$203,653				\$64,618			\$320,415		\$320,415
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$630,000								\$630,000		\$630,000
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities	\$50,000								\$50,000		\$50,000
346 Accrued Liabilities - Other	\$131,745				\$3,084				\$134,829		\$134,829
347 Intra Program - Due To									\$552,952		\$552,952
348 Loan Liability - Current											
310 Total Current Liabilities	\$2,358,159	\$203,653	\$552,952	\$0	\$5,491	\$64,618	\$0	\$43,927	\$3,268,810	-\$552,952	\$2,715,858
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$3,235,000								\$6,529,988		\$6,529,988
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other											
354 Accrued Compensated Absences - Non Current	\$287,084				\$7,242				\$368,722		\$368,722
355 Loan Liability - Non Current	\$0								\$0		\$0
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities	\$10,527,230				\$175,766				\$11,703,036		\$11,703,036
350 Total Non-Current Liabilities	\$14,049,314	\$0	\$0	\$0	\$183,008	\$0	\$5,284,988	\$3,132,219	\$22,659,529	\$0	\$22,659,529
300 Total Liabilities	\$16,447,483	\$203,653	\$552,952	\$0	\$188,499	\$64,618	\$5,284,988	\$3,176,146	\$25,928,339	-\$552,952	\$25,375,387

Hoboken Housing Authority (NJ015)
HOBOKEN, 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 Funding	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	14.289 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	COCC	Subtotal	ELIM	Total
400 Deferred Inflow of Resources	\$8,273,576				\$151,285			\$2,040,722	\$10,465,593		\$10,465,593
508.4 Net Investment in Capital Assets	\$10,217,116		\$3,064,069	\$351,000			\$0	\$34,459	\$13,666,644		\$13,666,644
511.4 Restricted Net Position	\$3,168		\$0	\$0			\$0		\$3,168		\$3,168
512.4 Unrestricted Net Position	-\$14,104,131	\$0	\$0	\$0	-\$34,873	\$0	\$0	-\$4,488,805	-\$18,627,609	\$0	-\$18,627,609
513 Total Equity - Net Assets / Position	-\$3,883,847	\$0	\$3,064,069	\$351,000	-\$34,873	\$0	\$0	-\$4,454,346	-\$4,957,797	\$0	-\$4,957,797
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$20,837,212	\$203,659	\$3,617,021	\$551,000	\$305,111	\$64,618	\$5,294,988	\$762,522	\$31,436,125	-\$552,952	\$30,883,173

Hoboken Housing Authority (NJ015)
HOBOKEN, NJ
Entity Wide Revenue and Expense Summary

Fiscal Year End: 09/30/2020

Submission Type: Audited/Single Audit

	Project Total	14.PHC Public Housing CARES Act Funding	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	14.871 Housing Choice Vouchers	14.HCC-HCV CARES Act Funding	14.289 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$5,313,073								\$5,313,073		\$5,313,073
70400 Tenant Revenue - Other	\$71,610								\$71,610		\$71,610
70500 Total Tenant Revenue	\$5,384,683	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,384,683	\$0	\$5,384,683
70600 HUD PHA Operating Grants	\$6,295,742	\$413,934	\$865,760		\$2,505,372				\$12,070,808		\$12,070,808
70610 Capital Grants	\$2,533,168								\$2,533,168		\$2,533,168
70710 Management Fee								\$1,391,316	\$1,391,316	-\$1,391,316	\$0
70720 Asset Management Fee								\$166,800	\$166,800	-\$166,800	\$0
70730 Book Keeping Fee								\$128,625	\$128,625	-\$128,625	\$0
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue								\$1,686,741	\$1,686,741	-\$1,686,741	\$0
70800 Other Government Grants											
71100 Investment Income - Unrestricted	\$17,012				\$2,103			\$1,269	\$20,384		\$20,384
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery											
71500 Other Revenue	\$178,490								\$178,490		\$178,490
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted											
70000 Total Revenue	\$16,409,095	\$413,934	\$865,760	\$0	\$2,507,475	\$0	\$0	\$1,686,010	\$21,874,274	-\$1,686,741	\$20,187,533
91100 Administrative Salaries	\$532,024				\$52,609			\$462,195	\$1,176,828		\$1,176,828
91200 Auditing Fees											
91300 Management Fee	\$1,391,316								\$1,391,316	-\$1,391,316	\$0
91310 Book-keeping Fee	\$114,651				\$13,934				\$128,625	-\$128,625	\$0
91400 Advertising and Marketing											
91500 Employee Benefit Contributions - Administrative	\$248,778				\$35,164			\$389,683	\$673,625		\$673,625
91600 Office Expenses	\$403,193				\$10,546			\$119,683	\$533,424		\$533,424
91700 Legal Expense	\$15,053							\$108,139	\$123,192		\$123,192
91800 Travel	\$1,000							\$478	\$1,478		\$1,478
91810 Allocated Overhead											
91900 Other											
91000 Total Operating - Administrative	\$2,505,055	\$0	\$0	\$0	\$112,255	\$0	\$0	\$1,110,178	\$4,028,488	-\$1,519,941	\$2,508,547
92000 Asset Management Fee	\$166,800								\$166,800	-\$166,800	\$0
92100 Tenant Services - Salaries											
92200 Relocation Costs	\$35,827								\$35,827		\$35,827
92300 Employee Benefit Contributions - Tenant Services	\$17,799								\$17,799		\$17,799
92400 Tenant Services - Other	\$20,309								\$20,309		\$20,309
92500 Total Tenant Services	\$73,935	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$73,935	\$0	\$73,935
93100 Water	\$680,931							\$45	\$680,976		\$680,976

Hoboken Housing Authority (NJ015)
HOBOKEN, 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 Funding	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	14.871 Housing Choice Vouchers	14.HCC-HCV CARES Act Funding	14.258 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	COCC	Subtotal	ELIM	Total
9200 Electricity	\$1,022,134								\$1,022,134		\$1,022,134
9300 Gas	\$1,050,355								\$1,050,355		\$1,050,355
93400 Fuel											
93500 Labor	\$139,088								\$139,088		\$139,088
93600 Sewer	\$1,274,768								\$1,274,768		\$1,274,768
93700 Employee Benefit Contributions - Utilities	\$69,669								\$69,669		\$69,669
93800 Other Utilities Expense											
93900 Total Utilities	\$4,236,945	\$0	\$0	\$0	\$0	\$0	\$0	\$45	\$4,236,990	\$0	\$4,236,990
94100 Ordinary Maintenance and Operations - Labor	\$1,203,683	\$206,476							\$1,410,359		\$1,410,359
94200 Ordinary Maintenance and Operations - Materials and Other	\$544,812	\$207,456						\$3,818	\$655,888		\$655,888
94300 Ordinary Maintenance and Operations Contracts	\$1,399,713							\$8,082	\$1,407,795		\$1,407,795
94500 Employee Benefit Contributions - Ordinary Maintenance	\$692,163								\$692,163		\$692,163
94600 Total Maintenance	\$3,940,371	\$413,934	\$0	\$0	\$0	\$0	\$0	\$11,700	\$4,366,205	\$0	\$4,366,205
95100 Protective Services - Labor											
95200 Protective Services - Other Contract Costs	\$42,652								\$42,652		\$42,652
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services											
95600 Total Protective Services	\$42,652	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$42,652	\$0	\$42,652
96110 Property Insurance	\$563,955								\$563,955		\$563,955
96120 Liability Insurance	\$281,977								\$281,977		\$281,977
96130 Workmen's Compensation	\$281,977				\$20,761			\$10,172	\$312,910		\$312,910
96140 All Other Insurance											
96190 Total Insurance Premiums	\$1,127,909	\$0	\$0	\$0	\$20,761	\$0	\$0	\$10,172	\$1,158,842	\$0	\$1,158,842
96200 Other General Expenses	\$9,191				\$5,465				\$14,656		\$14,656
96210 Compensated Absences	\$74,608				\$4,027			\$28,266	\$106,901		\$106,901
96300 Payments in Lieu of Taxes	\$114,774								\$114,774		\$114,774
96400 Bad debt - Tenant Rents	\$40,716								\$40,716		\$40,716
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96900 Total Other General Expenses	\$239,289	\$0	\$0	\$0	\$9,492	\$0	\$0	\$28,266	\$277,047	\$0	\$277,047
96710 Interest of Mortgage (or Bonds) Payable											
96720 Interest on Notes Payable (Short and Long Term)	\$191,093								\$191,093		\$191,093
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$191,093	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$191,093	\$0	\$191,093
96800 Total Operating Expenses	\$12,825,249	\$413,934	\$0	\$0	\$142,508	\$0	\$0	\$1,160,361	\$14,542,052	-\$1,686,741	\$12,855,311
97000 Excess of Operating Revenue over Operating Expenses	\$3,583,846	\$0	\$655,760	\$0	\$2,364,957	\$0	\$0	\$527,649	\$7,352,222	\$0	\$7,352,222

Hoboken Housing Authority (NJ015)
HOBOKEN, NJ
Entity Wide Revenue and Expense Summary

Fiscal Year End: 09/30/2020

Submission Type: Audited/Single Audit

	Project Total	14-PHC Public Housing CARES Act Funding	14-218 Community Development Block Grants/Entitlement Grants	2 State/Local	14-871 Housing Choice Vouchers	14-HCC HCV CARES Act Funding	14-288 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments					\$2,417,313				\$2,417,313		\$2,417,313
97350 HAP Portability-In											
97400 Depreciation Expense	\$2,289,200			\$9,000				\$12,162	\$2,310,362		\$2,310,362
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$15,114,449	\$413,934	\$0	\$9,000	\$2,559,821	\$0	\$0	\$1,172,523	\$19,269,727	-\$1,686,741	\$17,582,986
10010 Operating Transfer In	\$522,325								\$522,325	-\$522,325	\$0
10020 Operating transfer Out	-\$522,325								-\$522,325	\$522,325	\$0
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	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$1,294,546	\$0	\$855,760	-\$9,000	-\$52,346	\$0	\$0	\$515,487	\$2,604,547	\$0	\$2,604,547
11020 Required Annual Debt Principal Payments	\$600,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$600,000	\$0	\$600,000
11030 Beginning Equity	-\$5,178,493	\$0	\$2,208,209	\$360,000	\$17,673	\$0	\$0	-\$4,969,833	-\$7,562,344	\$0	-\$7,562,344
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors											
11050 Changes in Compensated Absence Balance	\$0		\$0		\$0			\$0	\$0	\$0	\$0
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					-\$34,673				-\$34,673		-\$34,673
11180 Housing Assistance Payments Equity					\$0				\$0		\$0
11190 Unit Months Available	15690	0	0	0	2495	0	0	0	19176	0	19176
11210 Number of Unit Months Leased	15292	0	0	0	1858	0	0	0	17150	0	17150
11270 Excess Cash	\$2,340,013								\$2,340,013		\$2,340,013
11610 Land Purchases	\$0							\$0	\$0		\$0
11620 Building Purchases	\$6,633,256							\$0	\$6,633,256		\$6,633,256
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0	\$0		\$0

Hoboken Housing Authority (NJ015)
HOBOKEN, 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 Funding	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	14.871 Housing Choice Vouchers	14.HCC HOV CARES Act Funding	14.268 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	COCC	Subtotal	ELIM	Total
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0							\$0	\$0		\$0
11660 Infrastructure Purchases	\$0							\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$211,634							\$0	\$211,634		\$211,634
13901 Replacement Housing Factor Funds	\$0							\$0	\$0		\$0

Housing Authority of the City of Hoboken
 Schedule of Proportionate Share of the Net Pension Liability
 of the Public Employees Retirement System (PERS)
 For the Year Ended September 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Housing Authority's Proportion of the Net Pension Liability	3.00154%	3.00556%	3.10774%	2.88700%	2.65066%	2.86232%
Housing Authority's Proportionate Share of the Net Pension Liability	4,917,350.00	\$ 5,415,555	\$ 6,118,991	\$ 6,228,713	\$ 7,850,500	\$ 6,142,763
Housing Authority's Covered Employee Payroll	2,623,014	\$ 2,952,620	\$ 2,570,289	\$ 2,643,465	\$ 2,680,205	\$ 2,112,171
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	187.5%	183.4%	238.1%	235.6%	292.91%	290.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	56.27%	53.60%	48.10%	40.14%	47.92%

Housing Authority of the City of Hoboken
Schedule of Authority Contributions to the
Public Employees Retirement System (PERS)
For the Year Ended September 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	309,701	\$ 292,352	\$ 309,120	\$ 253,603	\$ 260,776	\$ 248,815
Contribution in Relation to the Contractually Required Contribution	(309,701)	<u>(292,352)</u>	<u>(326,809)</u>	<u>\$(253,603)</u>	<u>\$(260,776)</u>	<u>\$(248,815)</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	2,623,014	2,952,620	2,570,289	2,643,465	\$2,680,205	\$2,112,171
Contribution as a Percentage of Covered Employee Payroll	11.81%	9.90%	12.03%	9.59%	9.73%	11.78%

Housing Authority of the City of Hoboken
 Schedule of Changes in the Housing Authority's
 Total OPEB Liability and Related Ratios
 For the Year Ended September 30, 2020

<u>Total OPEB Liability</u>	<u>Sept. 30, 2020</u>	<u>Sept. 30, 2019</u>
Housing Authority's Proportion of the Net OPEB Liability	Not Available	0.065277%
Housing Authority's Proportionate Share of the Net OPEB Liability	\$	8,842,469
Housing Authority's Covered Employee Payroll	\$	2,952,620
Housing Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll		299.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		1.98%

Schedule is intended to show information for ten years. Additional years will be displayed as the data becomes available.

Housing Authority of the City of Hoboken
 Schedule of Authority Contributions to the
 Other Post-Employment Benefits Plan (OPEB)
 For the Year Ended September 30, 2020

	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	Not Available	\$ 1,065,415
Contribution in Relation to the Contractually Required Contribution		<u>(1,065,415)</u>
Contribution Deficiency/(Excess)		<u>\$ -</u>
Authority's Covered Payroll		2,952,620
Contribution as a Percentage of Covered Employee Payroll		36.08%

Schedule is intended to show information for ten years. Additional years will be displayed as the data becomes available.



Polcari & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Housing Authority of the City of Hoboken
Hoboken, New Jersey

We have audited, 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 Controller General of the United States, the financial statements of the Housing Authority of the City of Hoboken as of and for the year ended September 30, 2020 and have issued our report thereon dated December 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Hoboken's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weakness may exist that have not been identified.

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

(Continued)

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Hoboken's financial statements are free of 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 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.



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
December 27, 2021



Polcari & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Housing Authority of the City of Hoboken
Hoboken, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Hoboken's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Entity's major federal programs for the year ended September 30, 2020. The Housing Authority of the City of Hoboken's 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 the Housing Authority of the City of Hoboken's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Low Rent Public Housing Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the Low Rent Public Housing Program CFDA 14.850 as described in Finding 2020-1 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

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

Qualified Opinion on Low Rent Public Housing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low Rent Public Housing Program for the year ended September 30, 2020.

Other Matters

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-1 to be material weaknesses.

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

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.

The Housing Authority of the City of Hoboken's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
December 27, 2021

HOBOKEN HOUSING AUTHORITY
HOBOKEN, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020

Prior Year Findings:

Finding 2016-001

Low Rent Public Housing (CFDA#14.850)

Type of Deficiency: Significant Deficiency

Compliance Requirement: Eligibility and Special Tests

We selected forty files for the Low Rent Public Housing Program. Ten of the files did not contain third party verification of income through the EIV system as required. Three did not contain a signed HUD Form 9866, Authorization of Release of Information and two did not have a HUD form 50058 prepared.

Cause:

The Authority did not implement the proper controls to ensure that all tenants are properly recertified each year.

Condition:

The Authority did not follow the compliance requirements of 24CFR sections 5.230, 5.609 and 960.259.

Effect of Condition:

The effect of not complying with the requirements in the Compliance Supplement may result in ineligible individuals being admitted to the program and improper rent calculations

Recommendation:

We recommend that the Authority adopt controls and procedures to ensure compliance with the requirements of the Low Rent Public Housing Program.

Questioned Costs -\$0-

Status Open. This finding is repeated in Finding 2020-001.

HOBOKEN, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020

Finding 2017-001

Low Rent Public Housing (CFDA#14.850)

Type of Deficiency: Significant Deficiency

Compliance Requirement: Eligibility and Special Tests

We selected forty files for the Low Rent Public Housing Program. Eleven of the files did not contain third party verification of income through the EIV system as required. One did not contain a signed HUD Form 9866, Authorization of Release of Information.

Cause:

The Authority did not implement the proper controls to ensure that all tenants are properly recertified each year.

Condition:

The Authority did not follow the compliance requirements of 24CFR sections 5.230, 5.609 and 960.259. This was condition was noted as a finding the prior year audit report.

Effect of Condition:

The effect of not complying with the requirements in the Compliance Supplement may result in ineligible individuals being admitted to the program and improper rent calculations

Recommendation:

We recommend that the Authority adopt controls and procedures to ensure compliance with the requirements of the Low Rent Public Housing Program.

Questioned Costs -\$0-

Status: Open. This finding is repeated in Finding 2020-001.

HOBOKEN HOUSING AUTHORITY
HOBOKEN, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020

Finding 2018-001

Low Rent Public Housing (CFDA#14.850)

Type of Deficiency: Significant Deficiency

Compliance Requirement: Eligibility and Special Tests

We selected forty files for the Low Rent Public Housing Program. Eleven of the files did not contain third party verification of income through the EIV system as required.

Cause:

The Authority did not implement the proper controls to ensure that all tenants are properly recertified each year.

Condition:

The Authority did not follow the compliance requirements of 24CFR sections 5.230, 5.609 and 960.259. This was condition was noted as a finding the prior year audit report.

Effect of Condition:

The effect of not complying with the requirements in the Compliance Supplement may result in ineligible individuals being admitted to the program and improper rent calculations

Recommendation:

We recommend that the Authority adopt controls and procedures to ensure compliance with the requirements of the Low Rent Public Housing Program.

Questioned Costs -\$0-

Status: Open. This finding is repeated in Finding 2020-001.

HOBOKEN HOUSING AUTHORITY
HOBOKEN, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020

Finding 2019-001

Low Rent Public Housing (CFDA#14.850)

Type of Deficiency: Material Weakness

Compliance Requirement: Eligibility and Special Tests

We selected forty files for the Low Rent Public Housing Program. Fifteen of the files did not contain third party verification of income through the EIV system as required.

Cause:

The Authority did not implement the proper controls to ensure that all tenants are properly recertified each year.

Condition:

The Authority did not follow the compliance requirements of 24CFR sections 5.230, 5.609 and 960.259. This was condition was noted as a finding the prior year audit report.

Effect of Condition:

The effect of not complying with the requirements in the Compliance Supplement may result in ineligible individuals being admitted to the program and improper rent calculations

Recommendation:

We recommend that the Authority adopt controls and procedures to ensure compliance with the requirements of the Low Rent Public Housing Program.

Questioned Costs -\$0-

Status: Open. This finding is repeated in Finding 2020-001.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
Hoboken, New Jersey
September 30, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued:	<u>Modified</u>	
Internal Control over Financial Reporting:		
Significant Deficiency(ies) 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?	___X___ yes	_____ no

Federal Awards

Internal Control over Major Programs:		
Significant Deficiency(ies) Identified?	_____ yes	___X___ no
Significant Deficiency(ies) identified that are considered to be material weakness(es)?	___X___ yes	_____ none reported

Type of audit report issued on compliance for major programs:	<u>Modified</u>
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance	___X___ yes	_____ no
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Identification of Major Programs

CFDA	
<u>Number</u>	<u>Name of Federal Program or Cluster</u>
14.850	Low Rent Public Housing Operating Subsidy
14.269	Community Development Block Grant -DR
14.218	Community Development Block Grant

Dollar Threshold used to distinguish a type A Program	<u>\$750,000</u>
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Auditee qualified as low-risk?	_____ yes	___X___ no
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SECTION 2 – FINANCIAL STATEMENT FINDINGS

None

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2020-001

HOBOKEN HOUSING AUTHORITY
HOBOKEN, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020

Finding 2020-001

Low Rent Public Housing (CFDA#14.850)

Type of Deficiency: Material Weakness

Compliance Requirement: Eligibility and Special Tests

We selected forty files for the Low Rent Public Housing Program. One of the files selected could not be produced by the Authority, one file contained only the 50058 and EIV, one file contained only the 50058 form and one file was missing the EIV form and two did not contain any evidence of recertification.

Cause:

The Authority did not implement the proper controls to ensure that all tenants are properly recertified each year.

Condition:

The Authority did not follow the compliance requirements of 24CFR sections 5.230, 5.609 and 960.259. This was condition was noted as a finding the prior year audit report.

Effect of Condition:

The effect of not complying with the requirements in the Compliance Supplement may result in ineligible individuals being admitted to the program and improper rent calculations

Recommendation:

We recommend that the Authority adopt controls and procedures to ensure compliance with the requirements of the Low Rent Public Housing Program.

Questioned Costs -\$0-

Response:

The following steps have been and are being taken regarding tenant certifications:

1. Starting December 1st 2020, a file quality control procedure has been implemented in which five random files are reviewed per AMP by our Director of Management each month.
2. HHA has bolstered our AMP based sites by reorganizing Staff to give Site Managers more assistance in performing annual re-certifications correctly.