

**Report On Audit**

**HOUSING AUTHORITY OF THE  
CITY OF SALEM**

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

**Housing Authority of the City of Salem**  
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### **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of Salem  
205 Seventh Street  
Salem, New Jersey 08079

#### **Report on the Financial Statements**

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

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the City of Salem'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 Housing Authority of the City of Salem'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 respective financial position of the Housing Authority of the City of Salem as of September 30, 2020, and the respective changes in financial position, and cash flows thereof 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 and OPEB and PERS supplemental information on pages 4 through 17 and pages 59-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the City of Salem. The accompanying supplemental information on pages 64-73 is presented for additional analysis and is not required part of the basic financial statements.

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

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued reports dated July 16, 2021 on our consideration of the Housing Authority of the City of Salem's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

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

**Hymanson, Parnes & Giampaolo**

Lincroft, New Jersey

Date: July 16, 2021

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

As Management of the Housing Authority of the City of Salem (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 18 of this report. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**FINANCIAL HIGHLIGHTS**

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,489,477 an increase in the financial position of \$237,832 or 19% as compared to the prior year.

As noted above, the net position of the Authority was \$1,489,477 as of September 30, 2020. Of this amount, the unrestricted net position is negative (\$996,489) representing a decrease in the deficit of \$80,482 or 7% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 20 the financial statements, which is included in this report.

The net investment in capital assets increased \$155,518 or 7% percent for an ending balance of \$2,473,223.

The restricted net position increased \$1,832 or 17% percent from the prior year for and ending balance of \$12,743. Additional information on the Authority's restricted net position can be found in Notes 19 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at September 30, 2020 is \$477,540 representing an increase of \$38,291 or 9% percent from the prior fiscal year. Total restricted deposits and funded reserves increased \$8,148 or 27% percent for an ending balance of \$38,452. The full detail of this amount can be found in the Statement of Cash Flows on pages 21-22 of this report.

The Authority's total assets and deferred outflows are \$4,022,286 of which capital assets net book value is \$3,043,223; deferred outflow amount is \$333,201, and restricted deposits and funded reserves \$38,452 leaving total current assets at \$607,410. Total current assets increased from the previous year by \$48,046 or 9% percent.

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

**FINANCIAL HIGHLIGHTS - CONTINUED**

Unrestricted cash and cash equivalents increased by \$38,291, accounts receivables increased by \$3,989 and prepaid expenses increased by \$5,766.

Total restricted deposits and funded reserves increased \$8,148 for an ending balance of \$30,304.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$65,518 or 2% percent. The major factors that contributed for the increase was the purchase of fixed assets in the amount of \$440,909, less the recording of depreciation expense in the amount of \$375,391. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported no change in the deferred outflow for the pension cost in the amount of \$-0- for an ending balance of \$333,201. The Authority reported no change in the deferred inflow for the pension cost in the amount of \$-0- for an ending balance of \$731,452. The State pension and OPEB report for June 2020 was not available at the time of this report. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$1,801,357 of which noncurrent liabilities are stated at \$1,551,714. Total liabilities decreased during the year as compared to the prior year in the amount of \$116,120 or 6% percent. Total current liabilities decreased during the year by \$18,423, leaving non-current liabilities for a decrease of \$97,697 as compared to the previous fiscal year.

Total current liabilities decreased from the previous year by \$18,423 or 7% percent. Accounts payables decreased by \$926, accrued liabilities decreased by \$30,682, tenant security deposit payable decreased by \$3,099, unearned revenue increased \$11,284, and bonds payable current portion increased \$5,000.

Total noncurrent liabilities decreased by \$97,697 or 6% percent. Bonds payable – noncurrent decreased in the amount of \$95,000, long-term obligations for compensated absences decreased in the amount of \$2,697 for an ending balance of \$24,841.

Accrued pension and OPEB liabilities increased \$-0- or 0% percent for an ending balance of \$1,051,873. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at September 30, 2020 can be found in Notes 16-17 to the financial statements, which is included in this report.

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

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority had total operating revenue of \$2,259,799 as compared to \$2,202,891 from the prior year for an increase of \$56,908 or 3% percent. The Authority had total operating expenses of \$2,414,793 as compared to \$2,252,726 from the previous year for an increase of \$162,067 or 7% percent, resulting in a deficiency of revenue from operations in the amount of \$154,994 for the current year as compared to a deficiency of revenue from operations in the amount of \$49,835 for an increase in the deficit of \$105,159 from the previous year. This was after consideration of depreciation expense.

Total capital improvements contributions from HUD were in the amount of \$392,240 as compared to \$213,690 from the previous year for an increase of \$178,550 or 84% percent. The Authority's had capital outlays in the amount of \$440,909 as well as payments for capital bond principal which amounted to \$90,000 for the fiscal year. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$1,992,055 for the fiscal year 2020 as compared to \$1,708,971 for the previous fiscal year 2019 for an increase of \$283,084 or 17% percent.

**USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing Program
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program

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

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

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

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



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

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION – CONTINUED**

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 22.

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

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

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 58.

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

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

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION – CONTINUED**

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 64-65 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of Salem are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended September 30, 2020. Type B programs for the Housing Authority of the City of Salem are those which are less than \$750,000 in expenditures for the fiscal year ended September 30, 2020.

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

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

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

	<u>Year Ended</u>		<u>Increase</u>
	<u>September-20</u>	<u>September-19</u>	<u>(Decrease)</u>
Cash	\$ 477,540	\$ 439,249	\$ 38,291
Other Current Assets	129,870	120,115	9,755
Restricted Cash	38,452	30,304	8,148
Capital Assets - Net	3,043,223	2,977,705	65,518
Deferred Outflows	333,201	333,201	-
Total Assets	4,022,286	3,900,574	121,712
Less: Current Liabilities	(249,643)	(268,066)	18,423
Less: Non Current Liabilities	(1,551,714)	(1,649,411)	97,697
Less: Deferred Inflows	(731,452)	(731,452)	-
Net Position	\$ 1,489,477	\$ 1,251,645	\$ 237,832
<hr/>			
Net Investment in Capital Assets	\$ 2,473,223	\$ 2,317,705	\$ 155,518
Restricted Net Position	12,743	10,911	1,832
Unrestricted Net Position	(996,489)	(1,076,971)	80,482
Net Position	\$ 1,489,477	\$ 1,251,645	\$ 237,832

Total cash increased by \$38,291 or 9% percent. Net cash provided by operating activities was \$190,318, net cash used by capital and related financing activities was \$141,366, and net cash used by investing activities was \$2,513. The full detail of this amount can be found in the Statement of Cash Flows on pages 21-22 of this audit report.

Other current assets increased \$9,755. Account receivable increased \$3,989 or 6% percent and prepaid expenses increased \$5,766 or 10% percent.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$65,518 or 2% percent. The major factors that contributed for the increase was the purchase of fixed assets in the amount of \$440,909, less the recording of depreciation expense in the amount of \$375,391. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported no change in the deferred outflow for the pension cost in the amount of \$-0- for an ending balance of \$333,201. The Authority reported no change in the deferred inflow for the pension cost in the amount of \$-0- for an ending balance of \$731,452

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

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED**

Total current liabilities decreased from the previous year by \$18,423 or 7% percent. Accounts payables decreased by \$926, accrued liabilities decreased by \$30,682, tenant security deposit payable decreased by \$3,099, unearned revenue increased \$11,284, and bonds payable current portion increased \$5,000.

Total noncurrent liabilities decreased by \$97,697 or 6% percent. Bonds payable – noncurrent decreased in the amount of \$95,000, long-term obligations for compensated absences decreased in the amount of \$2,697 for an ending balance of \$24,841.

Accrued pension and OPEB liabilities increased \$-0- or 0% percent for an ending balance of \$1,051,873. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at September 30, 2020 can be found in Notes 16-17 to the financial statements, which is included in this report.

The Authority's reported net position of \$1,489,477 is made up of three categories. The net investment in capital assets in the amount of \$2,473,223 represents 166% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

The schedule below reflects the activity in the net investment in capital assets account for the current fiscal year:

Balance September 30, 2019	\$ 2,317,705
Acquisition in Fixed Assets	440,909
Depreciation Expense	(375,391)
Debt Payment	90,000
Balance September 30, 2020	<u>\$ 2,473,223</u>

The Authority reported a restricted net position of \$12,743, an increase of \$1,832 from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The account balance consists of the amount of cash that is restricted for the capital fund leveraging program. Additional information on these funds can be found in Note 4 Restricted Cash and Note 19 Restricted Net Position.

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

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The Housing Authority of the City of Salem operating results for September 30, 2020 reported a decrease in unrestricted position of \$80,482 for an ending balance of a deficit (\$996,489). A full detail of these accounts can be found in the Notes to the Financial Statements Section Note – 20 Unrestricted Net Position.

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

	<u>Year Ended</u>		<u>Increase</u>
	<u>September-20</u>	<u>September-19</u>	<u>(Decrease)</u>
<u>Revenues</u>			
Tenant Revenues	\$ 553,018	\$ 580,409	\$ (27,391)
HUD Subsidies	1,599,815	1,495,281	104,534
Other Revenues	106,966	127,201	(20,235)
Total Operating Income	2,259,799	2,202,891	56,908
<u>Expenses</u>			
Operating Expenses	2,039,402	1,887,628	151,774
Depreciation Expense	375,391	365,098	10,293
Total Operating Expenses	2,414,793	2,252,726	162,067
Operating (Loss)			
Before Capital Grants	(154,994)	(49,835)	(105,159)
Interest Income	586	689	(103)
HUD Capital Grants	392,240	213,690	178,550
Increase in Net Position	237,832	164,544	73,288
Net Position Prior Year	1,251,645	1,783,470	(531,825)
Prior Period Adjustment	-	(696,369)	696,369
Total Net Position	\$ 1,489,477	\$ 1,251,645	\$ 237,832

Approximately 71% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 24% percent resulted from tenant revenue. Charges for various services provided the remaining 5% percent of the total operating income.

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

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Total capital improvements contributions from HUD were in the amount of \$392,240 as compared to \$213,690 from the previous year for an increase of \$178,550 or 84% percent. The Authority's had capital outlays in the amount of \$440,909 as well as payments for capital bond principal which amounted to \$90,000 for the fiscal year. Excess amounts were funded from management's reserves. The current year capital additions included HVAC upgrades, apartment floor replacements, appliances replacement, and compactor upgrades.

The Authority's operating expenses cover a range of expenses. The largest expense was for utility expenses representing 23% percent of total operating expenses. Administrative expenses accounted for 16% percent, housing assistance payment expenses accounted for 13% percent, maintenance expense accounted for 23% percent, other operating expenses accounted for 8% percent, interest expense accounted for 1%, and depreciation accounted for the remaining 16% percent of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$154,944 from operations as compared to excess expenses from operations of \$49,835 for the previous year. The key elements for the decrease of \$105,159 in the deficit in comparison to the prior year are as follow:

- The Authority experienced an increase in Housing and Urban Development funded Operating Grants in the amount of \$104,534 or 7% percent
- The Authority experienced a decrease in tenant's rental income in the amount of \$27,391 or 5%
- The Authority experienced decreases in expenses as listed below:
  - Interest expense decreased \$3,828 or 11% percent
- The Authority experienced increases expenses as listed below:
  - Administrative expenses increased \$34,561 or 10% percent
  - Utilities expense increased \$48,761 or 9% percent
  - Maintenance expense increased \$47,990 or 10% percent
  - Other Operating expenses increased \$4,040 or 2% percent
  - Housing assistance payments increased \$20,250 or 7% percent
  - Depreciation expense increased \$10,293 or 3% percent

Total net cash provided by operating activities during the year was \$190,318. A full detail of these amounts can be found on the Statement of Cash Flows on pages 21-22 of this report.

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

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

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

	September-20	September-19	September-18	September-17
<b>Significant Income</b>				
Total Tenant Revenue	\$ 553,018	\$ 580,409	\$ 566,378	\$ 564,183
HUD Operating Grants	1,599,815	1,495,281	1,441,094	1,314,059
HUD Capital Grants	392,240	213,690	157,622	109,021
Investment Income	586	689	385	1,499
Other Income	106,966	127,201	88,890	59,975
Total	<u>\$ 2,652,625</u>	<u>\$ 2,417,270</u>	<u>\$ 2,254,369</u>	<u>\$ 2,048,737</u>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 74,330	\$ 72,528	\$ 45,599	\$ 33,865
Maintenance Labor	65,156	101,001	77,191	61,824
Employee Benefits Expense	90,632	149,489	71,918	50,026
Total Payroll Expense	<u>\$ 230,118</u>	<u>\$ 323,018</u>	<u>\$ 194,708</u>	<u>\$ 145,715</u>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 282,547	\$ 356,692	\$ 309,730	\$ 318,670
Utilities Expense	564,801	516,040	565,398	576,324
Maintenance Materials Cost	5,022	111,581	124,099	112,740
Maintenance Contract Cost	390,993	265,263	337,660	256,606
Insurance Premiums	163,514	152,054	134,305	109,001
Housing Assistance Payments	234,602	290,056	284,650	248,104
Total	<u>\$ 1,641,479</u>	<u>\$ 1,691,686</u>	<u>\$ 1,755,842</u>	<u>\$ 1,621,445</u>
<b>Total Operating Expenses</b>	<u>\$ 2,414,793</u>	<u>\$ 2,252,726</u>	<u>\$ 2,327,944</u>	<u>\$ 2,179,509</u>
<b>Total of Federal Awards</b>	<u>\$ 1,992,055</u>	<u>\$ 1,708,971</u>	<u>\$ 1,598,716</u>	<u>\$ 1,423,080</u>

**BUDGETARY HIGHLIGHTS**

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

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

**THE AUTHORITY AS A WHOLE**

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

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

**HOUSING AUTHORITY OF THE CITY OF SALEM PROGRAMS**

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) Housing Authority of the City of Salem flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.



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

**HOUSING AUTHORITY OF THE CITY OF SALEM PROGRAMS -CONTINUED**

PIH and Housing Choice Voucher CARES Act Programs

The CARES Act requires that recipients use of CARES grants be tied to preventing, preparing for, and responding to COVID-19, including maintaining normal operations and funding eligible affordable housing activities under NAHASDA during the period the program is impacted by COVID-19. These funds may also be used to maintain normal operations and fund eligible activities during the period that a recipient's program is impacted by COVID-19. HUD expects and encourages recipients to expend funds expeditiously given the ongoing COVID-19 National Emergency.

**NEW INITIATIVES**

For the fiscal year 2020 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 75% percent of its revenue from the Department of Housing and Urban Development, (2019 fiscal year was 71% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of Salem all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's investment in capital assets as of September 30, 2020 was \$3,043,223 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increase during the year in the Authority's investment in capital assets was \$65,518 or 2% percent. Major capital expenditures of \$440,909 were made during the year. Major capital assets events during the fiscal year included the following:

- HVAC upgrades
- Apartment floor replacements
- Appliances replacements
- Compactor upgrades

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED**

	September-20	September-19	Increase (Decrease)
Land	\$ 183,069	\$ 183,069	\$ -
Building	13,572,176	13,557,225	\$ 14,951
Furniture, Equipment - Dwelling	420,322	415,140	\$ 5,182
Furniture, Equipment - Administ	28,769	10,329	\$ 18,440
Leasehold Improvements	2,137,871	2,037,775	\$ 100,096
Construction in Process	552,820	250,580	\$ 302,240
Total Capital Assets	16,895,027	16,454,118	\$ 440,909
Less: Accumulated Depreciation	(13,851,804)	(13,476,413)	\$ (375,391)
Net Book Value	\$ 3,043,223	\$ 2,977,705	\$ 65,518

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

**2 – Debt Administration**

The Authority has participated in the New Jersey pooled leveraging program. Through this financing of majority capital projects will be completed on an expedited basis. Restricted Cash relating to the bonded debt stood at \$2,075 at the end of the fiscal year, with Capital Project Bond payable of \$570,000 in outstanding debt. A full disclosure of loan payable on September 30, 2020 can be found in Note 15 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority of the City of Salem is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2021 fiscal year have already been submitted to HUD for approval and no major changes are expected. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

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

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

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

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Converting Low Income Housing Program rental units into RAD subsidy units.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Samantha Silvers, Executive Director, Housing Authority of the City of Salem, 205 Seventh Street, Salem, New Jersey 08079, phone number (856) 935-5022.

**HOUSING AUTHORITY OF THE CITY OF SALEM**  
**STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2020**

	<u>2020</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents - Unrestricted	\$ 477,540
Accounts Receivables, Net of Allowances	69,062
Prepaid Expenses	60,808
Total Current Assets	<u>607,410</u>
<b>Restricted Deposits and Funded Reserves</b>	
Tenant Security Deposit	14,276
HAP Restricted Reserves	10,668
Capital Leveraging Projects	2,075
HCV Cares Act Reserves	11,433
Total Restricted Deposits and Funded Reserves	<u>38,452</u>
<b>Noncurrent Assets</b>	
Capital Assets	
Land	183,069
Building	13,572,176
Furniture, Equipment - Dwelling	420,322
Furniture, Equipment - Administration	28,769
Leasehold Improvements	2,137,871
Construction in Process	552,820
Total Capital Assets	<u>16,895,027</u>
Less: Accumulated Depreciation	<u>(13,851,804)</u>
Net Book Value	<u>3,043,223</u>
Total Assets	<u>3,689,085</u>
<b>Deferred Outflow of Resources</b>	
Total Deferred Outflows of Resources	<u>333,201</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 4,022,286</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SALEM**  
**STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2020**

	<u>2020</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$ 50,564
Accrued Liabilities	75,861
Tenant Security Deposit Payable	14,276
Unearned Revenue	13,942
Long Term Debt - Current	95,000
Total Current Liabilities	<u>249,643</u>
<b>Noncurrent Liabilities</b>	
Long Term Debt - Noncurrent	475,000
Accrued Compensated Absences - Long-Term	24,841
Accrued Other-Post Employment Benefits (OPEB) Liabilities	1,051,873
Total Noncurrent Liabilities	<u>1,551,714</u>
 Total Liabilities	 <u>1,801,357</u>
 <b>Deferred Inflow of Resources</b>	
Total Deferred Inflow of Resources	 <u>731,452</u>
 <b>Net Position:</b>	
Net Investment in Capital Assets	2,473,223
Restricted	12,743
Unrestricted	(996,489)
Total Net Position	<u>1,489,477</u>
 Total Liabilities, Deferred Inflow of Resources, and Net Position	 <u>\$ 4,022,286</u>

See accompanying notes to the financial statements.

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

	2020
<b>Revenue:</b>	
Tenant Rental Revenue	\$ 553,018
HUD PHA Operating Grants	1,599,815
Other Revenue	106,966
Total Revenue	<u>2,259,799</u>
<b>Operating Expenses:</b>	
Administrative Expense	391,253
Utilities Expense	564,801
Maintenance Expense	549,257
Other Operating Expenses	193,896
Interest Expense	29,889
Housing Assistance Payments	310,306
Depreciations Expense	375,391
Total Operating Expenses	<u>2,414,793</u>
Excess Expenses Over Revenue From Operations	(154,994)
<b>Non Operating Income:</b>	
Investment Income	<u>586</u>
Excess Expenses Before Capital Grant Contributions	(154,408)
Capital Grant Contributions	<u>392,240</u>
<b>Change in Net Position</b>	237,832
Beginning Net Position	1,251,645
Prior period Adjustment	-
Beginning Net Position - Restated	<u>1,251,645</u>
Ending Net Position	<u><u>\$ 1,489,477</u></u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SALEM**  
**STATEMENT OF CASH FLOWS - 1**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2020**

	2020
<b>Cash Flow From Operating Activities</b>	
Receipts from Tenants	\$ 535,244
Receipts from Federal Grants	1,617,160
Receipts from Misc. Sources	103,777
Payments to Vendors and Suppliers	(961,484)
Payment of Utilities	(564,801)
Housing Assistance Payments	(310,306)
Payments to Employees	(138,640)
Payment of Employee Benefits	(90,632)
Net Cash Provided by Operating Activities	<u>190,318</u>
<b>Cash Flow From Capital and Related Financing Activities</b>	
Receipts from Capital Grants	392,240
Acquisitions and Construction of Capital Assets	(440,909)
(Decrease) Increase in Compensated Absences - Long Term	(2,697)
Net Effect of Deferred Inflows and Outflows	-
Change in Accrued Net Pension and OPEB Liabilities	-
Prior Period Adjustments	-
Payment of Debt	(90,000)
Net Cash Used by Capital and Related Financing Activities	<u>(141,366)</u>
<b>Cash Flow From Investing Activities</b>	
Interest Income	586
Decrease of Tenant Security Deposit	(3,099)
Net Cash Used by Investing Activities	<u>(2,513)</u>
Net Increase in Cash and Cash Equivalents	46,439
<b>Beginning Cash, Cash Equivalents and Restricted Cash</b>	<u>469,553</u>
<b>Ending Cash, Cash Equivalents and Restricted Cash</b>	<u><u>\$ 515,992</u></u>
Reconciliation of Cash Balances:	
Cash and Cash Equivalents - Unrestricted	\$ 477,540
Cash and Cash Equivalents - Restricted	38,452
Total Ending Cash	<u><u>\$ 515,992</u></u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SALEM**  
**STATEMENT OF CASH FLOWS - 2**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2020**

2020

**Reconciliation of Operating Income to Net Cash**

(Used) by Operating Activities

Excess of Expenses Over Revenue

\$ (154,994)

Adjustments to reconcile excess revenue over expenses  
to net cash provided by operating activities:

Depreciation Expense

375,391

(Increase) Decrease in:

Accounts Receivables

(3,989)

Prepaid Expenses

(5,766)

Increase (Decrease) in:

Accounts Payable

(926)

Accrued Expenses

(30,682)

Unearned Revenue

11,284

Other Current Liabilities

-

Net Cash Provided By Operating Activities

\$ 190,318

Supplemental Disclosure of Cash Flow Information:

Interest Paid

\$ 29,889

See accompanying notes to the financial statements.



# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements

September 30, 2020

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

**1. Organization** - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 40A:12A-1 et al the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Salem in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

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

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of the City of Salem and City Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the City of Salem reporting entity.

Based on the following criteria, the Authority has not identified any entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

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

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements

September 30, 2020

### **2. Significant Accounting Policies**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

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

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

### **Basis of Accounting**

In proprietary fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low-income families.

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements September 30, 2020

### **Basis of Accounting – Continued**

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

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

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

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

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

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e., property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements September 30, 2020

### **Report Presentation –**

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

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges, designated to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

### **Other accounting policies are as follows:**

- 1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- 2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.
- 3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight-line basis.
- 4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.
- 5 – Operating subsidies received from HUD are recorded as income when earned.
- 6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **Other accounting policies - Continued**

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

8 – The Authority does not have any infrastructure assets for its Enterprise Fund.

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

10- Advertising cost is charged to expense when incurred.

11- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

12- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

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

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **Other accounting policies - Continued**

##### 14 - Taxes

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

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

##### 15 - Net Position

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

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

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

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

## **HOUSING AUTHORITY OF THE CITY OF SALEM**

### Notes to Financial Statements

September 30, 2020

#### **Other accounting policies - Continued**

##### **16 - Operating and non-operating revenues and expenses**

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

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

##### **17-Impairment Losses**

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2020.

##### **18- Recent Accounting Pronouncements**

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

#### **Budgetary and Policy Control –**

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

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements September 30, 2020

**Activities** - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-58	179
Capital Fund	14.872		
PIH Cares Act Program	14.PIH		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ058	31
HCV Cares Act Program	14.HCC		

#### Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low-income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of City of Salem flat rent amount.

#### Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

#### Section 8 Housing Choice Voucher Program:

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.



## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements September 30, 2020

#### **Activities -Continued**

##### PIH and Housing Choice Voucher CARES Act Program

The CARES Act requires that recipients use of CARES grants be tied to preventing, preparing for, and responding to COVID-19, including maintaining normal operations and funding eligible affordable housing activities under NAHASDA during the period the program is impacted by COVID-19. These funds may also be used to maintain normal operations and fund eligible activities during the period that a recipient's program is impacted by COVID-19. HUD expects and encourages recipients to expend funds expeditiously given the ongoing COVID-19 National Emergency.

**Board of Commissioners** - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision-making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements September 30, 2020

### **Revenue from Rental Contracts**

The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit.

The lease agreement has similar terms therefore, all lease contract revenue has been aggregated in the caption rental income in the statement of income. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the buildings(s). Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be charged a late fee. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

### **NOTE 2 – ESTIMATES**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 3 - PENSION PLAN**

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2020divisioncombined.pdf>

#### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2020 amounted to \$11,115.

#### Post Employment Retirement Benefits

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

Further information on the Pension Plan and its effects due to the adoption of GASB 68 can be found in Note 17 – Accrued Pension Liability.

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 4 – CASH, CASH EQUIVALENTS**

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment include cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

#### **Concentration of Credit Risk**

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

#### **Risk Disclosures**

##### Collateral for Deposits

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

##### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. On September 30, 2020, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements September 30, 2020

### **NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED**

#### Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

The Authority's checking accounts and investments are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>September-20</u>
Insured	\$ 368,370
Collateralized held by pledging bank's trust department in the Authority's name	147,622
Total Cash and Cash Equivalents	<u>\$ 515,992</u>

#### **Restricted Deposits**

The Authority has total restricted deposits on September 30, 2020, in the amount of \$38,452. The tenant security deposit restricted deposits on September 30, 2020, was in the amount of \$14,276. This amount is held as security deposits for the tenants of the Public and Indian Housing Program in an interest-bearing account.

The amount of \$2,075 for 2020 is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

The restricted cash in the amount of \$10,668 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. The Authority invested these funds with Capital One Bank. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The restricted cash in the amount of \$11,433 for 2020 was reported under the Housing Choice Voucher CARES Act Program for grant money received but not expend during the year and is reported as a reserve for future use.

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements September 30, 2020

#### **NOTE 5 - ACCOUNTS RECEIVABLE**

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

	September-20
Tenants Accounts Receivable - Present	\$ 28,169
Less: Allowance for Doubtful Accounts	(14,085)
Net Tenants Accounts Receivable	<u>14,084</u>
 Tenants Receivable for A/C Units	 20,866
Tenants Receivable for Repayment Agreements	9,976
Less: Allowance for Doubtful Accounts	(13,671)
Net Accounts Receivable - Tenants	<u>17,171</u>
 Accounts Receivable HUD	 28,515
Portability Income	9,292
Total Other Receivables	<u>54,978</u>
 Total Accounts Receivables	 <u>\$ 69,062</u>

Tenants' rents are due the first of each month. Management considers rents outstanding after the 5<sup>th</sup> day of the month as past due. Housing Authority of the City of Salem carries its accounts receivable at cost less an allowance for doubtful accounts. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change.

#### **NOTE 6 - PREPAID EXPENSES**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements

September 30, 2020

### **NOTE 7 – INTERFUND ACTIVITY**

Interfund activity is reported as short-term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority on September 30, 2020, are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

### **NOTE 8 - FIXED ASSETS**

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated at cost as determined by an appraisal. Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$1,000 are expensed when incurred. Property and equipment are stated at cost. Donated fixed assets are stated at their fair value on the date donated.

#### Depreciation Expense

Depreciation expense for September 30, 2020, was \$375,391. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

1.) Building and Structure	40 Years
2.) Site Improvements	15 Years
3.) Furniture & Equipment	15 Years
4.) Vehicles	5 Years
5.) Computer Equipment	5 years

The Housing Authority of the City of Salem reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended September 30, 2020.

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements September 30, 2020

### **NOTE 8 - FIXED ASSETS - CONTINUED**

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

	Balance September-19	Additions	Balance September-20
Land	\$ 183,069	\$ -	\$ 183,069
Buildings	13,557,225	14,951	13,572,176
Furniture & Equipment - Dwelling	415,140	5,182	420,322
Furniture & Equipment - Administration	10,329	18,440	28,769
Leasehold Improvements	2,037,775	100,096	2,137,871
Construction in Progress	250,580	302,240	552,820
Total Fixed Assets	16,454,118	440,909	16,895,027
Accumulated Depreciation	(13,476,413)	(375,391)	(13,851,804)
Net Book Value	\$ 2,977,705	\$ 65,518	\$ 3,043,223

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

<u>Net Book Value of the Fixed Assets</u>	<u>September-20</u>
Land	\$ 183,069
Buildings	1,819,565
Furniture & Equipment - Dwelling	40,298
Furniture & Equipment - Administration	18,131
Leasehold Improvements	429,340
Construction in Progress	552,820
Net Book Value	\$ 3,043,223



# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements

September 30, 2020

### NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The OPEB and Pension Liability discussed in Note 16 and 17 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

<b>Deferred Outflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 3,662	\$ 3,662
Changes in Assumptions	-	20,373	20,373
Net Difference Between Projected and Actual Earning on Pension Plan Investments	698	-	698
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	296,511	11,957	308,468
Contributions Subsequent to the Measurement	-	-	-
Total	\$ 297,209	\$ 35,992	\$ 333,201

<b>Deferred Inflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 247,944	\$ 901	\$ 248,845
Changes in Assumptions	300,459	70,816	371,275
Net Difference Between Projected and Actual Earning on Pension Plan Investments	68,206	3,221	71,427
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	39,905	39,905
Contributions Subsequent to the Measurement	-	-	-
Total	\$ 616,609	\$ 114,843	\$ 731,452

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - CONTINUED**

##### Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$3,662 and \$248,845.

##### Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$20,373 and \$371,275.

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

The difference between the System's expected rate of return of 6.28% and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB 68-75. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$698 and \$71,427.

##### Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$308,468 and \$39,905.

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements September 30, 2020

### **NOTE 10 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of September 30, 2020. Accounts payable vendors are amount owed to creditors as a result of delivered goods and completed services. Accounts payable on September 30, 2020, consist of amounts owed to vendors in the amount of \$,50,564.

### **NOTE 11 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of Salem. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes. During the fiscal year ended September 30, 2020, there was PILOT accrued of \$-0-.

### **NOTE 12 – ACCRUED EXPENSES**

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities incurred on or before September 30. Accrued liabilities on September 30, 2020, consist of the following:

	September-20
Accrued Wages and Payroll Taxes	\$ 6,091
Compensated Absences - Current Portion	2,760
Accrued Interest Payable	11,163
Accrued Utilities	55,847
Total Accrued Liabilities	<u>\$ 75,861</u>

### **NOTE 13 – ACCRUED COMPENSATED ABSENCES**

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Accrued compensated absences represents amounts to which employees are entitled to base 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. Employees may be compensated for sick leave at retirement, to a maximum of \$12,000.

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 13 – ACCRUED COMPENSATED ABSENCES - CONTINUED**

The Authority has determined that the potential liability for accumulated vacation and sick time on September 30, 2020, as follows:

	<u>September-20</u>
Accumulated Sick Time	\$ 13,417
Accumulated Vacation Time	12,222
Accrued Payroll Taxes	<u>1,962</u>
Total	27,601
Compensated Absences - Current Portion	<u>(2,760)</u>
Total Compensated Absences - Noncurrent	<u>\$ 24,841</u>

#### **NOTE 14 – UNEARNED REVENUE**

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unearned revenue account balance on September 30, 2020, consisted of the following:

	<u>September-20</u>
Prepaid Rents - Tenants	\$ 2,509
Unearned CARES Act Funds	<u>11,433</u>
Total Unearned Revenue	<u>\$ 13,942</u>

#### **NOTE 15 – LONG TERM DEBT – CAPITAL PROJECT BOND PAYABLE**

The Authority participated on December 23, 2004, with other New Jersey Housing Authorities in the issuance of \$79,860,000 in Series 2004 HMFA Bonds. The Authority portion of the Series 2004 HMFA Bonds is \$6,400,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low-Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2026.

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

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements

September 30, 2020

### **NOTE 15 – LONG TERM DEBT – CAPITAL PROJECT BOND PAYABLE-CONTINUED**

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

The Bonds are payable by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

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

The interest payable for November 1, 2020, is \$13,395 and May 1, 2021, is \$12,337. These amounts were not accrued since the payment would be made from the Authority Capital Fund Program (CFP) and would be considered grant revenue in the year ended September 30, 2020.

Balance September 30, 2019	\$ 660,000
Additions	-
Payment of Debt	(90,000)
Balance September 30, 2020	<u>\$ 570,000</u>

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

September 30, 2021	\$ 95,000
September 30, 2022	100,000
September 30, 2023	100,000
September 30, 2024	110,000
September 30, 2025	<u>110,000</u>
Sub Total	515,000
Next Five Years Ending September 30, 2026	<u>55,000</u>
Total Capital Project Bonds	<u>\$ 570,000</u>

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements September 30, 2020

#### **NOTE 16 – ACCRUED PENSION AND OPEB LIABILITIES**

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

	<u>September-20</u>
Accrued OPEB Liability	\$ 847,849
Accrued Pension Liability	<u>204,024</u>
Total OPEB and Pension Liability	<u>\$ 1,051,873</u>

These amounts arose due to adoption of GASB #75 (OPEB) in 2018 year as well as GASB #68 (Pension) which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 17 will discuss the effect of GASB #68 pension liability which arose from that. The State pension and OPEB report for June 2020 was not available at the time of this report.

#### **OPEB Liability**

The Authority as of September 30, 2020, reported a net OPEB liability in the amount of \$847,849 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

Employer OPEB Liability	\$ 864,947
Plan Net Position	<u>(17,098)</u>
Employer Net OPEB Liability	<u>\$ 847,849</u>

The Authority allocation percentage is 0.006259% as of June 30, 2019.

#### **OPEB Liability – Plan Description and Benefits Provided**

*Plan Description:* The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple- employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

*Benefits Provided:* The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 16 – OPEB LIABILITIES - CONTINUED**

##### *Benefits Provided – continued*

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

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

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

##### Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended June 30, 2019, were \$847,849.

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 16 – OPEB LIABILITIES - CONTINUED**

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

Retired Employees Receiving Benefits	3
Actives Eligible for Benefits	4
Total Employees	<u>7</u>

#### Net OPEB Liability

The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

*Actuarial Assumptions:* The total OPEB Liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.5%
Salary Increases
Through 2026 = 2.00% to 6.00%
Thereafter = 3.00% to 7.00%

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2019 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2019 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2019 scale.

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

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



## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements September 30, 2020

#### **NOTE 16 – OPEB LIABILITIES - CONTINUED**

##### Health Care Trend Assumptions

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

##### Discount Rate

The discount rate for June 30, 2019, was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 980,329	\$ 847,849	\$ 740,191

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 715,480	\$ 847,849	\$ 1,016,707

Change in Assumptions: Effective June 30, 2019.

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements

September 30, 2020

### **NOTE 16 – OPEB LIABILITIES - CONTINUED**

#### Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for the 2020, 2018 and 2017 amounts, respectively.

#### *Changes in Net OPEB Liability:*

<b><u>Total OPEB Liability</u></b>	<b><u>2019</u></b>
Service Cost	\$ 41,721
Interest on Total OPEB liability	39,812
Expected Investment Return	(706)
Administrative Expenses	593
Changes in Benefits Term	(119)
Inflows/Outflows of Resources	(38,769)
Inputs	(50,659)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	224
Benefit Payments	-
Change in Plan	381,292
Net Change in Total OPEB Liability	373,389
Total OPEB Liability, Beginning	474,460
Total OPEB Liability, Ending	<u>\$ 847,849</u>

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 16 – OPEB LIABILITIES - CONTINUED**

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

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

Year Ending June 30, 2020	\$	(89,203)
Year Ending June 30, 2021		(89,203)
Year Ending June 30, 2022		(89,258)
Year Ending June 30, 2023		(89,347)
Year Ending June 30, 2024		(89,427)
Therafter		(101,265)
Total	\$	<u>(547,703)</u>

#### **NOTE 17 – ACCRUED PENSION LIABILITY**

##### Net Pension Liability Information

The Authority as of September 30, 2020, reported a net pension liability in the amount of \$204,024 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	PERS
Employer Total Pension Liability	\$ 469,810
Plan Net Position	<u>(265,786)</u>
Employer Net Pension Liability	<u>\$ 204,024</u>

The Authority allocation percentage is 0.00113230580% as of June 30, 2019.

##### Plan Description

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

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

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

##### Net Pension Liability Information

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

The following represents the membership tiers for PERS:

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

##### Allocation Percentage Methodology

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

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

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019 the State's pension contribution was less than the actuarial determined amount.

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements September 30, 2020

### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Net Pension Liability Information

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

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

#### Actuarial Assumptions

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

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

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

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

##### Actuarial Assumptions – Continued

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% on June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019, as summarized in the following table:

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

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED**

##### Discount Rate

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

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

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

##### Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 6.28% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.28% percent) or 1 percentage-point higher (7.28% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (5.28%)	Current Discount (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 259,509	\$ 204,024	\$ 159,886

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Notes to Financial Statements

September 30, 2020

### **NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED**

#### Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

Year Ending June 30, 2020	\$	(5,891)
Year Ending June 30, 2021		(19,111)
Year Ending June 30, 2022		(17,065)
Year Ending June 30, 2023		(8,013)
Year Ending June 30, 2024		(823)
Total	\$	<u>(50,903)</u>

#### Changes in Proportion

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

#### Pension Expense

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

Service Cost	\$	9
Interest on the Total Pension Liability		26,975
Member Contributions		(6,269)
Administrative Expenses		166
Expected Investment Return Net of Investment Expenses		(16,738)
Pension Expense Related to Specific Liabilities of Individual Employers		(78)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		2,031
Changes of Assumptions		(6,207)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		1,975
Total	\$	<u>1,864</u>



## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 18 – NET INVESTMENT IN CAPITAL ASSETS**

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

Balance September 30, 2019	\$ 2,317,705
Fixed Assets Acquisitions	440,909
Depreciation Expenses	(375,391)
Payment of Debt	90,000
Balance September 30, 2020	<u>\$ 2,473,223</u>

#### **NOTE 19 – RESTRICTED NET ASSETS**

The Authority restricted net position account balance on September 30, 2020, is \$12,743.

The restricted cash in the amount of \$10,668 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The amount of \$2,075 for 2020 is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

#### Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on September 30, 2020, was \$-0-.

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 20 – UNRESTRICTED NET POSITION**

The Authority's unrestricted net position account balance on September 30, 2020, is negative (\$996,489). The detail of the account balance is as follows:

	PIH Program Reserves	HCV Program Adm Reserves	Total
Balance September 30, 2019	\$ (1,094,941)	\$ 17,970	\$ (1,076,971)
Increase During the Year	74,711	5,771	80,482
Balance September 30, 2020	<u>\$ (1,020,230)</u>	<u>\$ 23,741</u>	<u>\$ (996,489)</u>

#### **NOTE 21 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended September 30, 2020, the Authority's risk management program, to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its buildings for the purpose of determining potential liability issues.

#### **NOTE 22 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended September 30, 2020, were \$1,009,225.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for September 30, 2020, was in the amount of \$261,300.

## **HOUSING AUTHORITY OF THE CITY OF SALEM**

### Notes to Financial Statements September 30, 2020

#### **NOTE 23 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Authority operations are concentrated in the low-income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD was \$1,992,055 to the Authority which represents approximately 75% percent of the Authority's total revenue for the fiscal year September 30, 2020.

#### **NOTE 24 – CONSTRUCTION COMMITMENTS**

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

#### **NOTE 25 - CONTINGENCIES**

Litigation – On September 30, 2020, the Authority was not involved in any threatened litigation.

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

## HOUSING AUTHORITY OF THE CITY OF SALEM

### Notes to Financial Statements

September 30, 2020

#### **NOTE 26 – SUBSEQUENT EVENTS**

##### Coronavirus Pandemic:

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

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru July 16, 2021, the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

# HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information  
September 30, 2020

## **SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS**

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

<b><u>Total OPEB Liability</u></b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 41,721	\$ 41,721	\$ 3,913
Interest on Total OPEB liability	39,812	39,812	16,498
Expected Investment Return	(706)	(706)	-
Administrative Expenses	593	593	-
Changes in Benefits Term of Resources	(119)	(119)	-
Changes in Assumptions or Other Inputs	(38,769)	(38,769)	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	(50,659)	(50,659)	-
Benefit Payments	8,127	224	-
Change in Plan	-	-	(34,648)
Net Change in Total OPEB Liability	-	373,389	(14,237)
Total OPEB Liability, Beginning	847,849	474,460	488,697
Total OPEB Liability, Ending	\$ 847,849	\$ 847,849	\$ 474,460
Covered, Employee Payroll	\$ 139,486	\$ 173,208	\$ 122,790
Total OPEB Liability as a percentage of covered employee payroll	607.84%	489.50%	386.40%

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

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Required Supplementary Information September 30, 2020

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

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2020	2019	2018	2017
Housing Authority's proportion of the net pension liability	0.00108734%	0.00108734%	0.00107261%	0.00108734%
Housing Authority's proportionate share of the net pension liability	\$ 204,024	\$ 204,024	\$ 211,192	\$ 253,114
Housing Authority's covered employee payroll	\$ 139,486	\$ 173,208	\$ 122,790	\$ 95,689
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146.27%	117.79%	171.99%	264.52%
Plan fiduciary net position as a percentage of the total pension liability	43.42%	43.42%	53.60%	48.01%

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

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

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Required Supplementary Information September 30, 2020

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

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2016	2015	2014
Housing Authority's proportion of the net pension liability	0.00109491%	0.00107650%	0.00131589%
Housing Authority's proportionate share of the net pension liability	\$ 324,280	\$ 241,652	\$ 246,370
Housing Authority's covered employee payroll	\$ 109,666	\$ 149,248	\$ 159,033
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	295.70%	161.91%	205.97%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

# HOUSING AUTHORITY OF THE CITY OF SALEM

## Required Supplementary Information September 30, 2020

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

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

	2020	2019	2018	2017
Contractually required contribution	\$ 11,115	\$ 11,014	\$ 10,669	\$ 10,073
Contribution in relation to the contractually required contribution	(11,115)	(11,014)	(10,669)	(10,073)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 139,486	\$ 173,208	\$ 122,790	\$ 95,689
Contribution as a percentage of covered employee payroll	7.97%	6.36%	8.69%	10.53%

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

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



# HOUSING AUTHORITY OF THE CITY OF SALEM

## Required Supplementary Information September 30, 2020

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

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

	2016	2015	2014
Contractually required contribution	\$ 9,727	\$ 9,255	\$ 10,848
Contribution in relation to the contractually required contribution	(9,727)	(9,255)	(10,848)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 109,666	\$ 149,248	\$ 159,033
Contribution as a percentage of covered employee payroll	8.87%	6.20%	6.82%

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

Programs funded by:

U.S. Department of Housing and Urban Development

	<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>Public and Indian Housing Program</u>					
NJ058	14.850	\$ -	\$ 1,009,225	\$ 1,009,225	\$ -
<u>PIH CARES ACT</u>					
NJ058-DC	14.PHC	-	111,580	111,580	-
Grant Total 14.850		-	<u>1,120,805</u>	<u>1,120,805</u>	<u>-</u>
<u>Section 8 Housing Choice Voucher Program</u>					
NJ39P058	14.871	-	261,300	261,300	-
HCV CARES Act Funding	14.HCC	-	-	-	-
Grant Total 14.871		-	<u>261,300</u>	<u>261,300</u>	<u>-</u>
<u>Public Housing Capital Fund Program</u>					
NJ39P058	14.872	-	609,950	609,950	-
Grant Total 14.872		-	<u>609,950</u>	<u>609,950</u>	<u>-</u>
Total Expenditures of Federal Awards		\$ -	<u>\$ 1,992,055</u>	<u>\$ 1,992,055</u>	<u>\$ -</u>

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

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of Salem is under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the City of Salem, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the City of Salem.

**Note 2. Summary of Significant Accounting Policies:**

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

**Note 3. Indirect Cost Rate**

The Housing Authority of the City of Salem has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

**Note 4. Loans Outstanding:**

Housing Authority City of Salem had Capital Project Bonds payable in the amount of \$570,000, outstanding at September 30, 2020. See Note 15 on pages 42-43 of this report for full detail.

**Note 5. Non- Cash Federal Assistance:**

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

**Note 6. Sub recipients:**

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

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$445,383		\$32,157		\$477,540		\$477,540
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted	\$2,075		\$10,668	\$11,433	\$24,176		\$24,176
114 Cash - Tenant Security Deposits	\$14,276				\$14,276		\$14,276
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$461,734	\$0	\$42,825	\$11,433	\$515,992	\$0	\$515,992
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects	\$28,515				\$28,515		\$28,515
124 Accounts Receivable - Other Government			\$9,292		\$9,292		\$9,292
125 Accounts Receivable - Miscellaneous	\$30,842				\$30,842		\$30,842
126 Accounts Receivable - Tenants	\$28,169				\$28,169		\$28,169
126.1 Allowance for Doubtful Accounts - Tenants	-\$14,085				-\$14,085		-\$14,085
126.2 Allowance for Doubtful Accounts - Other	-\$13,671		\$0		-\$13,671		-\$13,671
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$59,770	\$0	\$9,292	\$0	\$69,062	\$0	\$69,062
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$60,808				\$60,808		\$60,808
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From	\$14,439				\$14,439	-\$14,439	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$596,751	\$0	\$52,117	\$11,433	\$660,301	-\$14,439	\$645,862
161 Land	\$183,069				\$183,069		\$183,069
162 Buildings	\$13,572,176				\$13,572,176		\$13,572,176
163 Furniture, Equipment & Machinery - Dwellings	\$420,322				\$420,322		\$420,322

Salem Housing Authority (NJ058)  
SALEM, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 09/30/2020					
	Project Total	14.PHC Public Housing CARES Act	14.H71 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
164 Furniture, Equipment & Machinery - Administration	\$28,769				\$28,769		\$28,769
165 Leasehold Improvements	\$2,137,871				\$2,137,871		\$2,137,871
166 Accumulated Depreciation	-\$13,851,804				-\$13,851,804		-\$13,851,804
167 Construction in Progress	\$552,820				\$552,820		\$552,820
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,043,223	\$0	\$0	\$0	\$3,043,223	\$0	\$3,043,223
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$3,043,223	\$0	\$0	\$0	\$3,043,223	\$0	\$3,043,223
200 Deferred Outflow of Resources	\$333,201				\$333,201		\$333,201
290 Total Assets and Deferred Outflow of Resources	\$3,973,175	\$0	\$52,117	\$11,433	\$4,036,725	-\$14,439	\$4,022,286
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$47,295		\$3,269		\$50,564		\$50,564
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$6,091				\$6,091		\$6,091
322 Accrued Compensated Absences - Current Portion	\$2,760				\$2,760		\$2,760
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$11,163				\$11,163		\$11,163
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government							
341 Tenant Security Deposits	\$14,276				\$14,276		\$14,276
342 Unearned Revenue	\$2,509			\$11,433	\$13,942		\$13,942
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$95,000				\$95,000		\$95,000

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	14.HCC Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
344 Current Portion of Long-term Debt - Operating Borrowings			14,871				
345 Other Current Liabilities							
346 Accrued Liabilities - Other	\$55,847				\$55,847		\$55,847
347 Inter Program - Due To			\$14,439		\$14,439	-\$14,439	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$234,941	\$0	\$17,708	\$11,433	\$264,082	-\$14,439	\$249,643
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$475,000				\$475,000		\$475,000
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current	\$24,841				\$24,841		\$24,841
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$1,051,873				\$1,051,873		\$1,051,873
350 Total Non-Current Liabilities	\$1,551,714	\$0	\$0	\$0	\$1,551,714	\$0	\$1,551,714
300 Total Liabilities	\$1,786,655	\$0	\$17,708	\$11,433	\$1,815,796	-\$14,439	\$1,801,357
400 Deferred Inflow of Resources	\$731,452				\$731,452		\$731,452
508.4 Net Investment in Capital Assets	\$2,473,223	\$0		\$0	\$2,473,223		\$2,473,223
511.4 Restricted Net Position	\$2,075	\$0	\$10,668	\$0	\$12,743		\$12,743
512.4 Unrestricted Net Position	-\$1,020,230	\$0	\$23,741	\$0	-\$996,489		-\$996,489
513 Total Equity - Net Assets / Position	\$1,455,068	\$0	\$34,409	\$0	\$1,489,477	\$0	\$1,489,477
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,973,175	\$0	\$52,117	\$11,433	\$4,036,725	-\$14,439	\$4,022,286

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 09/30/2020					
	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$553,018				\$553,018		\$553,018
70400 Tenant Revenue - Other							
70500 Total Tenant Revenue	\$553,018	\$0	\$0	\$0	\$553,018		\$553,018
70600 HUD PHA Operating Grants							
70610 Capital Grants	\$1,226,935	\$111,580	\$261,300		\$1,599,815		\$1,599,815
70710 Management Fee	\$392,240				\$392,240		\$392,240
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue							
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$537		\$49		\$586		\$586
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery			\$1,972		\$1,972		\$1,972
71500 Other Revenue	\$24,271		\$80,723		\$104,994		\$104,994
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$2,197,001	\$111,580	\$344,044	\$0	\$2,652,625		\$2,652,625
91100 Administrative Salaries	\$46,205	\$28,125			\$74,330		\$74,330
91200 Auditing Fees	\$10,505				\$10,505		\$10,505
91300 Management Fee			\$27,927		\$27,927		\$27,927
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$47,846				\$47,846		\$47,846
91600 Office Expenses	\$82,760				\$82,760		\$82,760
91700 Legal Expense	\$34,376				\$34,376		\$34,376
91800 Travel							

Salem Housing Authority (NJ058)  
SALEM, NJ

Entity Wide Revenue and Expense Summary

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

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
91810 Allocated Overhead							
91900 Other	\$113,226		\$283		\$113,509		\$113,509
91000 Total Operating - Administrative	\$334,918	\$28,125	\$28,210	\$0	\$391,253		\$391,253
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other							
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0		\$0
93100 Water	\$177,476				\$177,476		\$177,476
93200 Electricity	\$257,023				\$257,023		\$257,023
93300 Gas	\$130,302				\$130,302		\$130,302
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$564,801	\$0	\$0	\$0	\$564,801		\$564,801
94100 Ordinary Maintenance and Operations - Labor	\$65,156				\$65,156		\$65,156
94200 Ordinary Maintenance and Operations - Materials and Other	\$50,322				\$50,322		\$50,322
94300 Ordinary Maintenance and Operations Contracts	\$382,492	\$8,501			\$390,993		\$390,993
94500 Employee Benefit Contributions - Ordinary Maintenance	\$42,786				\$42,786		\$42,786
94000 Total Maintenance	\$540,756	\$8,501	\$0	\$0	\$549,257		\$549,257
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0		\$0



Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
96110 Property Insurance							
96120 Liability Insurance							
96130 Workmen's Compensation							
96140 All Other Insurance	\$88,560	\$74,954			\$163,514		\$163,514
96100 Total Insurance Premiums	\$88,560	\$74,954	\$0	\$0	\$163,514		\$163,514
96200 Other General Expenses	\$1,388				\$1,388		\$1,388
96210 Compensated Absences							
96300 Payments in Lieu of Taxes							
96400 Bad debt - Tenant Rents	\$28,994				\$28,994		\$28,994
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$30,382	\$0	\$0	\$0	\$30,382		\$30,382
96710 Interest of Mortgage (or Bonds) Payable	\$29,889				\$29,889		\$29,889
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$29,889	\$0	\$0	\$0	\$29,889		\$29,889
96900 Total Operating Expenses	\$1,589,306	\$111,580	\$28,210	\$0	\$1,729,096		\$1,729,096
97000 Excess of Operating Revenue over Operating Expenses	\$607,695	\$0	\$315,834	\$0	\$923,529		\$923,529
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments			\$234,602		\$234,602		\$234,602
97350 HAP Portability-In			\$75,704		\$75,704		\$75,704
97400 Depreciation Expense	\$375,391				\$375,391		\$375,391
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$1,964,697	\$111,580	\$338,516	\$0	\$2,414,793		\$2,414,793
10010 Operating Transfer In	\$186,433						
10020 Operating transfer Out	-\$186,433				\$186,433		\$186,433
10030 Operating Transfers from/to Primary Government					-\$186,433		-\$186,433
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$232,304	\$0	\$5,528	\$0	\$237,832		\$237,832
Total Expenses							
11020 Required Annual Debt Principal Payments	\$90,000	\$0	\$0	\$0	\$90,000		\$90,000
11030 Beginning Equity	\$1,222,764	\$0	\$28,881	\$0	\$1,251,645		\$1,251,645
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors							
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity			\$23,741		\$23,741		\$23,741
11180 Housing Assistance Payments Equity			\$10,668		\$10,668		\$10,668

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
11190 Unit Months Available	2160		360		2520		2520
11210 Number of Unit Months Leased	2013		348		2361		2361
11270 Excess Cash	\$169,092				\$169,092		\$169,092
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$0				\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0		\$0
11650 Leasehold Improvements Purchases	\$302,240				\$302,240		\$302,240
11660 Infrastructure Purchases	\$0				\$0		\$0
13510 CFFP Debt Service Payments	\$121,277				\$121,277		\$121,277
13901 Replacement Housing Factor Funds	\$0				\$0		\$0



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

Board of Commissioners  
Housing Authority of the City of Salem  
205 Seventh Street  
Salem, New Jersey 08079

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Salem as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Salem basic financial statements, and have issued our report thereon dated July 16, 2021.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

**Hymanson, Parnes & Giampaolo**

Lincroft, New Jersey

Date: July 16, 2021



# *Hymanson, Parnes & Giampaolo*

## *Certified Public Accountants*

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

Board of Commissioners  
Housing Authority of the City of Salem  
205 Seventh Street  
Salem, New Jersey 08079

#### **Report on Compliance for Each Major Federal Program**

We have audited Housing Authority of the City of Salem compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the City of Salem major federal programs for the year ended September 30, 2020. Housing Authority of the City of Salem major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Housing Authority of the City of Salem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

***Report on Internal Control Over Compliance***

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

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

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

**Purpose of This Report**

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

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: July 16, 2021



**HOUSING AUTHORITY OF THE CITY OF SALEM**  
Schedule of Findings, Questioned Costs, and Recommendations  
Year Ended September 30, 2020

**Prior Audit Findings**

None reported

**Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified?

\_\_\_\_\_ yes    X no

Significant Deficiency(ies) identified that are  
considered to be material weakness(es)?

\_\_\_\_\_ yes    X none reported

Noncompliance Material to Financial Statements Noted?

\_\_\_\_\_ yes    X no

**Federal Awards**

Internal Control over Major Programs:

Material Weakness (es) Identified?

\_\_\_\_\_ yes    X no

Significant Deficiency(ies) identified that are  
considered to be material weakness(es)?

\_\_\_\_\_ yes    X none reported

Type of audit report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with section Title 2 U.S. Code of Federal Regulation  
Part 200, Uniform Administrative Requirements,

\_\_\_\_\_ yes    X no

**Identification of Major Programs**

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Vouchers	\$ 261,300
14.872	Public Housing Capital Fund Program	\$ 609,950

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

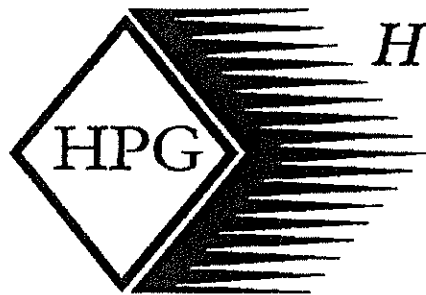
Auditee qualified as a low-risk auditee    X yes    \_\_\_\_\_ no

**FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

None reported

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported



# Hymanson, Parnes & Giampaolo

## Certified Public Accountants

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners  
Housing Authority of the City of Salem  
205 Seventh Street  
Salem, New Jersey 08079

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

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

The procedures and the associated findings are as follows:

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

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

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

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

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

**Hymanson, Parnes & Giampaolo**

Lincroft, New Jersey

July 16, 2021