

HOUSING AUTHORITY OF THE CITY OF PASSAIC

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

WITH

REPORT OF INDEPENDENT AUDITORS

HOUSING AUTHORITY OF THE CITY OF PASSAIC
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FOR THE YEAR ENDED DECEMBER 31, 2020

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners
Housing Authority of the City of Passaic:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the discretely presented component unit of the Housing Authority of the City of Passaic (the "Authority") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 auditors' 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 auditors consider internal control relevant to the Authority'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 Authority'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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities (primary government) and the discretely presented component unit of the Authority as of December 31, 2020, and the changes in their net position and, where applicable, their cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension information and other postemployment benefit information 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 basic 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 basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements. The accompanying financial data schedule is also not a required part of the basic financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Novogradac & Company LLP

March 9, 2022
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 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 December 31, 2020. The following discussion and analysis provides an overview of the primary government's financial activities. 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 Authority entered into a Property Leasing and Management agreement with the Passaic Affordable Housing Coalition, Inc. (PAHC) a New Jersey not-for-profit corporation. The PAHC acts as the HAP Owner as the U.S. Department of Housing and Urban Development (HUD) allows the Authority to contract with a HUD approved public or private entity to lease and manage the project. The PAHC's 2020 compensation was \$145,496 which is seven percent (7%) of the gross effective income.
- 2 – The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$9,436,547 (net position) as opposed to \$7,910,770 from the prior fiscal year. The increase of \$1,525,777 is attributable primarily due to an increase in HUD operating grants during the year ended December 31, 2020.
- 3 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported an ending Restricted Net Position and Unrestricted Net Position of \$2,134,521 and \$1,756,119, respectively.
- 4 – The Authority's cash and cash equivalent balance (excluding restricted deposits) at December 31, 2020 was \$10,944,008 representing an increase of \$1,422,131 from the prior fiscal year.
- 5 – The Authority had Total Operating Revenues of \$25,625,078 and Total Operating Expenses of \$24,637,489 including \$1,052,357 for depreciation for the year ended December 31, 2020.
- 6 – The Authority's capital outlays for the fiscal year were \$581,713 of which \$533,754 was funded from the Authority's Capital Fund Program.
- 7 – The Authority's Expenditures of Federal Awards amounted to \$21,153,032 for the 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 (Primary Government). The Authority's Financial Statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

B – Using the Annual Report (continued)

2 – 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 presents 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 some items that will only result in cash flows in future fiscal periods (e.g.; depreciation and earned but unused vacation leave).

The Statement of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

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 15 through 19.

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 in this Report after the financial statements.

4 – Supplemental Information

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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule of Expenditures of Federal Awards can be found on page 46 of this report.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

C – Summary of Programs Administered

1 – Conventional Public Housing

Under the Conventional Public and Indian Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, whereby HUD provides Operating Subsidy and Capital Grant funding. Therefore, the Public Housing Authority (PHA) is regulated to charge families at a rent that is based upon 30% of their adjusted household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

2 – Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an ACC with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

3 - Rental Assistance Demonstration (RAD) Program

The RAD program was created in order to give PHA's a powerful tool to preserve and improve public housing properties and address the backlog of deferred maintenance. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in the public housing stock. In RAD, units move to a Section 8 platform with a long-term contract that, by law, must be renewed. Residents continue to pay 30% of their income towards rent and maintain the same basic rights as they possess in the public housing program.

D – The Authority (Primary Government) as a Whole

The Authority's Net Position increased during the fiscal year by \$1,525,777. The Authority's revenues consist primarily of rents, subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level.

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

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

D – The Authority (Primary Government) as a Whole (continued)

A summary of the Authority's Statement of Net Position as of December 31, 2020 and 2019 is as follows:

| | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>Net Change</u> |
|--|----------------------|----------------------|---------------------|
| <u>Net Position:</u> | | | |
| Cash & Other Current Assets | \$ 12,061,639 | \$ 10,933,438 | \$ 1,128,201 |
| Other Assets | 11,216,969 | 10,378,886 | 838,083 |
| Capital Assets, Net | 7,482,900 | 8,079,148 | (596,248) |
| Deferred Outflows of Resources | 2,824,018 | 1,030,749 | 1,793,269 |
| | | | |
| Total Assets and Deferred Outflows | \$ 33,585,526 | \$ 30,422,221 | \$ 3,163,305 |
| | | | |
| Current Liabilities | \$ 1,628,841 | \$ 939,009 | \$ 689,832 |
| Non-Current Liabilities | 14,427,956 | 12,636,558 | 1,791,398 |
| Deferred Inflows of Resources | 8,092,182 | 8,935,884 | (843,702) |
| | | | |
| Total Liabilities and Deferred Inflows | \$ 24,148,979 | \$ 22,511,451 | \$ 1,637,528 |
| | | | |
| Net Investment in Capital Assets | \$ 5,545,907 | \$ 6,098,499 | \$ (552,592) |
| Restricted Net Position | 2,134,521 | 2,054,855 | 79,666 |
| Unrestricted Net Position | 1,756,119 | (242,584) | 1,998,703 |
| | | | |
| Total Net Position | \$ 9,436,547 | \$ 7,910,770 | \$ 1,525,777 |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

D – The Authority (Primary Government) as a Whole (continued)

A summary of the Authority's Statement of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2020 and 2019 is as follows:

| | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>Net Change</u> |
|--|---------------------|---------------------|---------------------|
| <u>Operating Revenues:</u> | | | |
| Tenant Revenues | \$ 3,262,666 | \$ 3,181,381 | \$ 81,285 |
| HUD Grants | 21,066,226 | 20,346,333 | 719,893 |
| Other Revenues | 1,296,186 | 1,027,636 | 268,550 |
| | <hr/> | <hr/> | <hr/> |
| Total Operating Revenues | 25,625,078 | 24,555,350 | 1,069,728 |
| <u>Operating Expenses:</u> | | | |
| Administrative | \$ 2,439,974 | \$ 2,245,701 | \$ 194,273 |
| Tenant Services | 163,461 | 240,959 | (77,498) |
| Utilities | 1,372,614 | 1,355,488 | 17,126 |
| Ordinary Maintenance & Operations | 1,763,033 | 1,898,427 | (135,394) |
| Protective Services | 376,927 | 373,762 | 3,165 |
| Insurance & General Expenses | 1,409,255 | 600,424 | 808,831 |
| Housing Assistance Payments | 16,059,868 | 15,890,735 | 169,133 |
| Depreciation | 1,052,357 | 1,165,462 | (113,105) |
| | <hr/> | <hr/> | <hr/> |
| Total Operating Expenses | 24,637,489 | 23,770,958 | 866,531 |
| | <hr/> | <hr/> | <hr/> |
| Operating Income (Loss) | \$ 987,589 | \$ 784,392 | \$ 203,197 |
| <u>Non-Operating Revenues (Expenses):</u> | | | |
| Investment Income | 59,021 | 138,355 | (79,334) |
| Interest expense | (68,867) | (71,101) | 2,234 |
| Gain on Sale of Capital Assets | 14,280 | | 14,280 |
| Capital Grants | 533,754 | 473,781 | 59,973 |
| | <hr/> | <hr/> | <hr/> |
| Total Non-Operating Revenues | \$ 538,188 | \$ 541,035 | \$ (2,847) |
| | <hr/> | <hr/> | <hr/> |
| Change in Net Position | \$ 1,525,777 | \$ 1,325,427 | \$ 200,350 |
| | <hr/> | <hr/> | <hr/> |
| Net Position, Beginning of the Year | 7,910,770 | 6,585,343 | 1,325,427 |
| | <hr/> | <hr/> | <hr/> |
| Net Position, End of the Year | \$ 9,436,547 | \$ 7,910,770 | \$ 1,525,777 |
| | <hr/> | <hr/> | <hr/> |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

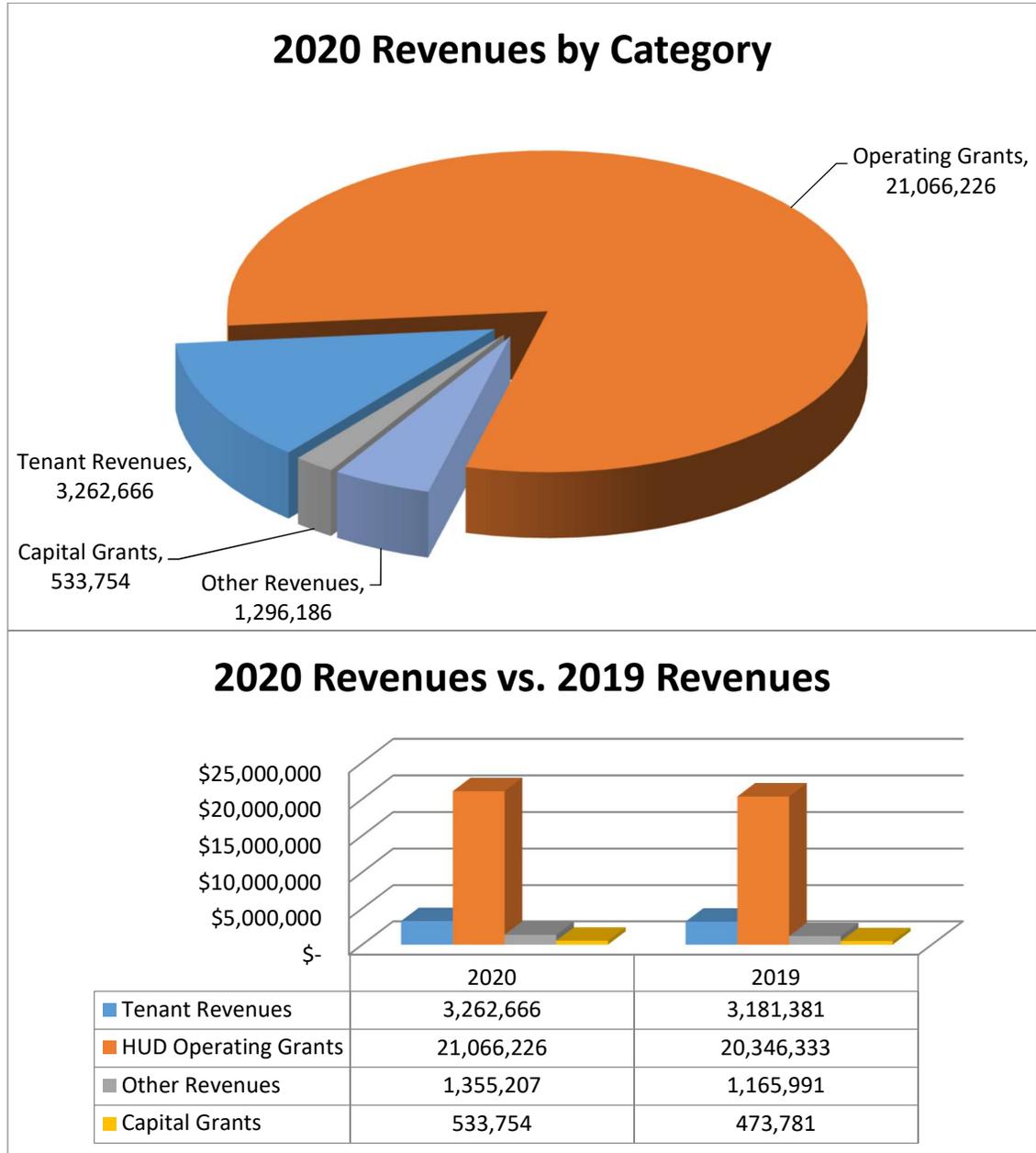
D – The Authority (Primary Government) as a Whole (continued)

| | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>Net Change</u> |
|--|---------------------------------|---------------------------------|--------------------------------|
| <u>Assets:</u> | | | |
| Cash & Other Current Assets | \$ 12,061,639 | \$ 10,933,438 | \$ 1,128,201 |
| Other Assets | 11,216,969 | 10,378,886 | 838,083 |
| Capital Assets, Net | <u>7,482,900</u> | <u>8,079,148</u> | <u>(596,248)</u> |
| Total Assests | 30,761,508 | 29,391,472 | 1,370,036 |
| Deferred Outflows of Resources | <u>2,824,018</u> | <u>1,030,749</u> | <u>1,793,269</u> |
| Total Assests and Deferred Outflows | <u>\$ 33,585,526</u> | <u>\$ 30,422,221</u> | <u>\$ 3,163,305</u> |
| <u>Liabilities:</u> | | | |
| Current Liabilities | \$ 1,628,841 | \$ 939,009 | \$ 689,832 |
| Non-Current Liabilities | <u>14,427,956</u> | <u>12,636,558</u> | <u>1,791,398</u> |
| Total Liabilities | 16,056,797 | 13,575,567 | 2,481,230 |
| Deferred Inflows of Resources | <u>8,092,182</u> | <u>8,935,884</u> | <u>(843,702)</u> |
| Total Liabilities and Deferred Inflows | <u>\$ 24,148,979</u> | <u>\$ 22,511,451</u> | <u>\$ 1,637,528</u> |
| <u>Net Position</u> | | | |
| Net Investment in Capital Assets | \$ 5,545,907 | \$ 6,098,499 | \$ (552,592) |
| Restricted Net Position | 2,134,521 | 2,054,855 | 79,666 |
| Unrestricted Net Position | <u>1,756,119</u> | <u>(242,584)</u> | <u>1,998,703</u> |
| Total Net Position | <u>\$ 9,436,547</u> | <u>\$ 7,910,770</u> | <u>\$ 1,525,777</u> |
| <u>Operating Revenues:</u> | | | |
| Tenant Revenues | \$ 3,262,666 | \$ 3,181,381 | \$ 81,285 |
| HUD Grants | 21,066,226 | 20,346,333 | 719,893 |
| Other Revenues | <u>1,296,186</u> | <u>1,027,636</u> | <u>268,550</u> |
| Total Operating Revenues | <u>\$ 25,625,078</u> | <u>\$ 24,555,350</u> | <u>\$ 1,069,728</u> |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

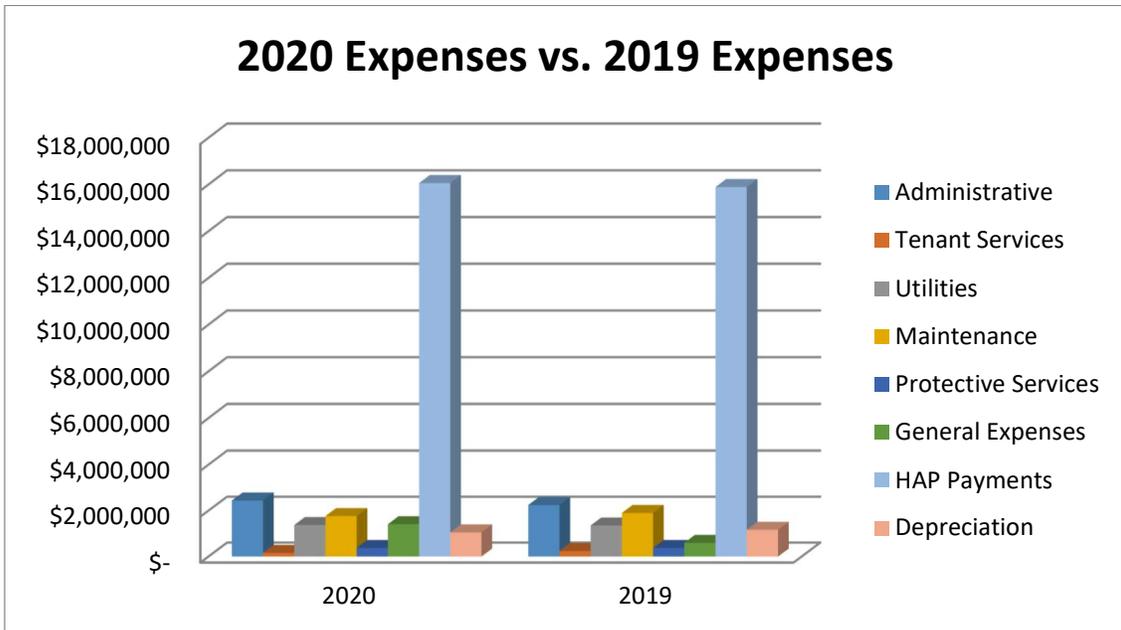
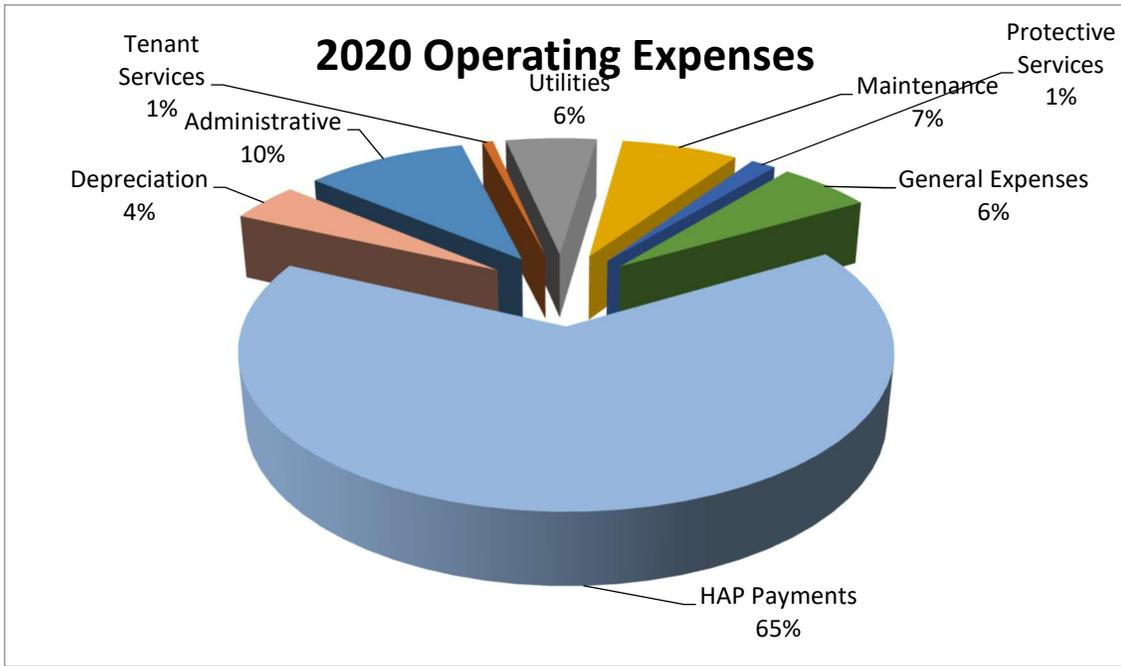
D – The Authority (Primary Government) as a Whole (continued)

The following charts illustrate the Authority's financial activity on the previous page.



**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

D – The Authority (Primary Government) as a Whole (continued)



**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

E – Budgetary Highlights

For the year ended December 31, 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.

Below is the Low Rent Public Housing Consolidated Budget to Actual Comparison.

| | <u>Budget</u> | <u>Actual</u> | <u>Net Change</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| <u>Operating Revenues:</u> | | | |
| Tenant Revenues | \$ 2,012,110 | \$ 2,047,858 | \$ (35,748) |
| HUD Grants | 1,996,752 | 1,628,019 | 368,733 |
| Other Revenues | 116,970 | 372,644 | (255,674) |
| Interest Income | 14,277 | 12,789 | 1,488 |
| Total Operating Revenues | \$ 4,140,109 | \$ 4,061,310 | \$ 78,799 |
| <u>Operating Expenses:</u> | | | |
| Administrative | \$ 766,546 | \$ 812,989 | \$ (46,443) |
| Tenant Services | 194,839 | 115,738 | 79,101 |
| Utilities | 1,098,705 | 983,994 | 114,711 |
| Ordinary Maintenance & Operations | 1,484,724 | 1,119,916 | 364,808 |
| Protective Services | 284,021 | 230,251 | 53,770 |
| Insurance & General Expenses | 333,841 | 502,978 | (169,137) |
| Total Operating Expenses | \$ 4,162,676 | \$ 3,765,866 | \$ 396,810 |
| Residual Receipts | \$ (22,567) | \$ 295,444 | \$ (318,011) |

Note: Depreciation expense, capital grants and gain on disposition of assets are excluded for budgetary purposes.

F – Summary of Significant Changes from Fiscal Year December 31, 2019 to 2020:

- 1 – Cash and cash equivalents (including restricted cash) increased \$2,277,680 primarily as a result of an increase in tenant revenue and HUD grants.
- 2 – Restricted cash increased \$848,614, primarily due to the receipt of CARES Act funding in the amount of \$768,948.
- 3 – Capital assets decreased \$596,248 as depreciation expense and disposals of \$1,052,357 and \$125,604, respectively, exceeded capital additions of \$581,713.
- 4 – The Authority's operating grants increased by \$719,893, primarily as a result of the receipt of CARES Act funding in the amount of \$172,684, and an increase in Section 8 Housing Choice Vouchers funding in the amount of \$730,330, which was partially offset by a decrease in Public and Indian Housing funding in the amount of \$174,602 during the fiscal year.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

F – Summary of Significant Changes from Fiscal Year December 31, 2019 to 2020 (continued):

- 5 – The Authority's HAP payments increased by \$169,133 from 2019 to 2020, which is attributable to an increase in the average months HAP payment during the fiscal year.
- 6 – The increase of \$194,273 in Administrative expenses is as a result of the capitalized RAD conversion expenses for Vreeland Village and Chestnut Gardens in 2018 now being expensed for fiscal year 2020.
- 7 – The Authority's Ordinary Maintenance & Operations expenses decreased by \$135,394 from 2019 to 2020. The major reasons were a decrease in maintenance wages and employee benefits of \$86,153 and \$68,157, respectively.
- 8 – Insurance and general expenses increased \$808,831, which is attributable to an increase in insurance in the amount of \$76,685 and bad debt expense in the amount of \$644,260 related to tenant bad debts and bad debts from Passaic Senior Housing, LLC during the fiscal year.

G – Capital Assets and Debt Administration

1 – Capital Assets

As of December 31, 2020, the Authority's investment in capital assets for its Proprietary Fund was \$5,545,907 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Additional informational on the Authority's capital assets can be found in Note 6 to the Financial Statements which is included in this Report.

2 – Long Term Debt

As of December 31, 2020, the Authority has interest and no interest bearing long-term debt as discussed in notes 10 and 14, respectively of the financial statements. The Authority has an original mortgage loan of \$2,075,000 at an annual interest rate of 3.50% secured by the Vreeland Village and Chestnut Gardens properties that were converted to Project Based Vouchers under the RAD program.

The Authority entered into a repayment agreement with HUD for an original amount of \$590,042. The repayment agreement commenced in 2007, with an annual payment of \$19,668 through 2036. The amount is interest free and unsecured. As of December 31, 2019, \$314,689 remains payable.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2020**

H – 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 December 31, 2021:

1 – State of New Jersey economy including the impact on tenant income. Local inflationary, and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.

2 – Converting Public and Indian Housing Program rental units into RAD subsidy units.

3 – Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.

4 – Inflationary pressure on utility rates, supplies and other cost.

5 – Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

6 – Even if HUD was to fully fund both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of record deficits and competing funding needs.

7 – Effects of COVID-19 on the HA operations

a. The CARES Act help to offset the increased cost of providing services. However, with the restrictions especially with the HCV funding and the ongoing pandemic, the Authority anticipates increased costs in the months to come. Hence, more funding will be needed and HUD needs to adapt more lenient policies that would allow HAS' to serve the population.

b. Due to the increased use of technology as a direct result of the contagion of COVID-19, Authorities are now seeing increased costs in providing services to meet the new way of doing business.

c. The Housing Authority is further affected negatively as a result of higher tenants' accounts receivables balances. Although tenants' rents are adjusted to reflect loss of income, most residents take advantage of the moratorium in effect by not paying the monthly rents. The higher tenants' accounts receivables balances will ultimately result in higher bad debt write-offs.

I – 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 Vincent Wynter, Director of Finance and Operations, Housing Authority of the City of Passaic, 52 Aspen Place, Passaic, NJ 07055.

FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020**

ASSETS

| | Primary Government | Discretely Presented Component Unit | Memorandum Only - Total Reporting Entity |
|--|-----------------------|--|---|
| Current assets: | | | |
| Cash and cash equivalents | \$ 10,944,008 | \$ 41,681 | \$ 10,985,689 |
| Tenant security deposits | 206,668 | 36,745 | 243,413 |
| Accounts receivable, net | 574,182 | 134 | 574,316 |
| Notes receivable, current portion | 10,559 | - | 10,559 |
| Prepaid expenses | 326,222 | 18,450 | 344,672 |
| Total current assets | 12,061,639 | 97,010 | 12,158,649 |
| Non-current assets: | | | |
| Restricted cash | 2,903,469 | 357,571 | 3,261,040 |
| Notes receivable, non-current | 8,313,500 | - | 8,313,500 |
| Capital assets, net | 7,482,900 | 14,640,889 | 22,123,789 |
| Other assets | - | 92,072 | 92,072 |
| Total non-current assets | 18,699,869 | 15,090,532 | 33,790,401 |
| Total assets | 30,761,508 | 15,187,542 | 45,949,050 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| State of New Jersey P.E.R.S. | 424,540 | - | 424,540 |
| State of New Jersey OPEB | 2,399,478 | - | 2,399,478 |
| Total deferred outflows of resources | 2,824,018 | - | 2,824,018 |
| Total assets and deferred outflows of resources | \$ 33,585,526 | \$ 15,187,542 | \$ 48,773,068 |

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF NET POSITION (continued)
AS OF DECEMBER 31, 2020

LIABILITIES

| | Primary Government | Discretely Presented Component Unit | Memorandum Only - Total Reporting Entity |
|--|-----------------------|--|---|
| Current liabilities: | | | |
| Accounts payable, net | \$ 404,375 | \$ 30,533 | \$ 434,908 |
| Accrued expenses | 36,582 | 4,154 | 40,736 |
| Accrued compensated absences, current | 55,445 | - | 55,445 |
| Tenant security deposits | 206,668 | 36,745 | 243,413 |
| Unearned revenue | 795,112 | 2,256 | 797,368 |
| Current portion of loans payable | 44,476 | 23,403 | 67,879 |
| Current portion of HUD liability | 19,668 | - | 19,668 |
| Other accrued liabilities | 66,515 | 1,303,624 | 1,370,139 |
| Due to the Authority | - | 872,415 | 872,415 |
| | <u>1,628,841</u> | <u>2,273,130</u> | <u>3,901,971</u> |
| Total current liabilities | | | |
| Non-current liabilities: | | | |
| Accrued compensated absences, net of current | 473,796 | - | 473,796 |
| Loans payable, net of current portion | 1,892,517 | 10,289,201 | 12,181,718 |
| Accrued interest payable | - | 1,282,444 | 1,282,444 |
| Net OPEB liability | 8,258,107 | - | 8,258,107 |
| Net pension liability | 3,508,515 | - | 3,508,515 |
| HUD liability, net of current portion | 295,021 | - | 295,021 |
| | <u>14,427,956</u> | <u>11,571,645</u> | <u>25,999,601</u> |
| Total non-current liabilities | | | |
| | <u>16,056,797</u> | <u>13,844,775</u> | <u>29,901,572</u> |
| Total liabilities | | | |

DEFERRED INFLOWS OF RESOURCES

| | | | |
|-------------------------------------|------------------|----------|------------------|
| Deferred inflows of resources: | | | |
| State of New Jersey P.E.R.S. | 2,508,888 | - | 2,508,888 |
| State of New Jersey OPEB | 5,583,294 | - | 5,583,294 |
| | <u>8,092,182</u> | <u>-</u> | <u>8,092,182</u> |
| Total deferred inflows of resources | | | |

NET POSITION

| | | | |
|--|----------------------|----------------------|----------------------|
| Net position: | | | |
| Net investment in capital assets | 5,545,907 | 4,328,285 | 9,874,192 |
| Restricted | 2,134,521 | 357,571 | 2,492,092 |
| Unrestricted | 1,756,119 | (3,343,089) | (1,586,970) |
| | <u>9,436,547</u> | <u>1,342,767</u> | <u>10,779,314</u> |
| Total net position | | | |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 33,585,526</u> | <u>\$ 15,187,542</u> | <u>\$ 48,773,068</u> |

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | <u>Primary Government</u> | <u>Discretely Presented Component Unit</u> | <u>Memorandum Only - Total Reporting Entity</u> |
|---------------------------------------|-------------------------------|--|---|
| Operating revenues: | | | |
| Tenant revenue | \$ 3,262,666 | \$ 1,181,186 | \$ 4,443,852 |
| HUD operating grants | 21,066,226 | - | 21,066,226 |
| Fraud recovery revenue | 198,450 | - | 198,450 |
| Other revenues | <u>1,097,736</u> | <u>164,712</u> | <u>1,262,448</u> |
| Total operating revenues | <u>25,625,078</u> | <u>1,345,898</u> | <u>26,970,976</u> |
| Operating expenses: | | | |
| Administrative | 2,439,974 | 207,598 | 2,647,572 |
| Tenant services | 163,461 | 561 | 164,022 |
| Utilities | 1,372,614 | 256,714 | 1,629,328 |
| Ordinary maintenance and operations | 1,763,033 | 389,944 | 2,152,977 |
| Protective services | 376,927 | 75,522 | 452,449 |
| Insurance | 483,988 | 160,778 | 644,766 |
| General | 234,481 | 60,531 | 295,012 |
| Bad debt expense | 690,786 | 124 | 690,910 |
| Housing assistance payments | 16,059,868 | - | 16,059,868 |
| Depreciation | <u>1,052,357</u> | <u>434,742</u> | <u>1,487,099</u> |
| Total operating expenses | <u>24,637,489</u> | <u>1,586,514</u> | <u>26,224,003</u> |
| Operating income (loss) | <u>987,589</u> | <u>(240,616)</u> | <u>746,973</u> |
| Non-operating revenues (expenses): | | | |
| Investment income | 59,021 | 4,408 | 63,429 |
| Interest expense | (68,867) | (355,544) | (424,411) |
| Gain (loss) on sale of fixed assets | <u>14,280</u> | <u>-</u> | <u>14,280</u> |
| Net non-operating revenues (expenses) | <u>4,434</u> | <u>(351,136)</u> | <u>(346,702)</u> |
| Income (loss) before capital grants | 992,023 | (591,752) | 400,271 |
| Capital grants | <u>533,754</u> | <u>-</u> | <u>533,754</u> |
| Change in net position | 1,525,777 | (591,752) | 934,025 |
| Net position, beginning of year | <u>7,910,770</u> | <u>1,934,519</u> | <u>9,845,289</u> |
| Net position, end of year | <u>\$ 9,436,547</u> | <u>\$ 1,342,767</u> | <u>\$ 10,779,314</u> |

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | <u>Primary Government</u> |
|---|-------------------------------|
| Cash Flows from Operating Activities: | |
| Cash received from tenants and others | \$ 5,011,515 |
| Cash received from grantors | 21,051,324 |
| Cash paid to vendors | (21,207,680) |
| Cash paid to employees | <u>(2,502,677)</u> |
| Net cash provided by operating activities | <u>2,352,482</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Purchases of capital assets | (581,713) |
| Capital grants | 533,754 |
| Interest paid on loan payable | (68,867) |
| Principal payments on loan payable | (43,656) |
| Proceeds on sale of capital assets | <u>16,465</u> |
| Net cash used in capital and related financing activities | <u>(144,017)</u> |
| Cash Flows from Investing Activities: | |
| Repayment of note receivable | 10,194 |
| Investment income | <u>59,021</u> |
| Net cash provided by investing activities | <u>69,215</u> |
| Net increase in cash, cash equivalents, and restricted cash | 2,277,680 |
| Cash, cash equivalents, and restricted cash, beginning of year | <u>11,776,465</u> |
| Cash, cash equivalents, and restricted cash, end of year | <u>\$ 14,054,145</u> |
| A reconciliation of cash, cash equivalents, and restricted cash to Statement of Net Position is as follows: | |
| Cash and cash equivalents | \$ 10,944,008 |
| Tenant security deposits | 206,668 |
| Restricted cash | <u>2,903,469</u> |
| | <u>\$ 14,054,145</u> |

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | <u>Primary Government</u> |
|---|-------------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 987,589 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,052,357 |
| Development costs expensed during the year | 123,419 |
| Bad debts | 690,786 |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | |
| Accounts receivable | (1,030,854) |
| Prepaid expenses | (16,099) |
| Due from component unit | 657,369 |
| Deferred outflows of resources | (1,793,269) |
| Accounts payable | 57,658 |
| Accrued expenses | (62,703) |
| Accrued compensated absences | 26,427 |
| Tenant security deposits | 6,935 |
| Prepaid tenant rent | 770,894 |
| Other current liabilities | (39,392) |
| Net pension liability | (659,127) |
| Net OPEB liability | 2,443,862 |
| Other non-current liabilities | (19,668) |
| Deferred inflows of resources | <u>(843,702)</u> |
| Net cash provided by operating activities | <u>\$ 2,352,482</u> |

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Passaic (the "Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A:12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Passaic (the "City"). The Authority is responsible for operating certain low-rent housing programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB 34"), as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. GASB 34 also requires the Authority to include management's discussion and analysis as part of the Required Supplemental Information.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*, ("GASB 33"), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

On January 30, 2008, HUD issued *PIH Notice 2008-9* which requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported on HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions, as defined by GASB 33, are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Vouchers program is no longer a cost reimbursement grant; therefore, the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

In accordance with 2 CFR 200.305(b)(9), any investment income earned up to \$500 on these funds may be retained by the Authority. Amounts in excess of \$500 must be remitted annually to the Department of Health and Human Services, Payment Management System.

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, the Authority's basic financial statements include those of the Housing Authority of the City of Passaic and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above criteria, this report includes the following discretely presented component unit:

Passaic Senior Housing, LLC

Passaic Senior Housing, LLC (the "Project" or "Company") was formed as a New Jersey limited liability company on April 29, 2014. The purpose of the Company is to acquire, construct and/or rehabilitate as applicable, own, develop, operate, maintain, manage and lease a multifamily complex consisting of one hundred thirty (130) units contained in three (3) buildings for rental to persons of low to moderate income. The property is located in Passaic, New Jersey and operates under the name of Murphy Hecht Ascension Apartments.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

Passaic Senior Housing, LLC (continued)

The Project has one managing member (Passaic RAD, LLC) and two investment members (PNC Bank National Association and Columbia Housing SLP Corporation). Company ownership interests are as follows:

| | |
|--------------------|-----------------------|
| Managing member | .01% |
| Investment members | <u>99.99%</u> |
| | <u><u>100.00%</u></u> |

Separate audited financial statements as of and for the year ended December 31, 2020 have been issued by the Project and can be obtained by writing: Director of Finance, Passaic Housing Authority, 52 Aspen Place, Passaic, NJ, 07055.

D. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Public and Indian Housing Program

The Public and Indian Housing Program is designed to provide low-cost housing. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Section 8 Housing Choice Vouchers Program

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

Rental Assistance Demonstration Program

The Rental Assistance Demonstration Program ("RAD") was created in order to give public housing authorities ("PHA") a powerful tool to preserve and improve public housing properties. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continued to pay 30% of their income towards rent.

CARES Act Funding Programs

During the year ending December 31, 2020, the Authority was awarded CARES Act funding as part of the Public and Indian Housing Program and Section 8 Housing Choice Vouchers Program. These funds are to be used to prevent, prepare for, and respond to the Coronavirus ("COVID-19"), as well as help the Authority maintain normal operations during the period impacted by COVID-19.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with GUDPA.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

F. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, accounts receivable balances primarily consist of rents past due and vacated tenants. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the allowance and a credit to accounts receivable.

The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled, but earned as of year-end.

G. Allowance for Doubtful Accounts

Management evaluates the collectability of outstanding receivables on a regular basis and establishes an allowance for doubtful accounts based on its assessment of outstanding accounts.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

I. Capital Assets, Net

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

| | |
|---------------------------|----------|
| • Buildings | 40 Years |
| • Leasehold improvements | 15 Years |
| • Furniture and equipment | 5 Years |
| • Computers | 3 Years |

The Authority has established a capitalization threshold of \$2,000.

J. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. For the year ended December 31, 2020 there were no assets considered to be impaired.

K. Notes Receivable

The Authority has utilized funds in accordance with HUD guidelines to assist in the construction and redevelopment of an affordable housing development through the issuance of mortgage notes. When preparing financial statements in accordance with GAAP, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property, the property's ability to generate positive cash flow, and current economic trends and conditions.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

Compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Employees may be compensated for sick leave at retirement or termination at the current salary to a maximum of \$15,000.

M. Unearned Revenue

The Authority's unearned revenue consists of the payment of rent by residents that is applicable to future periods and unspent Cares Act funds.

N. Inter-program Receivables and Payables

Inter-program receivables and payables are all classified as either current assets or current liabilities, and are the result of the use of a concentrated account depository as the common paymaster for most of the programs of the Authority. Cash settlements are made monthly. All inter-program balances are reconciled, and inter-program receivables and payables balances net to zero. In accordance with GASB 34, inter-program receivables and payables are eliminated for financial statement purposes within each enterprise fund. Detail balances by program are found in the Financial Data Schedule of this report.

O. Taxes

The Authority is a unit of local government and is exempt from real estate, sales and income taxes.

P. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

Q. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, and contingencies. Actual results could differ significantly from these estimates.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Economic Dependency

The Housing Choice Vouchers and Low Rent Housing programs of the Authority are economically dependent on operating grants and subsidies from HUD. The programs operate at a loss prior to receiving the grants.

S. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey, Public Employees Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

U. Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its programs receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America.

All appropriations lapse at HUD's program year end or at the end of grant periods.

V. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Equity Classifications (continued)

Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

NOTE 2. CASH ON DEPOSIT

As of December 31, 2020, the Authority had funds on deposit in checking and money market accounts.

As of December 31, 2020, the carrying amount of the Authority's cash deposits was \$14,490,142 and the bank balances approximated \$15,136,377. Cash on deposit consists of the following:

| <u>Cash Category</u> | <u>Primary Government</u> | <u>Discretely Presented Component Unit</u> | <u>Total Reporting Entity</u> |
|--------------------------|-------------------------------|--|---------------------------------------|
| Unrestricted | \$ 10,944,008 | \$ 41,681 | \$ 10,985,689 |
| Tenant security deposits | 206,668 | 36,745 | 243,413 |
| Restricted | <u>2,903,469</u> | <u>357,571</u> | <u>3,261,040</u> |
| | <u>\$ 14,054,145</u> | <u>\$ 435,997</u> | <u>\$ 14,490,142</u> |

Of the Authority's bank balances, \$867,871 was covered by federal depository insurance and the remaining \$14,268,506 was collateralized with the pledging financial institution as of December 31, 2020.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2020, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable, net consists of the following at December 31, 2020:

| <u>Description</u> | <u>Primary Government</u> | <u>Discretely Presented Component Unit</u> | <u>Total Reporting Entity</u> |
|-------------------------------------|-------------------------------|--|---------------------------------------|
| Accounts receivable - tenants, net | \$ 39,269 | \$ 134 | \$ 39,403 |
| Accounts receivable - HUD | 14,902 | - | 14,902 |
| Accounts receivable - miscellaneous | <u>520,011</u> | <u>-</u> | <u>520,011</u> |
| Total accounts receivable, net | <u>\$ 574,182</u> | <u>\$ 134</u> | <u>\$ 574,316</u> |

A. Accounts receivable - tenants, net

Accounts receivable - tenants, net are shown net of an allowance for doubtful accounts of \$248,350 as of December 31, 2020.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 3. ACCOUNTS RECEIVABLE (continued)

C. Accounts receivable - HUD

Accounts receivable - HUD represents amounts due from the United States Department of Housing and Urban Development for program subsidy as part of the Authority's Capital Fund Program. The Authority considers these amounts fully collectible and accordingly, has made no allowance for doubtful accounts.

B. Accounts receivable - miscellaneous

Accounts receivable - miscellaneous consists of amounts due from Passaic Senior Housing, LLC related to salaries, benefits, and operating expenses incurred during the year. The amounts are shown net of an allowance for doubtful accounts of \$500,000.

NOTE 4. PREPAID EXPENSES

The Authority contributed funds to the Housing Authority Risk Retention Group at inception. Amounts are held as prepaid insurance expenses as amounts will be used to supplement insurance as needed.

NOTE 5. NOTES RECEIVABLE

Notes receivable of the primary government consists of the following at December 31, 2020:

The Authority issued a note receivable dated November 26, 2014 to the Passaic Affordable Housing Coalition in the original amount of \$363,539 to facilitate the development of affordable housing in Passaic, NJ. The note bears an annual interest rate of 3.25% with revised monthly principal and interest payments of \$995.11, beginning in October, 2017. The loan is unsecured and matures in March, 2025. \$ 43,554

The Authority issued a subordinated mortgage receivable in the amount of \$1,640,000, dated January 21, 2016, to Passaic Senior Housing, LLC for the acquisition of three buildings and the related improvements on leased real property. Monthly interest accrues at a rate of 3.15%. The outstanding loan amount and any accrued interest shall be due and payable on January 21, 2056, the maturity date. 1,640,000

The Authority issued a subordinated mortgage receivable in the amount of \$730,505, dated January 21, 2016, to Passaic Senior Housing, LLC for the acquisition of three buildings and the related improvements on leased real property. The original amount of the note was \$730,505. Monthly interest accrues at a rate of 3.15%. The outstanding loan amount and any accrued interest shall be due and payable on January 21, 2056, the maturity date. 730,505

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 5. NOTES RECEIVABLE (continued)

The Authority issued a subordinated mortgage receivable in the amount of \$5,910,000, dated January 21, 2016, to Passaic Senior Housing, LLC for the acquisition of three buildings and the related improvements on leased real property. Monthly interest accrues at a rate of 3.15%. The outstanding loan amount and any accrued interest shall be due and payable on January 21, 2056, the maturity date.

| | |
|--|---------------------|
| | <u>5,910,000</u> |
| Total notes receivable | 8,324,059 |
| Less: current portion | <u>10,559</u> |
| Note receivable, excluding current portion | <u>\$ 8,313,500</u> |

NOTE 6. CAPITAL ASSETS, NET

The following is a summary of the primary government's changes in capital assets for the year ended December 31, 2020:

| Description | December 31, 2019 | Additions | Disposals | Transfers | December 31, 2020 |
|--|----------------------|---------------------|---------------------|------------------|----------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 1,946,351 | \$ - | \$ - | \$ - | \$ 1,946,351 |
| Construction in progress | <u>1,083,248</u> | <u>533,754</u> | <u>(123,419)</u> | <u>(309,989)</u> | <u>1,183,594</u> |
| Total | <u>3,029,599</u> | <u>533,754</u> | <u>(123,419)</u> | <u>(309,989)</u> | <u>3,129,945</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings and improvements | 55,505,792 | - | - | 309,989 | 55,815,781 |
| Leasehold improvements | 2,567,801 | - | - | - | 2,567,801 |
| Furniture and equipment | <u>2,155,701</u> | <u>47,959</u> | <u>(35,210)</u> | <u>-</u> | <u>2,168,450</u> |
| Total | <u>60,229,294</u> | <u>47,959</u> | <u>(35,210)</u> | <u>309,989</u> | <u>60,552,032</u> |
| Less: accumulated depreciation | <u>55,179,745</u> | <u>1,052,357</u> | <u>(33,025)</u> | <u>-</u> | <u>56,199,077</u> |
| Net capital assets | <u>\$ 8,079,148</u> | <u>\$ (470,644)</u> | <u>\$ (125,604)</u> | <u>\$ -</u> | <u>\$ 7,482,900</u> |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 6. CAPITAL ASSETS, NET (continued)

The Authority's discretely presented component unit's capital assets activity for the year ended December 31, 2020 was as follows:

| Description | December 31, 2019 | Additions | Disposals | Transfers | December 31, 2020 |
|--|----------------------|---------------------|--------------------|-------------|----------------------|
| Non-depreciable capital assets: | | | | | |
| Construction in progress | \$ - | \$ 100,645 | \$ - | \$ - | \$ 100,645 |
| Total | <u>-</u> | <u>100,645</u> | <u>-</u> | <u>-</u> | <u>100,645</u> |
| Depreciable capital assets: | | | | | |
| Buildings and improvements | \$ 16,373,350 | \$ - | \$ (49,021) | \$ - | \$ 16,324,329 |
| Leasehold improvements | - | - | - | - | - |
| Furniture and equipment | <u>54,901</u> | <u>83,480</u> | <u>-</u> | <u>-</u> | <u>138,381</u> |
| Total | <u>16,428,251</u> | <u>83,480</u> | <u>(49,021)</u> | <u>-</u> | <u>16,462,710</u> |
| Less: accumulated depreciation | <u>1,487,724</u> | <u>434,742</u> | <u>-</u> | <u>-</u> | <u>1,922,466</u> |
| Net capital assets | <u>\$ 14,940,527</u> | <u>\$ (250,617)</u> | <u>\$ (49,021)</u> | <u>\$ -</u> | <u>\$ 14,640,889</u> |

NOTE 7. RESTRICTED DEPOSITS

Restricted deposits consist of the following as of December 31, 2020:

| Cash Category | Primary Government | Discretely Presented Component Unit | Total Reporting Entity |
|--|-----------------------|--|------------------------------|
| Housing assistance payment reserves | \$ 607,072 | \$ - | \$ 607,072 |
| Tenant security deposits | 206,668 | 36,745 | 243,413 |
| Working capital escrow | - | 42,000 | 42,000 |
| Section 8 Housing Choice Vouchers - CARES Act Funding | 768,948 | - | 768,948 |
| Taxes and insurance | - | 51,790 | 51,790 |
| Replacement reserve | 1,478,747 | 263,781 | 1,742,528 |
| Rehabilitation escrow | 13,034 | - | 13,034 |
| Environmental rehabilitation | <u>35,668</u> | <u>-</u> | <u>35,668</u> |
| | <u>\$ 3,110,137</u> | <u>\$ 394,316</u> | <u>\$ 3,504,453</u> |

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for tenant rents.

Tenant security deposits are held in trust and restricted for refund at the time the tenant vacates the apartment, provided the apartment's physical condition is satisfactory.

CARES Act funds are restricted to be used on expenditures directly related to COVID-19. These funds are to be used to prevent, prepare for, and respond to COVID-19, as well as help the Authority maintain normal operations during the period impacted by COVID-19.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 7. RESTRICTED DEPOSITS (continued)

The Authority funded replacement, rehabilitation and environmental rehabilitation reserve accounts as part of their conversion of Vreeland Village and Chestnut Gardens to HUD's Rental Assistance Demonstration Program. The reserve accounts will be used for various construction related expenditures.

Under the terms of the second amended restated company agreement, Passaic Senior Housing, LLC is required to set aside \$140,000 from the investment member's second installment of equity into a replacement reserve account. Additionally, the Company will deposit monthly, \$35.16 per unit into reserve accounts for the replacement of property. The amounts will be held in separate accounts in trust and generally are not available for operating purposes.

NOTE 8. ACCRUED COMPENSATED ABSENCES

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued for which payment is probable.

As of December 31, 2020, accrued compensated absences amounted to \$529,241 and consisted of the following activity:

| <u>Description</u> | <u>Primary Government</u> | <u>Discretely Presented Component Unit</u> | <u>Total Reporting Entity</u> |
|---|-------------------------------|--|---------------------------------------|
| Beginning compensated absences | \$ 502,814 | \$ - | \$ 502,814 |
| Compensated absences expense | 40,936 | - | 40,936 |
| Compensated absences redeemed | <u>(14,509)</u> | <u>-</u> | <u>(14,509)</u> |
| Ending compensated absences | 529,241 | - | 529,241 |
| Less: current portion | <u>55,445</u> | <u>-</u> | <u>55,445</u> |
| Compensated absences, net of current portion | <u>\$ 473,796</u> | <u>\$ -</u> | <u>\$ 473,796</u> |

NOTE 9. PAYMENTS IN LIEU OF TAXES

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 Authority owned properties in accordance with the provisions of its Cooperation Agreement with the City. Under the Cooperation Agreement, the Authority must pay the City the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the year ended December 31, 2020, PILOT expense of the primary government and the discretely presented component unit amounted to \$167,658 and \$18,429, respectively.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 10. LOANS PAYABLE

Loan payable of the Primary Government consisted of the following as of December 31, 2020:

| <u>Description</u> | <u>Amount</u> |
|--|---------------------|
| Mortgage Loan payable to Lakeland Bank in connection with the Vreeland Village and Chestnut Gardens projects conversion to HUD's Rental Assistance Demonstration program. The loan with the original amount of \$2,075,000 carries an annual interest rate of 3.50%, matures on August 1, 2047 and is secured by a 1st mortgage on the properties. | \$ 1,936,993 |
| Less: current portion | <u>44,476</u> |
| Loans payable, excluding current portion | <u>\$ 1,892,517</u> |

Annual debt service for principal and interest over the next five years and in five-year increments thereafter is as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|---------------------|---------------------|
| 2021 | \$ 44,476 | \$ 68,046 | \$ 112,522 |
| 2022 | 46,080 | 66,442 | 112,522 |
| 2023 | 47,742 | 64,780 | 112,522 |
| 2024 | 49,286 | 63,237 | 112,523 |
| 2025 | 51,242 | 61,280 | 112,522 |
| 2026-2030 | 285,133 | 277,477 | 562,610 |
| 2031-2035 | 340,424 | 222,188 | 562,612 |
| 2036-2040 | 406,362 | 155,848 | 562,210 |
| 2041-2045 | 485,285 | 81,325 | 566,610 |
| 2046-2047 | <u>180,963</u> | <u>5,693</u> | <u>186,656</u> |
| | <u>\$ 1,936,993</u> | <u>\$ 1,066,316</u> | <u>\$ 3,003,309</u> |

Debt activity for the primary government for the year ended December 31, 2020 consisted of the following:

| <u>Description</u> | <u>December 31 2020</u> | <u>Advances</u> | <u>Principal Reductions</u> | <u>December 31, 2020</u> |
|--------------------|-----------------------------|-----------------|---------------------------------|------------------------------|
| Loan payable | \$ <u>1,980,649</u> | \$ <u>-</u> | \$ <u>(43,656)</u> | \$ <u>1,936,993</u> |

Loans payable of the discretely presented component unit consisted of the following as of December 31, 2020:

| <u>Description</u> | <u>Amount</u> |
|---|---------------|
| The Company has three subordinated mortgage loans with the Authority dated January 21, 2016 for the acquisition of three buildings and the related improvements on leased real property. The original amount of the loans totaled \$8,280,505. Monthly interests accrues at 3.15% and principal and interest are due only from surplus cash as provided in the Company's operating agreement. The loans mature on January 21, 2056. | \$ 8,280,505 |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 10. LOANS PAYABLE (continued)

| <u>Description</u> | <u>Amount</u> |
|--|----------------------|
| The Company received a Federal Housing Administration mortgage loan through PNC Bank dated January 21, 2016 in the amount of \$2,100,000. Interest only payments at 4.24% were due monthly to October 1, 2017, at which time monthly principal and interest payments of \$9,093 began on November 1, 2017. The loan matures on October 1, 2057 and is secured by the property. | <u>2,032,099</u> |
| Total loans payable | <u>\$ 10,312,604</u> |

Estimated annual maturities of the above mortgages are as follows:

| | |
|------------|----------------------|
| 2021 | \$ 23,403 |
| 2022 | 24,475 |
| 2023 | 25,533 |
| 2024 | 26,637 |
| 2025 | 27,789 |
| Thereafter | <u>10,184,767</u> |
| | <u>\$ 10,312,604</u> |

Accrued interest on the aforementioned loans totaled \$1,282,444 as of December 31, 2020.

NOTE 11. NON-CURRENT LIABILITIES:

Non-current liabilities of the primary government consisted of the following as of December 31, 2020:

| <u>Description</u> | <u>December 31, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31, 2020</u> | <u>Due within one year</u> |
|------------------------------|------------------------------|---------------------|---------------------|------------------------------|--------------------------------|
| Accrued compensated absences | \$ 502,814 | \$ 40,936 | \$ (14,509) | \$ 529,241 | \$ 55,445 |
| Due to HUD | 334,357 | - | (19,668) | 314,689 | 19,668 |
| Net pension liability | 4,167,642 | - | (659,127) | 3,508,515 | - |
| Net OPEB liability | <u>5,814,245</u> | <u>2,443,862</u> | <u>-</u> | <u>8,258,107</u> | <u>-</u> |
| Total | <u>\$ 10,819,058</u> | <u>\$ 2,484,798</u> | <u>\$ (693,304)</u> | <u>\$ 12,610,552</u> | <u>\$ 75,113</u> |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 12. PENSION PLAN

A. Plan Description

The PERS is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

B. Benefits

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:

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

Service retirement benefits of $1/55^{\text{th}}$ 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 retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

Early retirement benefits are available to tiers one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age at which a member 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 the service retirement age for the respective tier.

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by all active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on the actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 12. PENSION PLAN (continued)

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

At December 31, 2020, the Authority reported a liability of \$3,508,515, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, and rolled forward to June 30, 2020.

For the year ended December 31, 2020, the Authority recognized pension expense of \$235,362. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes of Assumptions | \$ 113,820 | \$ 1,469,049 |
| Changes in Proportion | 126,912 | 1,027,431 |
| Differences between expected and actual experience | 63,884 | 12,408 |
| Net differences between actual and projected earnings on pension plan investments | <u>119,924</u> | <u>-</u> |
| Total | <u>\$ 424,540</u> | <u>\$ 2,508,888</u> |

Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

| Year ending December 31: | | <u>Amount</u> |
|--------------------------|-----------|--------------------|
| 2021 | \$ | (775,150) |
| 2022 | | (706,701) |
| 2023 | | (403,861) |
| 2024 | | (163,315) |
| 2025 | | <u>(35,321)</u> |
| | <u>\$</u> | <u>(2,084,348)</u> |

E. Actuarial Assumptions

The collective total pension liability at the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions.

| | |
|---------------------------|---|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary increases: | |
| Through 2026 | 2.00 - 6.00% based on years of service |
| Thereafter | 3.00 - 7.00% based on years of service |
| Investment rate of return | 7.00% |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 12. PENSION PLAN (continued)

E. Actuarial Assumptions (continued)

Pre-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 adjustments 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.

F. Long-Term Expected Rate of Return

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class, including the PERS's target asset allocation as of June 30, 2020, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|-----------------------------------|--------------------------|--|
| U.S. 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% | 0.50% |
| U.S. Treasuries | 5.00% | 1.94% |
| Risk Mitigation Strategies | 3.00% | 3.40% |

G. 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 contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 12. PENSION PLAN (continued)

H. Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate.

| | 1% Decrease <u>(6.00%)</u> | Discount Rate <u>(7.00%)</u> | 1% Increase <u>(8.00%)</u> |
|---|-------------------------------|---------------------------------|-------------------------------|
| Authority's proportionate share of the net pension liability | \$ <u>4,451,365</u> | \$ <u>3,508,515</u> | \$ <u>2,759,480</u> |

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

The State Health Benefit Local Government Retired Employees Plan ("SHBP") is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Division. It covers employees of local government employers that have adopted a resolution to participate in the SHBP. For additional information about SHBP, please refer to the Division's Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

B. Benefits

SHBP provides medical and prescription drug to retirees and their covered dependents of the employers. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of services credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 13. OTHER POST-RETIREMENT BENEFITS (continued)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2020, the Authority reported a liability of \$8,258,107, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and rolled forward to June 30, 2020.

For the year ended December 31, 2020, the Authority recognized an OPEB benefit of \$263,703. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|---|---|--|
| Changes of Assumptions | \$ 1,236,499 | \$ 1,838,477 |
| Changes in Proportion | 611,741 | 2,205,327 |
| Differences between expected and actual experience | 217,749 | 1,539,490 |
| Net differences between projected and actual investment earnings on OPEB plan investments | 5,250 | - |
| Contributions paid subsequent to the measurement date | <u>328,239</u> | <u>-</u> |
| Total | <u>\$ 2,399,478</u> | <u>\$ 5,583,294</u> |

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

| | <u>Amount</u> |
|--------------------------|-----------------------|
| Year ending December 31: | |
| 2021 | \$ (737,506) |
| 2022 | (738,175) |
| 2023 | (739,256) |
| 2024 | (740,243) |
| 2025 | (504,752) |
| Thereafter | <u>276,116</u> |
| | <u>\$ (3,183,816)</u> |

D. Actuarial Assumptions

The total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions:

| | |
|-------------------|--|
| Inflation Rate | 2.50% |
| Salary increases: | |
| Through 2026 | 2.00 to 6.00% based on years of service |
| Thereafter | 3.00 to 7.00% based on years of service |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 13. OTHER POST-RETIREMENT BENEFITS (continued)

D. Actuarial Assumptions (continued)

Mortality rates were based on the Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using the MP-2019 scale.

Certain actuarial assumptions used in the July 1, 2019 valuation were based on the results of the pension plans' experience studies prepared for July 1, 2013 to June 30, 2018. 100% of active members are considered to participate in the Plan upon retirement.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 2.21% as of June 30, 2020. This represents the municipal bond return rate chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

F. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 2.21%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate.

| | 1% Decrease <u>(1.21%)</u> | Discount Rate <u>(2.21%)</u> | 1% Increase <u>(3.21%)</u> |
|--|-------------------------------|---------------------------------|-------------------------------|
| Authority's proportionate share of the net OPEB liability | \$ <u>9,773,467</u> | \$ <u>8,258,107</u> | \$ <u>7,074,686</u> |

G. Healthcare Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% 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 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7% and decreases to a 4.5% long-term trend rate after seven years.

H. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the healthcare trend rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
|--|---------------------|-------------------------------|----------------------|
| Authority's proportionate share of the net OPEB liability | \$ <u>6,841,040</u> | \$ <u>8,258,107</u> | \$ <u>10,134,562</u> |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 14. HUD OFFICE OF INSPECTOR GENERAL AUDIT

In 2006, HUD's Office of Inspector General ("OIG") concluded an audit of the Authority's operations. Results of the audit, which impacted the financial statements of the Authority, are as follows:

- 1) The OIG found that the Authority made an ineligible transfer of funds in the amount of \$1,000,000 from the Section 8 Program to the Low Rent Public Housing Program in fiscal year 2002. Accordingly, the 2005 financial statements and supplemental information reflect a \$1,000,000 equity transfer from the Low Rent Public Housing Program to the Section 8 Program in order to repay Section 8 program funds.
- 2) As a result of finding #1 above and according to Section 8 Program regulations, \$590,042 was not available for recapture by HUD. Therefore OIG has determined that this amount is owed back to HUD. The Authority has committed to repay HUD \$19,668 per annum, through 2036 from the Housing Choice Vouchers Program. As of December 31, 2020, \$314,689 remains payable, of which \$19,668 is due currently.
- 3) The OIG also found that in fiscal year 2005, the Authority made an ineligible transfer of Capital Funds to the Section 8 Program. As a result, \$401,046 is owed back to the Capital Fund Program from the Section 8 Program. The Authority has agreed to charge \$13,368 per annum through 2036, to the Section 8 Housing Choice Vouchers Program for protective services. Protective service expenses are normally funded by the Capital Fund Program. Included in protective services expense in 2020 is \$13,368 for this transaction.

NOTE 15. RESTRICTED NET POSITION

Restricted net position consists of the following at December 31, 2020:

| <u>Description</u> | <u>Primary Government</u> | <u>Discretely Presented Component Unit</u> | <u>Total Reporting Entity</u> |
|-------------------------------------|-------------------------------|--|---------------------------------------|
| Housing assistance payments reserve | \$ 607,072 | \$ - | \$ 607,072 |
| Replacement reserves | 1,478,747 | 263,781 | 1,742,528 |
| Other reserves | <u>48,702</u> | <u>93,790</u> | <u>142,492</u> |
| | <u>\$ 2,134,521</u> | <u>\$ 357,571</u> | <u>\$ 2,492,092</u> |

Housing assistance payment reserves are restricted for use in the Housing Choice Vouchers program for tenant rents.

Replacement and other reserves are restricted for use within their respective project for operating expenses and the replacement and rehabilitation of property and equipment.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 16. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD.

As of December 31, 2020, the Authority estimates that no material liabilities will result from such audits.

Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on the Authority's operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority's tenants, all of which are uncertain and cannot be predicted. The Authority's future results could be adversely impacted by delays in rent collections, portability payments from certain PHA's as well as grant reimbursements. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

NOTE 17. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the previous three years.

The Authority has also purchased flood insurance from a commercial carrier for certain properties included in flood zones.

NOTE 18. SUBSEQUENT EVENTS

Events that occur after the financial statement 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 financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through March 9, 2022 (the date 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.

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

To the Board of Commissioners
Housing Authority of the City of Passaic:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business type activities (primary government) and the discretely presented component unit of the Housing Authority of the City of Passaic (the "Authority") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated March 9, 2022. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of noncompliance associated with the discretely presented component unit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Novogardac & Company LLP

March 9, 2022
Toms River, New Jersey

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND THE
STATE OF NEW JERSEY OMB CIRCULAR 15-08**

To the Board of Commissioners
Housing Authority of the City of Passaic:

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Passaic (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of New Jersey OMB Circular that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program 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) and the State of New Jersey OMB Circular 15-08. 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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Authority 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.

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

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

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.

Novogradec & Company LLP

March 9, 2022
Toms River, New Jersey

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| <u>Federal Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State Pass-through Number</u> | <u>Grant Period From / To</u> | | <u>Grant Award</u> | <u>Fiscal Year Expenditures</u> | <u>Cumulative Expenditures</u> |
|--|------------------------------------|--|-----------------------------------|----------|------------------------|-------------------------------------|------------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | | | | |
| Public and Indian Housing Program | 14.850 | N/A | 1/1/20 | 12/31/20 | \$ 1,628,019 | \$ 1,628,019 | \$ 1,628,019 |
| Public and Indian Housing Program - CARES Act | 14.PHC | N/A | 1/1/20 | 12/31/20 | 112,444 | 112,444 | 112,444 |
| Housing Voucher Cluster | | | | | | | |
| Section 8 Housing Choice Vouchers Program | 14.871 | N/A | 1/1/20 | 12/31/20 | <u>18,439,233</u> | <u>18,439,233</u> | <u>18,439,233</u> |
| Section 8 Housing Choice Vouchers Program - CARES Act | 14.HCC | N/A | 1/1/20 | 12/31/20 | <u>60,240</u> | <u>60,240</u> | <u>60,240</u> |
| Total Housing Voucher Cluster | | | | | 18,499,473 | 18,499,473 | 18,499,473 |
| Public Housing Capital Fund Program | 14.872 | N/A | 8/16/17 | 9/25/25 | <u>4,279,940</u> | <u>913,096</u> | <u>2,776,083</u> |
| Total expenditures of federal awards | | | | | <u>\$ 24,519,876</u> | <u>\$ 21,153,032</u> | <u>\$ 23,016,019</u> |

See accompanying notes to the Schedule of Expenditures of Federal Awards

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Housing Authority of the City of Passaic under programs of the federal government for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of New Jersey OMB Circular 15-08. Because the Schedule presents only a selected portion of operations of the Housing Authority of the City of Passaic, it is not intended to and does not present the financial position, changes in net position or cash flows of the Housing Authority of the City of Passaic. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 4. SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

The total amounts of Capital Fund Program Costs and Advances incurred and earned by the Housing Authority of the City of Passaic as of and for the year ended December 31, 2020 are provided herein.

| | <u>501-17</u> | <u>501-18</u> | <u>501-19</u> | <u>501-20</u> | <u>Totals</u> |
|-------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Budget | \$ <u>997,261</u> | \$ <u>1,031,912</u> | \$ <u>1,084,518</u> | \$ <u>1,166,249</u> | \$ <u>4,279,940</u> |
| <u>Advances:</u> | | | | | |
| Cumulative through 1/1/2020 | \$ 991,234 | \$ 564,323 | \$ 328,295 | \$ - | \$1,883,852 |
| Current year | <u>6,027</u> | <u>467,589</u> | <u>74,768</u> | <u>349,920</u> | <u>898,304</u> |
| Cumulative through 12/31/2020 | <u>997,261</u> | <u>1,031,912</u> | <u>403,063</u> | <u>349,920</u> | <u>2,782,156</u> |
| <u>Costs:</u> | | | | | |
| Cumulative through 1/1/2020 | 991,234 | 564,323 | 328,295 | - | 1,883,852 |
| Current year | <u>6,027</u> | <u>467,589</u> | <u>74,768</u> | <u>364,712</u> | <u>913,096</u> |
| Cumulative through 12/31/2020 | <u>997,261</u> | <u>1,031,912</u> | <u>403,063</u> | <u>364,712</u> | <u>2,796,948</u> |
| Excess / (Deficiency) | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>(14,792)</u> | \$ <u>(14,792)</u> |

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

I. Summary of Auditors' Results

Financial Statements

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards

- | | | |
|----|--|---------------|
| 1. | Internal control over compliance: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | None reported |
| 2. | Type of auditors' report on compliance for major programs: | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

4. Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|---|
| 14.871 | Housing Voucher Cluster: |
| 14.HCC | Section 8 Housing Choice Vouchers |
| | Section 8 Housing Choice Vouchers - CARES Act |
| 14.850 | Public and Indian Housing Program |
| 14.PHC | Public and Indian Housing Program - CARES Act |

- | | | |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 6. | Auditee qualified as low-risk Auditee? | No |

HOUSING AUTHORITY OF THE CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
DECEMBER 31, 2020

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Federal Award Findings and Questioned Costs

There were no findings or questions costs relating to federal awards.

IV. Summary of Prior Audit Findings

None reported.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
REQUIRED PENSION INFORMATION
DECEMBER 31, 2020**

SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS***

| | December 31, <u>2014</u> | December 31, <u>2015</u> | December 31, <u>2016</u> | December 31, <u>2017</u> | December 31, <u>2018</u> | December 31, <u>2019</u> | December 31, <u>2020</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Contractually required contribution | \$ 209,330 | \$ 235,457 | \$ 239,269 | \$ 249,055 | \$ 279,394 | \$ 224,985 | \$ 235,362 |
| Contributions in relation to the contractually required contribution | <u>209,330</u> | <u>235,457</u> | <u>239,269</u> | <u>249,055</u> | <u>279,394</u> | <u>224,985</u> | <u>235,362</u> |
| (Over) / under funded | <u>\$ -</u> |
| Authority's covered-employee payroll | <u>\$ 2,568,176</u> | <u>\$ 2,339,335</u> | <u>\$ 2,517,314</u> | <u>\$ 2,328,756</u> | <u>\$ 2,527,402</u> | <u>\$ 2,248,096</u> | <u>\$ 2,066,832</u> |
| Contributions as a percentage of covered employee payroll | <u>8.15 %</u> | <u>10.07 %</u> | <u>9.50 %</u> | <u>10.69 %</u> | <u>11.05 %</u> | <u>10.01 %</u> | <u>11.39 %</u> |

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY FOR THE LAST TEN FISCAL YEARS***

| | December 31, <u>2014</u> | December 31, <u>2015</u> | December 31, <u>2016</u> | December 31, <u>2017</u> | December 31, <u>2018</u> | December 31, <u>2019</u> | December 31, <u>2020</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Authority's proportion of the net pension liability | <u>0.0286 %</u> | <u>0.0289 %</u> | <u>0.0269 %</u> | <u>0.0269 %</u> | <u>0.0281 %</u> | <u>0.0231 %</u> | <u>0.0215 %</u> |
| Authority's proportionate share of the net pension liability | <u>\$ 5,347,497</u> | <u>\$ 6,480,460</u> | <u>\$ 7,976,785</u> | <u>\$ 6,258,252</u> | <u>\$ 5,530,568</u> | <u>\$ 4,167,642</u> | <u>\$ 3,508,515</u> |
| Authority's covered-employee payroll | <u>\$ 2,568,176</u> | <u>\$ 2,339,335</u> | <u>\$ 2,517,314</u> | <u>\$ 2,328,756</u> | <u>\$ 2,527,402</u> | <u>\$ 2,248,096</u> | <u>\$ 2,066,832</u> |
| Authority's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | <u>208.22 %</u> | <u>277.02 %</u> | <u>316.88 %</u> | <u>268.74 %</u> | <u>218.82 %</u> | <u>185.39 %</u> | <u>169.75 %</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>52.08 %</u> | <u>47.93 %</u> | <u>43.35 %</u> | <u>48.10 %</u> | <u>53.60 %</u> | <u>56.30 %</u> | <u>42.51 %</u> |

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
DECEMBER 31, 2020**

SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS***

| | December 31, <u>2017</u> | December 31, <u>2018</u> | December 31, <u>2019</u> | December 31, <u>2020</u> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Statutorily required contribution | \$ 910,208 | \$ 815,308 | \$ 472,348 | \$ 263,703 |
| Contributions in relation to the statutorily required contribution | <u>910,208</u> | <u>815,308</u> | <u>472,348</u> | <u>263,703</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's covered-employee payroll | <u>\$ 2,328,756</u> | <u>\$ 2,527,402</u> | <u>\$ 2,248,096</u> | <u>\$ 2,066,832</u> |
| Contributions as a percentage of covered- employee payroll | <u>39.09 %</u> | <u>32.26 %</u> | <u>21.01 %</u> | <u>12.76 %</u> |

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE CITY OF PASSAIC
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
DECEMBER 31, 2020**

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET OPEB LIABILITY FOR THE LAST TEN FISCAL YEARS***

| | December 31, <u>2017</u> | December 31, <u>2018</u> | December 31, <u>2019</u> | December 31, <u>2020</u> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Authority's proportion of the net OPEB liability | <u>0.0543</u> % | <u>0.0492</u> % | <u>0.0429</u> % | <u>0.0461</u> % |
| Authority's proportionate share of the net OPEB liability | \$ <u>11,091,694</u> | \$ <u>7,715,026</u> | \$ <u>5,814,245</u> | \$ <u>8,258,107</u> |
| Authority's covered-employee payroll | \$ <u>2,328,756</u> | \$ <u>2,527,402</u> | \$ <u>2,248,096</u> | \$ <u>2,066,832</u> |
| Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | <u>476.29</u> % | <u>305.26</u> % | <u>258.63</u> % | <u>399.55</u> % |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>1.03</u> % | <u>1.97</u> % | <u>1.98</u> % | <u>0.92</u> % |

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

Passaic Housing Authority

NJ013

Financial Data Schedule (FDS)

December 31, 2020

| Line Item # | Account Description | PROJECTS | 14.871 HOUSING CHOICE VOUCHERS | 6.1 COMPONENT UNIT DISCRETELY PRESENTED | BUSINESS ACTIVITIES | 14.PHC Public Housing CARES Act Funding | 14.HCC HCV CARES Act Funding | CENTRAL OFFICE COST CENTER | ELIMINATION | TOTAL |
|---------------------------------|---|------------------|--------------------------------|---|----------------------|---|------------------------------|----------------------------|-------------|----------------------|
| ASSETS: | | | | | | | | | | |
| CURRENT ASSETS: | | | | | | | | | | |
| Cash: | | | | | | | | | | |
| 111 | Cash - unrestricted | \$ 2,966,155 | \$ 4,153,932 | \$ 41,681 | \$ 1,263,631 | \$ - | \$ - | \$ 2,560,290 | \$ - | \$ 10,985,689 |
| 112 | Cash - restricted - modernization and development | - | - | - | 1,527,449 | - | - | - | - | 1,527,449 |
| 113 | Cash - other restricted | - | 607,072 | 357,571 | - | - | 768,948 | - | - | 1,733,591 |
| 114 | Cash - tenant security deposits | 130,141 | - | 36,745 | 76,527 | - | - | - | - | 243,413 |
| 115 | Cash - restricted for payment of current liabilities | - | - | - | - | - | - | - | - | - |
| 100 | Total cash | 3,096,296 | 4,761,004 | 435,997 | 2,867,607 | - | 768,948 | 2,560,290 | - | 14,490,142 |
| Accounts and notes receivables: | | | | | | | | | | |
| 121 | Accounts receivable - PHA projects | - | - | - | - | - | - | - | - | - |
| 122 | Accounts receivable - HUD other projects | 14,792 | - | - | - | 110 | - | - | - | 14,902 |
| 124 | Accounts receivable - other government | - | - | - | - | - | - | - | - | - |
| 125 | Accounts receivable - miscellaneous | - | - | - | - | - | - | 1,020,011 | - | 1,020,011 |
| 126 | Accounts receivable- tenants | 137,883 | - | 668 | 65,394 | - | - | - | - | 203,945 |
| 126.1 | Allowance for doubtful accounts - tenants | (195,501) | - | (534) | (52,315) | - | - | - | - | (248,350) |
| 126.2 | Allowance for doubtful accounts - other | - | - | - | - | - | - | (500,000) | - | (500,000) |
| 127 | Notes, loans, & mortgages receivable- current | - | - | - | - | - | - | 10,559 | - | 10,559 |
| 128 | Fraud recovery | 83,808 | - | - | - | - | - | - | - | 83,808 |
| 128.1 | Allowance for doubtful accounts - fraud | - | - | - | - | - | - | - | - | - |
| 129 | Accrued interest receivable | - | - | - | - | - | - | - | - | - |
| 120 | Total receivables, net of allowances for doubtful accounts | 40,982 | - | 134 | 13,079 | 110 | - | 530,570 | - | 584,875 |
| Current investments | | | | | | | | | | |
| 131 | Investments - unrestricted | - | - | - | - | - | - | - | - | - |
| 132 | Investments - restricted | - | - | - | - | - | - | - | - | - |
| 135 | Investments - restricted for payment of current liability | - | - | - | - | - | - | - | - | - |
| 142 | Prepaid expenses and other assets | - | - | 18,450 | 16,099 | - | - | 310,123 | - | 344,672 |
| 143 | Inventories | - | - | - | - | - | - | - | - | - |
| 143.1 | Allowance for obsolete inventories | - | - | - | - | - | - | - | - | - |
| 144 | Interprogram - due from | - | - | - | - | - | - | - | - | - |
| 145 | Assets held for sale | - | - | - | - | - | - | - | - | - |
| 150 | TOTAL CURRENT ASSETS | 3,137,278 | 4,761,004 | 454,581 | 2,896,785 | 110 | 768,948 | 3,400,983 | - | 15,419,689 |
| NONCURRENT ASSETS: | | | | | | | | | | |
| Fixed assets: | | | | | | | | | | |
| 161 | Land | 805,922 | - | - | 1,140,429 | - | - | - | - | 1,946,351 |
| 162 | Buildings | 33,873,044 | - | 16,420,474 | 21,686,257 | - | - | - | - | 71,979,775 |
| 163 | Furniture, equipment & machinery - dwellings | 383,107 | - | 140,431 | 100,798 | - | - | - | - | 624,336 |
| 164 | Furniture, equipment & machinery - administration | 734,457 | 228,019 | 2,450 | 339,301 | - | - | 382,768 | - | 1,686,995 |
| 165 | Leasehold improvements | 1,262,416 | - | - | 1,305,385 | - | - | - | - | 2,567,801 |
| 166 | Accumulated depreciation | (34,658,866) | (112,803) | (1,922,466) | (21,044,640) | - | - | (382,768) | - | (58,121,543) |
| 167 | Construction in Progress | 1,169,959 | - | - | 270,115 | - | - | - | - | 1,440,074 |
| 168 | Infrastructure | - | - | - | - | - | - | - | - | - |
| 160 | Total fixed assets, net of accumulated depreciation | 3,570,039 | 115,216 | 14,640,889 | 3,797,645 | - | - | - | - | 22,123,789 |
| Other non-current assets: | | | | | | | | | | |
| 171 | Notes, loans and mortgages receivable - non-current | - | - | - | 8,280,505 | - | - | 32,995 | - | 8,313,500 |
| 172 | Notes, loans and mortgages receivable-non-current - past due | - | - | - | - | - | - | - | - | - |
| 173 | Grants receivable - non-current | - | - | - | - | - | - | - | - | - |
| 174 | Other assets | - | - | 92,072 | - | - | - | - | - | 92,072 |
| 176 | Investment in joint ventures | - | - | - | - | - | - | - | - | - |
| 180 | TOTAL NONCURRENT ASSETS | 3,570,039 | 115,216 | 14,732,961 | 12,078,150 | - | - | 32,995 | - | 30,529,361 |
| 200 | Deferred Outflow of Resources | 753,409 | 783,827 | - | 431,520 | - | - | 855,262 | - | 2,824,018 |
| 190 | TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES | 7,460,726 | \$ 5,660,047 | \$ 15,187,542 | \$ 15,406,455 | \$ 110 | \$ 768,948 | \$ 4,289,240 | \$ - | \$ 48,773,068 |

| Passaic Housing Authority | | | | | | | | | | |
|-------------------------------|--|------------------|--------------------------------|---|----------------------|---|------------------------------|----------------------------|-------------|----------------------|
| NJ013 | | | | | | | | | | |
| Financial Data Schedule (FDS) | | | | | | | | | | |
| December 31, 2020 | | | | | | | | | | |
| Line Item # | Account Description | PROJECTS | 14.871 HOUSING CHOICE VOUCHERS | 6.1 COMPONENT UNIT DISCRETELY PRESENTED | BUSINESS ACTIVITIES | 14.PHC Public Housing CARES Act Funding | 14.HCC HCV CARES Act Funding | CENTRAL OFFICE COST CENTER | ELIMINATION | TOTAL |
| | LIABILITIES AND EQUITY: | | | | | | | | | |
| | Liabilities: | | | | | | | | | |
| | Current Liabilities: | | | | | | | | | |
| 311 | Bank overdraft | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 312 | Accounts payable ≤ 90 days | 21,606 | 140,463 | 12,104 | 72,169 | 110 | - | 2,369 | - | 248,821 |
| 313 | Accounts payable > 90 days past due | - | - | - | - | - | - | - | - | - |
| 321 | Accrued wage/payroll taxes payable | 14,084 | 6,488 | 4,154 | 4,517 | - | - | 11,493 | - | 40,736 |
| 322 | Accrued compensated absences - current portion | 14,509 | 8,147 | - | 3,340 | - | - | 29,449 | - | 55,445 |
| 324 | Accrued contingency liability | - | - | - | - | - | - | - | - | - |
| 325 | Accrued interest payable | - | - | 1,282,444 | - | - | - | - | - | 1,282,444 |
| 331 | Accounts payable - HUD PHA programs | - | - | - | - | - | - | - | - | - |
| 332 | Accounts payable - PHA projects | - | - | - | - | - | - | - | - | - |
| 333 | Accounts payable - other government | 89,546 | - | 18,429 | 78,112 | - | - | - | - | 186,087 |
| 341 | Tenant security deposits | 130,141 | - | 36,745 | 76,527 | - | - | - | - | 243,413 |
| 342 | Unearned revenue | 14,456 | - | 2,256 | 11,708 | - | 768,948 | - | - | 797,368 |
| 343 | Current portion of L-T debt - capital projects | - | - | 23,403 | 44,476 | - | - | - | - | 67,879 |
| 344 | Current portion of L-T debt - operating borrowings | - | - | - | - | - | - | - | - | - |
| 345 | Other current liabilities | 46,462 | 19,668 | 1,303,624 | - | - | - | - | - | 1,369,754 |
| 346 | Accrued liabilities - other | - | - | 872,415 | 20,053 | - | - | - | - | 892,468 |
| 347 | Interprogram - due to | - | - | - | - | - | - | - | - | - |
| 310 | TOTAL CURRENT LIABILITIES | 330,804 | 174,766 | 3,555,574 | 310,902 | 110 | 768,948 | 43,311 | - | 5,184,415 |
| | NONCURRENT LIABILITIES: | | | | | | | | | |
| 351 | Long-term debt, net of current - capital projects/mortgage | - | - | 10,289,201 | 1,892,517 | - | - | - | - | 12,181,718 |
| 352 | Long-term debt, net of current - operating borrowings | - | - | - | - | - | - | - | - | - |
| 353 | Non-current liabilities- other | - | 295,021 | - | - | - | - | - | - | 295,021 |
| 354 | Accrued compensated absences - noncurrent | 108,269 | 121,103 | - | 9,172 | - | - | 235,252 | - | 473,796 |
| 355 | Loan Liability - Non Current | - | - | - | - | - | - | - | - | - |
| 356 | FASB 5 Liabilities | - | - | - | - | - | - | - | - | - |
| 357 | Accrued pension and OPEB liabilities | 4,889,818 | 1,882,533 | - | 2,337,859 | - | - | 2,656,412 | - | 11,766,622 |
| 350 | TOTAL NONCURRENT LIABILITIES | 4,998,087 | 2,298,657 | 10,289,201 | 4,239,548 | - | - | 2,891,664 | - | 24,717,157 |
| 300 | TOTAL LIABILITIES | 5,328,891 | 2,473,423 | 13,844,775 | 4,550,450 | 110 | 768,948 | 2,934,975 | - | 29,901,572 |
| 400 | Deferred Inflow of Resources | 3,127,616 | 1,797,099 | - | 1,269,727 | - | - | 1,897,740 | - | 8,092,182 |
| | EQUITY: | | | | | | | | | |
| 508.4 | Net Investment in Capital Assets | 3,570,039 | 115,216 | 4,328,285 | 1,860,652 | - | - | - | - | 9,874,192 |
| 511.4 | Restricted Net Position | - | 607,072 | 357,571 | 1,527,449 | - | - | - | - | 2,492,092 |
| 512.4 | Unrestricted Net Position | (4,565,820) | 667,237 | (3,343,089) | 6,198,177 | - | - | (543,475) | - | (1,586,970) |
| 513 | TOTAL EQUITY | (995,781) | 1,389,525 | 1,342,767 | 9,586,278 | - | - | (543,475) | - | 10,779,314 |
| 600 | TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY | 7,460,726 | \$ 5,660,047 | \$ 15,187,542 | \$ 15,406,455 | \$ 110 | \$ 768,948 | \$ 4,289,240 | \$ - | \$ 48,773,068 |
| | Proof of concept | - | - | - | - | - | - | - | - | - |

| Passaic Housing Authority | | | | | | | | | | | |
|-------------------------------|---|--------------|---------|--------------------------------|---|---------------------|---|------------------------------|----------------------------|--------------|--------------|
| NJ013 | | | | | | | | | | | |
| Financial Data Schedule (FDS) | | | | | | | | | | | |
| December 31, 2020 | | | | | | | | | | | |
| Line Item # | Account Description | OPERATING | CAPITAL | 14.871 HOUSING CHOICE VOUCHERS | 6.1 COMPONENT UNIT DISCRETELY PRESENTED | BUSINESS ACTIVITIES | 14.PHC Public Housing CARES Act Funding | 14.HCC HCV CARES Act Funding | CENTRAL OFFICE COST CENTER | ELIMINATION | TOTAL |
| REVENUE: | | | | | | | | | | | |
| 70300 | Net tenant rental revenue | \$ 1,976,606 | \$ - | \$ - | \$ 1,171,519 | \$ 2,138,151 | \$ - | \$ - | \$ - | \$ (932,169) | \$ 4,354,107 |
| 70400 | Tenant revenue - other | 71,252 | - | - | 9,667 | 8,826 | - | - | - | - | 89,745 |
| 70500 | Total tenant revenue | 2,047,858 | - | - | 1,181,186 | 2,146,977 | - | - | - | (932,169) | 4,443,852 |
| 70600 | HUD PHA grants | 1,628,019 | 379,342 | 18,886,181 | - | - | 112,444 | 60,240 | - | - | 21,066,226 |
| 70610 | Capital grants | - | 533,754 | - | - | - | - | - | - | - | 533,754 |
| 70710 | Management fee | - | - | - | - | - | - | - | 789,450 | (789,450) | - |
| 70720 | Asset management fee | - | - | - | - | - | - | - | 45,960 | (45,960) | - |
| 70730 | Book keeping fee | - | - | - | - | - | - | - | 208,478 | (208,478) | - |
| 70750 | Other fees | - | - | - | - | - | - | - | - | - | - |
| 70800 | Other government grants | - | - | - | - | - | - | - | - | - | - |
| 71100 | Investment income - unrestricted | 12,789 | - | 16,952 | 4,298 | 5,055 | - | - | 15,620 | - | 54,714 |
| 71200 | Mortgage interest income | - | - | - | - | - | - | - | - | - | - |
| 71300 | Proceeds from disposition of assets held for sale | - | - | - | - | - | - | - | - | - | - |
| 71301 | Cost of sale of assets | - | - | - | - | - | - | - | - | - | - |
| 71400 | Fraud recovery | 136,328 | - | 58,664 | - | 3,458 | - | - | - | - | 198,450 |
| 71500 | Other revenue | 230,286 | - | 370,322 | 164,712 | 55,024 | - | - | 442,104 | - | 1,262,448 |
| 71600 | Gain or loss on sale of fixed assets | 6,030 | - | 8,250 | - | 7,531 | - | - | - | - | 21,811 |
| 72000 | Investment income - restricted | - | - | 1,074 | 110 | - | - | - | - | - | 1,184 |
| 70000 | TOTAL REVENUE | 4,061,310 | 913,096 | 19,341,443 | 1,350,306 | 2,218,045 | 112,444 | 60,240 | 1,501,612 | (1,976,057) | 27,582,439 |
| EXPENSES: | | | | | | | | | | | |
| Administrative | | | | | | | | | | | |
| 91100 | Administrative salaries | 148,164 | - | 467,600 | 76,100 | 69,600 | - | - | 401,287 | - | 1,162,751 |
| 91200 | Auditing fees | 6,801 | - | 6,962 | 9,950 | 3,270 | - | - | 1,567 | - | 28,550 |
| 91300 | Outside management fees | 337,144 | 117,166 | 252,432 | 82,708 | 144,833 | - | - | - | (789,450) | 144,833 |
| 91310 | Book-keeping fee | 34,028 | - | 157,770 | - | 16,680 | - | - | - | (208,478) | - |
| 91400 | Advertising and marketing | - | - | - | - | 25,456 | - | - | - | - | 25,456 |
| 91500 | Employee benefit contributions- administrative | 73,127 | - | 286,948 | 17,467 | 22,958 | - | - | 177,432 | - | 577,932 |
| 91600 | Office expenses | 38,102 | 4,050 | 67,785 | 14,875 | 5,016 | - | 1,963 | 26,824 | - | 158,615 |
| 91700 | Legal expenses | 639 | - | 22,992 | 96 | 19 | - | - | 55,268 | - | 79,014 |
| 91800 | Travel | 377 | - | 3,633 | 290 | - | - | - | 1,743 | - | 6,043 |
| 91810 | Allocated overhead | 7,431 | - | - | - | - | - | - | - | - | 7,431 |
| 91900 | Other | - | - | 97,823 | 6,112 | 291,031 | - | 1,364 | 60,617 | - | 456,947 |
| 92000 | Asset Management Fee | 45,960 | - | - | - | - | - | - | - | (45,960) | - |
| Tenant services | | | | | | | | | | | |
| 92100 | Tenant services - salaries | 83,907 | - | - | - | 18,959 | - | - | - | - | 102,866 |
| 92200 | Relocation costs | - | - | - | - | - | - | - | - | - | - |
| 92300 | Employee benefit contributions- tenant services | 27,148 | - | - | - | 11,946 | - | - | - | - | 39,094 |
| 92400 | Tenant services - other | 4,683 | - | - | 561 | 15,722 | 1,096 | - | - | - | 22,062 |

| Passaic Housing Authority | | | | | | | | | | | |
|-------------------------------|---|------------------|----------------|--------------------------------|---|---------------------|---|------------------------------|----------------------------|--------------------|-------------------|
| NJ013 | | | | | | | | | | | |
| Financial Data Schedule (FDS) | | | | | | | | | | | |
| December 31, 2020 | | | | | | | | | | | |
| Line Item # | Account Description | OPERATING | CAPITAL | 14.871 HOUSING CHOICE VOUCHERS | 6.1 COMPONENT UNIT DISCRETELY PRESENTED | BUSINESS ACTIVITIES | 14.PHC Public Housing CARES Act Funding | 14.HCC HCV CARES Act Funding | CENTRAL OFFICE COST CENTER | ELIMINATION | TOTAL |
| | Utilities | | | | | | | | | | |
| 93100 | Water | 105,844 | - | - | 30,671 | 85,707 | - | - | - | - | 222,222 |
| 93200 | Electricity | 390,616 | - | - | 57,509 | 146,454 | - | - | - | - | 594,579 |
| 93300 | Gas | 233,634 | - | - | 47,608 | 67,657 | - | - | - | - | 348,899 |
| 93400 | Fuel | - | - | - | - | - | - | - | - | - | - |
| 93500 | Labor | 120,550 | - | - | 65,586 | 18,937 | - | - | - | - | 205,073 |
| 93600 | Sewer | 65,020 | - | - | 12,567 | 43,701 | - | - | - | - | 121,288 |
| 93700 | Employee benefit contributions- utilities | 58,880 | - | - | 33,873 | 21,446 | - | - | - | - | 114,199 |
| 93800 | Other utilities expense | 9,450 | - | - | 8,900 | 4,718 | - | - | - | - | 23,068 |
| | Ordinary maintenance & operation | | | | | | | | | | |
| 94100 | Ordinary maintenance and operations - labor | 508,765 | - | - | 170,481 | 220,516 | - | - | - | - | 899,762 |
| 94200 | Ordinary maintenance and operations - materials & other | 114,543 | 23,795 | - | 33,313 | 85,284 | 12,624 | 6,468 | - | - | 276,027 |
| 94300 | Ordinary maintenance and operations - contract costs | 190,664 | - | - | 107,999 | 134,373 | 54,793 | 3,410 | - | - | 491,239 |
| 94500 | Employee benefit contributions- ordinary maintenance | 282,149 | - | - | 78,151 | 125,649 | - | - | - | - | 485,949 |
| | Protective services | | | | | | | | | | |
| 95100 | Protective services - labor | 7,668 | - | - | 20,946 | 879 | - | - | - | - | 29,493 |
| 95200 | Protective services- other contract costs | 217,176 | - | 13,368 | 52,171 | 62,313 | 43,931 | 24,830 | - | - | 413,789 |
| 95300 | Protective services - other | - | - | - | - | - | - | - | - | - | - |
| 95500 | Employee benefit contributions- protective services | 5,407 | - | - | 2,405 | 1,355 | - | - | - | - | 9,167 |
| | General expenses | | | | | | | | | | |
| 96100 | Insurance premiums | 275,212 | - | 21,340 | 160,778 | 160,006 | - | - | 27,430 | - | 644,766 |
| 96200 | Other general expenses | - | - | 40,396 | 42,102 | - | - | - | - | - | 82,498 |
| 96210 | Compensated absences | (14,509) | - | 8,147 | - | 3,340 | - | - | 29,449 | - | 26,427 |
| 96300 | Payments in lieu of taxes | 89,546 | - | - | 18,429 | 78,112 | - | - | - | - | 186,087 |
| 96400 | Bad debt - tenant rents | 152,729 | - | - | 124 | 38,057 | - | - | - | - | 190,910 |
| 96500 | Bad debt- mortgages | - | - | - | - | - | - | - | - | - | - |
| 96600 | Bad debt - other | - | - | - | - | - | - | - | 500,000 | - | 500,000 |
| 96700 | Interest expense | - | - | - | - | - | - | - | - | - | - |
| 96710 | Interest of Mortgage (or Bonds) Payable | - | - | - | 347,436 | - | - | - | - | - | 347,436 |
| 96720 | Interest of Notes Payablr (Short and Long Term) | - | - | - | - | 68,867 | - | - | - | - | 68,867 |
| 96730 | Amortization of Bond Issue Costs | - | - | - | 8,108 | - | - | - | - | - | 8,108 |
| 96800 | Severance expense | - | - | - | - | - | - | - | - | - | - |
| 96900 | TOTAL OPERATING EXPENSES | 3,620,855 | 145,011 | 1,447,196 | 1,507,316 | 1,992,861 | 112,444 | 38,035 | 1,281,617 | (1,043,888) | 9,101,447 |
| 97000 | EXCESS OPERATING REVENUE OVER OPERATING EXPENSES | 440,455 | 768,085 | 17,894,247 | (157,010) | 225,184 | - | 22,205 | 219,995 | (932,169) | 18,480,992 |
| 97100 | Extraordinary maintenance | - | - | - | - | - | - | - | - | - | - |
| 97200 | Casualty losses - non capitalized | - | - | - | - | - | - | - | - | - | - |
| 97300 | Housing assistance payments | - | - | 16,980,463 | - | - | - | - | - | (932,169) | 16,048,294 |
| 97350 | HAP Portability - in | - | - | 11,574 | - | - | - | - | - | - | 11,574 |
| 97400 | Depreciation expense | 410,326 | - | - | 434,742 | 618,914 | - | - | - | - | 1,463,982 |
| 97500 | Fraud losses | - | - | 23,117 | - | - | - | - | - | - | 23,117 |
| 97800 | Dwelling units rent expense | - | - | - | - | - | - | - | - | - | - |
| 90000 | TOTAL EXPENSES | 4,031,181 | 145,011 | 18,462,350 | 1,942,058 | 2,611,775 | 112,444 | 38,035 | 1,281,617 | (1,976,057) | 26,648,414 |

| Passaic Housing Authority | | | | | | | | | | | |
|---------------------------------------|---|--------------|-----------|--------------------------------|---|---------------------|---|------------------------------|----------------------------|-------------|---------------|
| NJ013 | | | | | | | | | | | |
| Financial Data Schedule (FDS) | | | | | | | | | | | |
| December 31, 2020 | | | | | | | | | | | |
| Line Item # | Account Description | OPERATING | CAPITAL | 14.871 HOUSING CHOICE VOUCHERS | 6.1 COMPONENT UNIT DISCRETELY PRESENTED | BUSINESS ACTIVITIES | 14.PHC Public Housing CARES Act Funding | 14.HCC HCV CARES Act Funding | CENTRAL OFFICE COST CENTER | ELIMINATION | TOTAL |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | |
| 10010 | Operating transfers in | 234,331 | - | 22,205 | - | - | - | - | - | (256,536) | - |
| 10020 | Operating transfers out | - | (234,331) | - | - | - | - | (22,205) | - | 256,536 | - |
| 10030 | Operating transfers from/to primary government | - | - | - | - | - | - | - | - | - | - |
| 10040 | Operating transfers from/to component unit | - | - | - | - | - | - | - | - | - | - |
| 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 program and project out | - | - | - | - | - | - | - | - | - | - |
| 10100 | TOTAL OTHER FINANCING SOURCES (USES) | 234,331 | (234,331) | 22,205 | - | - | - | (22,205) | - | - | - |
| 10000 | EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | 264,460 | 533,754 | 901,298 | (591,752) | (393,730) | - | - | 219,995 | - | 934,025 |
| MEMO ACCOUNT INFORMATION: | | | | | | | | | | | |
| 11020 | Required annual debt principal payments | - | - | - | - | - | - | - | - | - | - |
| 11030 | Beginning equity | (1,793,995) | - | 488,227 | 1,934,519 | 9,980,008 | - | - | (763,470) | - | 9,845,289 |
| 11040 | Prior period adjustments and equity transfers | - | - | - | - | - | - | - | - | - | - |
| 11170 | Administrative fee equity | - | - | 424,516 | - | - | - | - | - | - | 424,516 |
| 11180 | Housing assistance payments equity | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | 424,516 |
| 11190 | Unit months available | 4,596 | - | 25,728 | 1,560 | 2,232 | - | - | - | - | 34,116 |
| 11210 | Number of unit months leased | 4,537 | - | 21,036 | 1,539 | 2,224 | - | - | - | - | 29,336 |
| Equity Roll Forward Test: | | | | | | | | | | | |
| | Calculation from R/E Statement | \$ (995,781) | \$ - | \$ 1,389,525 | \$ 1,342,767 | \$ 9,586,278 | \$ - | \$ - | \$ (543,475) | \$ - | \$ 10,779,314 |
| | B/S Line 513 | (995,781) | - | 1,389,525 | 1,342,767 | 9,586,278 | - | - | (543,475) | - | 10,779,314 |
| | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |