

HOUSING AUTHORITY OF THE BOROUGH OF LODI

**REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTAL
DATA**

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

HOUSING AUTHORITY OF THE BOROUGH OF LODI
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A HUD SPONSORED PUBLIC HOUSING AGENCY
50 Brookside Avenue ■ Lodi, New Jersey 07644

Thomas DeSomma
Executive Director/Secretary-Treasurer
973-470-3650 FAX 973-778-1429
thomasd@lodihousing.org

December 10, 2021

Dear Board of Directors, US Department of Housing and Urban Development and the State of New Jersey:

On behalf of Lodi Housing Authority of Lodi, New Jersey, I respectfully submit this annual financial report for the year ended September 30, 2020. I believe the information presented is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the Authority's financial position and operations have been included. The accompanying financial statements included in this annual financial report have been prepared in conformity with accounting principles generally accepted in the United States of America. Responsibility for the accuracy, completeness, and fairness of the financial statements presentation rests with the management of the Authority.

The 2020 Lodi Housing Authority Annual financial report consists of these sections:

- Introductory Section - this includes the independent auditor's report and a management discussion and analysis of our financial report.
- Financial Section - this includes the basic financial statements and notes and required supplementary information.
- Single Audit Section - this includes reports from the independent auditor on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Lodi Housing Authority realizes that its role as a means of housing for the low income and elderly in the community and the State of New Jersey has never been more important. The Authority has four projects of their own with over 200 units for low income and elderly tenants and over 400 Section 8 participants. The following pages report and analyze the financial position of Lodi Housing Authority.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Thomas DeSomma', is written over a horizontal line.

Thomas DeSomma
Executive Director

FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

6225 Rising Sun Avenue
Philadelphia, PA 19111
Voice: 215-742-3428

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Housing Authority of the Borough of Lodi
Lodi, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the Borough of Lodi as of and for the years ended September 30, 2020 and September 30, 2019, and the related notes to the financial statements, which collectively comprise the the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

The Authority was not able to report current financial information for their Other Post-Employment Benefits (“OPEB”) that is operated by the state of New Jersey, Division of Pensions and Benefits 9the “Division”) as the state Health Benefit Local Government Retired Employees Plan as described in note 13 of the financial statements. As of the date of this opinion, the State has not released their audit of the Division’s Comprehensive Annual Financial Report. If the report was issued, then the OPEB expenses would have to be recognized, the Deferred Outflows and Inflows would have been updated and the OPEB liability would have been updated. The amount of the changes cannot be determined without the audit report which only effects the September 30, 2020 financial information.

Qualified Opinion

In my opinion, except for the effects on the September 30, 2020 financial statements of not being able to adjust the OPEB expenses, deferred outflows and inflows and liability as described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Borough of Lodi, as of September 30, 2020 and September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the Schedule of the Authority’s Proportionate Share of the Net Pension Liability and Net OPEB liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information


My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority’s basic financial statements. The accompanying financial information, the combining statements of net position, activities and changes in net position and Financial Data Schedule as listed in HUD supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements of net position, activities and changes in net position, Financial Data Schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining statements of net position, activities and changes in net position, financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2021, on my consideration of the Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the Borough of Lodi's internal control over financial reporting and compliance.


Francis J McConnell
Certified Public Accountant

December 10, 2021

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

As management of the Housing Authority of the Borough of Lodi, New Jersey we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended September 30, 2020 and September 30, 2019. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

2020

- The assets and deferred outflows of the Authority were in a deficit position at the close of the most recent fiscal year by (\$801,165) deficit net position.
- The Authority's unrestricted cash balance at September 30, 2020 was \$1,205,660 representing an increase of \$577,067 from September 30, 2019.
- The Authority had intergovernmental revenues of \$6,441,075 HUD operating grants for the year ended September 30, 2020.

2019

- The assets and deferred outflows of the Authority were in a deficit position at the close of the most recent fiscal year by (\$1,165,189) deficit net position.
- The Authority's unrestricted cash balance at September 30, 2019 was \$628,593 representing an increase of \$206,559 from September 30, 2018.
- The Authority had intergovernmental revenues of \$6,494,483 HUD operating grants for the year ended September 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- Statement of Net Position – reports the Authority's current financial resources (short term spend able resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses and Changes in Fund Net Position – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position: may serve over time as a useful indicator of an agency's financial position. In the case of the Lodi Housing Authority was in a deficit position by \$1.3million at the close of the most recent fiscal year. The following table shows a summary of changes from the prior years

	2020	2019
Current and Other Assets	1,725,371	808,498
Capital Assets, net of depreciation	5,362,101	5,377,968
Total Assets	7,087,472	6,186,466
Deferred Outflows of Resources	416,231	553,343
Current Liabilities	739,247	130,755
Noncurrnt Liabilities	4,470,951	4,619,402
Total Liabilities	5,210,198	4,750,157
Deferred Inflows of Resources	3,094,670	3,154,841
Net Investment in Capital Assets	5,362,101	5,377,968
Restricted	132,468	69,005
Unrestricted	(6,295,734)	(6,612,162)
Net Position	(801,165)	(1,165,189)

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The following table summarizes the changes in capital assets between fiscal years 2020 and 2019:

	2020	2019
LAND	\$ 2,600,000	\$ 2,600,000
BUILDINGS AND IMPROVEMENTS	14,726,400	14,726,400
EQUIPMENT	984,868	962,635
TOTAL CAPITAL ASSETS	18,311,268	18,289,035
ACCUMULATED DEPRECIATION	12,949,167	12,911,067
NET CAPITAL ASSETS	<u>5,362,101</u>	<u>5,377,968</u>

Debt

At the end of September 30, 2020, the Authority had no outstanding debt.

Statement of Activities. The Statement of Activities shows the sources of LHA's changes in net position as they arise through its various programs and functions. A condensed Statement of Activities comparing fiscal year 2020 and 2019.

	9/30/2020	9/30/2019	Diff
tenant revenue	1,554,473	1,482,752	71,721
hud revenue	6,441,075	6,494,483	(53,408)
other revenue	179,399	156,623	22,776
total revenue	<u>8,174,947</u>	<u>8,133,858</u>	<u>41,089</u>
Operating expenses			-
admin	1,136,287	1,017,563	118,724
tenant services	2,000	1,066	934
utilities	465,059	466,122	(1,063)
maint	693,800	625,185	68,615
Security	14,953	20,194	(5,241)
hap	5,180,213	5,276,226	(96,013)
Other operating	198,365	150,458	47,907
Depreciation	124,763	113,176	11,587
total expenses	<u>7,815,440</u>	<u>7,669,990</u>	<u>145,450</u>
Oper inc (loss)	359,507	463,868	(104,361)
Non Operating	(10,018)	(12,650)	2,632
Change in Net Position	369,525	482,019	(112,494)

MANAGEMENT’S DISCUSSION AND ANALYSIS – Continued

Statement of Activities – continued

Governmental operating revenue includes the annual operating subsidies for the low rent and capital grants made available by the U.S. Housing and Urban Development (“HUD”). LHA also generated over 1.5 million in tenant revenue which helped offset LHA’s administrative expenses.

Other Information

The Authority has been designated a High Performer as per the PHAS Certification and as well their SEMAP Certification.

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 information should be addressed to the Office of the Executive Director, Housing Authority of the Borough of Lodi, New Jersey, 50 Brookside Avenue, Lodi, New Jersey 07644, or call (973) 470-3650.

FINANCIAL SECTION

HOUSING AUTHORITY OF THE BOROUGH OF LODI
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,205,660	\$ 628,593
Restricted cash and cash equivalents	371,752	115,516
Receivables, net of allowance	97,630	8,816
Other current assets	50,329	55,573
Total Current Assets	<u>1,725,371</u>	<u>808,498</u>
Noncurrent assets		
Capital assets, net of depreciation	<u>5,362,101</u>	<u>5,377,968</u>
Total Noncurrent Assets	<u>5,362,101</u>	<u>5,377,968</u>
Deferred Outflow of Resources		
Total Deferred Outflows of resources	<u>416,231</u>	<u>553,343</u>
Total Assets and Deferred Outflow of Resources	<u><u>7,503,703</u></u>	<u><u>6,739,809</u></u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

LIABILITIES		
Current Liabilities		
Accounts Payable	8,755	1,495
Accrued Liabilities	54,806	35,486
Compensated Absences	11,463	8,740
Trusts and deposits	47,248	46,511
Deferred credits and other liabilities	616,782	38,523
Total Current Liabilities	<u>739,247</u>	<u>130,755</u>
Noncurrent liabilities		
Other Liabilities	-	1,410
Accrued Pension and Opeb	4,367,794	4,539,326
Compensated Absences	103,157	78,666
Total Noncurrent Liabilities	<u>4,470,951</u>	<u>4,619,402</u>
Total Liabilities	<u>5,210,198</u>	<u>4,750,157</u>
Deferred Inflows of Resources		
Total Deferred Inflow of Resources	<u>3,094,670</u>	<u>3,154,841</u>
NET POSITION		
Net Investments in capital assets	5,362,101	5,377,968
Restricted Net Assets - Section 8 Housing Choice Vouchers	132,468	69,005
Unrestricted net assets (Deficit)	<u>(6,295,734)</u>	<u>(6,612,162)</u>
Total net position	<u>(801,165)</u>	<u>(1,165,189)</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 7,503,703</u></u>	<u><u>\$ 6,739,809</u></u>

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF LODI
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Tenant Revenue	\$ 1,554,473	\$ 1,482,752
Operating grants	6,441,075	6,494,483
Other Income	<u>173,898</u>	<u>156,623</u>
Total operating revenues	<u>8,169,446</u>	<u>8,133,858</u>
OPERATING EXPENSES		
Administrative	1,136,287	1,017,563
Tenant services	2,000	1,066
Utilities	465,059	466,122
Maintenance	693,800	625,185
Protective services	14,953	20,194
General	198,365	150,458
Housing Assistance Payments	5,180,213	5,276,226
Depreciation Expense	<u>124,763</u>	<u>113,176</u>
Total Operating Expenses	<u>7,815,440</u>	<u>7,669,990</u>
NET OPERATING INCOME (LOSS)	354,006	463,868
NONOPERATING REVENUES (EXPENSES)		
Investment Income	<u>10,018</u>	<u>18,151</u>
Total nonoperating revenues	<u>10,018</u>	<u>18,151</u>
Change in net position	364,024	482,019
Total net position - beginning	<u>(1,165,189)</u>	<u>(1,647,208)</u>
Total net position - ending	<u><u>\$ (801,165)</u></u>	<u><u>\$ (1,165,189)</u></u>

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF IODI
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Hud operating subsidies	\$ 6,441,075	\$ 6,494,483
Receipts from residents and others	1,554,473	1,482,752
Other revenue received	177,989	156,623
Payments to suppliers	(566,040)	(1,226,174)
Payments to and on behalf of employees	(1,503,236)	(1,263,619)
Housing Assistance payments made	<u>(5,180,213)</u>	<u>(5,276,226)</u>
Net cash provided by (used) in operating activities	<u>924,048</u>	<u>367,839</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition of capital assets	<u>(108,896)</u>	<u>(135,718)</u>
Net cash (used) in capital and related financing activities	<u>(108,896)</u>	<u>(135,718)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment Income	<u>10,018</u>	<u>18,151</u>
Net cash provided by investing activities	<u>18,151</u>	<u>18,151</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	833,303	250,271
<u>CASH AND CASH EQUIVALENTS, OCTOBER 1</u>	<u>744,109</u>	<u>493,838</u>
<u>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</u>	<u>\$ 1,577,412</u>	<u>\$ 744,109</u>
<u>SEPTEMBER 30, CASH AND CASH EQUIVALENTS</u>		
Unrestricted	\$ 1,205,660	\$ 628,593
Restricted	371,752	115,516
Total Unrestricted and Restricted	<u>\$ 1,577,412</u>	<u>\$ 744,109</u>
	\$ -	

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF IODI
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>RECONCILIATION OF OPERATING INCOME TO</u>		
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Net Operating Loss	\$ 354,006	\$ 463,868
Add back non-cash Items:		
Depreciation expense	124,763	113,176
Bad Debt Expense		-
Pension Expense	(94,592)	(221,355)
Decrease (Increase) in Assets		
Accounts Receivable	(101,517)	(13,403)
Prepaid Expenses	5,244	3,978
	<u>287,904</u>	<u>346,264</u>
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	26,580	13,918
Accrued Compensated absences	27,214	(7,993)
other Liabilities and deferred credits	582,350	15,650
	<u>636,144</u>	<u>21,575</u>
Net Cash provided by operating activities	<u>\$ 924,048</u>	<u>\$ 367,839</u>

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Program Description

The Housing Authority of the Borough of Lodi (herein referred to as the Housing Authority) was organized under the laws of the State of New Jersey and operates under an Annual Contributions Contract (ACC) with the United States Department of Housing and Urban Development (HUD) to provide low-income housing to eligible participants under the United States Housing Act of 1937, as amended. The formation and operation of the Housing Authority is governed by the Act, and administered by HUD under the Annual Contributions Contracts.

The Authority is governed by a board of Directors appointed locally. An Executive Director is appointed by the housing authority's Board to manage the day-to-day operations of the Authority.

Low Rent Housing Program

This program provides low-rent housing to qualified residents of the Borough of Lodi, New Jersey. All units are owned and operated by the Housing Authority and were purchased with financing arranged or provided through HUD. The operations of the program are subsidized by HUD through an Annual Contributions Contract. Operating subsidy contributions for the years ended September 30, 2020 and 2019 were \$314,840 and \$293,327 respectively, and are included in operating subsidies in the combined statement of revenues, expenses and changes in net assets.

Housing Choice Voucher Program

This program allows for existing privately-owned housing units to be used for low-income housing. This program assists low-income families and persons to find and lease a house or apartment. After inspecting the unit, The Housing Authority assists the resident in negotiating a lease under HUD rules and regulations for the program. After the lease is signed, the resident pays a share of the rent according to HUD guidelines, and the remainder is subsidized by the Housing Authority through HUD funding.

The Housing Authority earns a fee for administering the annual contributions from HUD. This fund accounts for the revenues and expenses associated with providing administrative services.

Capital Fund Program Grants

Capital fund grants are recognized as revenues in the combined statement of revenues, expenses and changes in net assets in accordance with GASB Statement No. 34. Capital grants support the development, modernization and operation of public housing developments.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 and 2019

B Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is made by applying the criteria set forth by GASB. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financial accountable. Based on these criteria, there are no additional agencies which should be included in the financial statements of the Housing Authority.

C - Basis of Accounting

The Authority's financial statements represent the net position and results of operations of the housing authority and have been prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America as applied to governmental entities.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The housing authority maintains their accounts substantially in accordance with the chart of accounts prescribed by HUD and are organized utilizing the fund accounting model. A fund is an independent entity with a self-balancing set of accounts.

The housing authority accounts for its operations in a single enterprise fund. Enterprise funds account for those operations financed and operated in a manner similar to a private business or where the housing authority has decided that determination of revenue earned, costs incurred and net revenue over expenses is necessary for management accountability.

Enterprise funds are proprietary funds used to account for business activities of special purpose governments for which a housing authority qualifies under GASB No. 34 *"Basic Financial Statements – and Management's Discussion and analysis – for State and Local Governments."* Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred regardless of the timing of the cash flows. All assets and deferred outflows and liabilities and deferred inflows associated with the operation of the Authority are included in the statements of net position. The statements of revenues, expenses and changes in net position present increases (revenues and capital contributions) and decreases (expenses) in total net position.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 and 2019

C - Basis of Accounting – continued

New Accounting Standards Adopted:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective for the year ending June 30, 2020. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Previous Accounting Standards adopted

Statement No. 68 – “*Accounting and Financial reporting for Pensions*” this standard adopted in prior years, the financial statements contain a liability which is the amount of the unfunded pension liability, referred to in the new standard as the net pension liability (NPL). The NPL is the total pension liability (TPL) less the plan’s fiduciary net position (PFNP). The PFNP represents the fair value of plan assets which are available to pay the pension benefits. The NPL is measured as of a date no earlier than the end of the employer’s prior fiscal year (measurement date).

Statement No. 75 – “*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*” (GASB 75). GASB 75 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with post-employment benefits other than pensions (OPEB) of State and Local Governments.

New Accounting Standards not yet adopted:

GASB Statement No. 84, *Fiduciary Activities*, is effective for the year ending June 30, 2021. This statement defines criteria for identifying activities that state and local governments should report as fiduciary activities and how they should be reported.

GASB Statement No. 87, *Leases*, is effective for the year ending June 30, 2022. Its objective is to improve accounting and financial reporting for leases by governments by establishing a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, is effective for the year ending June 30, 2022. This statement suspends paragraphs 5-22 of GASB Statement No. 62 and requires that interest cost incurred before the end of a construction period be recognized as an expense. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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New Accounting Standards not yet adopted: - continues

GASB Statement No. 90, *Majority Equity Interest*, is effective for the year ending June 30, 2021. This statement amends GASB Statement No. 14 and GASB Statement No. 61 and defines a majority equity interest and specifies how a majority equity interest in a legally separate organization should be reported.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for the year ending June 30, 2023. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by users, arrangements associated with conduit debt obligations, and related note disclosures.

GASB Statement No. 92, *Omnibus 2020*, is effective for the year ending June 30, 2022. Enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form after December 31, 2021. The requirements of this statement, except for paragraphs 11b, 13 and 14 are effective for the year ending June 30, 2021. The removal of LIBOR as an appropriate benchmark interest rate, as referenced in paragraph 11b of this statement, is effective for the year ending June 30, 2022. The requirements for leases, as referenced in paragraphs 13 and 14 of this statement, are effective for the year ending June 30, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for the year ending June 30, 2023. This statement provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statements No. 87, *Leases*.

Budgeting and Budgetary Accounting

The Authority prepares an annual operating and capital budget for all programs in accordance with HUD requirements. The budget is formally adopted by resolution of the Authority's Board of Directors. Once adopted, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses. The budget is prepared on a detailed line-item basis.

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D – Cash and Cash Equivalents

The Authority considers all securities, including certificates of deposits and short-term investments, with maturities of three months or less to be cash equivalents.

E – Accounts Receivable

Rents are due from tenants on the first day of each month. An allowance for doubtful accounts is established to provide for accounts which may not be collected in the future for any reason.

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

F - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

G – Capital Assets

Capital assets include land, structures and equipment recorded at cost and is comprised of property betterments and additions, and modernization program costs. Charges for maintenance and repairs are expensed when incurred. The authority depreciates these assets over their estimated useful lives using the straight-line method of depreciation.

<u>Category</u>	<u>Useful lives (in Years)</u>
Buildings	30 - 40 years
Improvements	30 - 40 years
Furniture and Equipment	5 - 10 years
Vehicles	5 - 10 years
Computer equipment	5 - 10 years

Impairment of Capital Assets

GASB Statement No., 42, *Accounting and Financial reporting for Impairment of Capital Assets and for the Insurance Recoveries*, established accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The housing authority is required to evaluate prominent events of changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of September 30, 2020 and 2019.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
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H – Accrued Compensated absences

Accumulated unpaid leave time is accrued at the estimated amounts of future benefits attributable to services already rendered.

I – Equity Classifications

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

Net Investment in Capital Assets – consists of any capital assets, net of accumulated depreciation and reduced by any outstanding balances of loans, notes or mortgages

Restricted Net Position - consists of the net amount of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – all other net amounts of assets that do not meet the definition of “restricted” or “net investment in capital assets”.

J – Use of Restricted Assets

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as needed.

K - Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, and in the management of Authority assets. Its operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies other revenues and expenses as non-operating.

L - Income Taxes

The housing authority is a New Jersey municipal authority and, as such, is exempt from income taxes and other state and local taxes. The housing authority believes it has not engaged in any activities for which its tax-exempt status would not be sustained under Internal Revenue Service examination or that would require filing of an income tax return for unrelated business income taxes.

M – Economic Dependency

The Section 8 and Low Rent Housing Programs of the Authority are economically dependent on operating grants and subsidies from HUD.

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NOTE 2 – CASH AND CASH EQUIVALENTS –

Cash consists primarily of cash in checking accounts. Cash is classified as “Unrestricted” and “Restricted” for financial presentation purposes based on HUD guidance:

- Cash – Unrestricted includes cash available for program purposes including current operations, working capital and reserves. Because the funds are not tied to a certain program or property, they are classified as unrestricted.
- Cash – Restricted includes cash to be expended for specific purposes based on the sources of the money. The housing authority’s restricted cash generally includes: housing choice voucher funds and resident security deposits.

All funds on deposits are FDIC insured up to \$250,000 per institution or are fully collateralized in accordance with guidance recommended by HUD.

As of September 30, 2020 and 2019 cash and cash equivalents consisted of the following:

			2020	2019
Low rent			1,135,693	588,058
Section 8 Housing Choice			441,719	156,051
			-	-
			1,577,412	744,109
Bank Balances			\$ 1,695,248	\$ 831,322
<u>Reconciliation of detail to statement of net assets</u>				
Cash - unrestricted			1,205,660	628,593
Cash - restricted			371,752	115,516
			\$ 1,577,412	\$ 744,109

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
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NOTE 3 – RECEIVABLES

Accounts Receivable as of September 30, 2020 and 2019

				2020	2019
Tenant accounts receivable				6,809	3,504
Due from Other Government				61,926	0
Other				31,429	7,846
Total accounts receivable				100,164	11,350
Less: allowance for doubtful accounts				(2,534)	(2,534)
				97,630	8,816

NOTE 4 – RISK MANAGEMENT

The Authority is exposed to various risks of potential liabilities, such as theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to deal with these potential liabilities, the Authority's risk management program consisted of various insurance policies covering each of these risks. The Authority believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

NOTE 5 - FIXED ASSETS

Changes in capital assets for 2020 consisted of:

	2019	additions	disposals	transfers	2020
Non-depreciable capital assets:					
Land	2,600,000	-	-		2,600,000
Depreciable capital assets:					
Buildings and Improvements	14,726,400	-	-	-	14,726,400
Equipment - Admin & Dwelling	962,635	108,896	(86,663)		984,868
Totals	15,689,035	108,896	(86,663)	-	15,711,268
Total capital assets	18,289,035	108,896	(86,663)		18,311,268
Accumulated Depreciation:	(12,911,067)	(124,763)	86,663		(12,949,167)
Net Capital Assets	5,377,968	(15,867)	-	-	5,362,101

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
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NOTE 5 - FIXED ASSETS - continued

Changes in capital assets for 2019 consisted of:

	2018	additions	disposals	transfers	2019
<u>Non-depreciable capital assets:</u>					
Land	2,600,000	-	-		2,600,000
<u>Depreciable capital assets:</u>					
Buildings and Improvements	14,726,400	-	-	-	14,726,400
Equipment - Admin & Dwelling	826,916	166,619	(30,900)		962,635
Totals	15,553,316	166,619	(30,900)	-	15,689,035
Total capital assets	18,153,316	166,619	(30,900)	-	18,289,035
Accumulated Depreciation:	(12,828,791)	(113,176)	30,900		(12,911,067)
Net Capital Assets	5,324,525	53,443	-		5,377,968

NOTE 6 – COMPENSATED ABSENCES

Accrued compensated absences represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the authority's Personnel Policy. Compensated absences activity consisted of the following:

	2020	2019
Beginning compensated absences	\$ 87,406	\$ 95,399
Compensated absences earned	99,541	64,371
Compensated absences redeemed	(72,327)	(72,364)
Ending compensated absences	114,620	87,406
Less: current portion	11,463	8,740
Compensated absences, net of current position	\$ 103,157	\$ 78,666

7 – ACCRUED LIABILITIES

Accrued Liabilities as of September 30, 2020 and 2019

	2020	2019
Accrued payroll and payroll taxes	\$ 38,736	\$ 19,555
Accrued utilities	16,070	15,931
	\$ 54,806	\$ 35,486

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
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NOTE 8 – DEFERRED CREDITS AND OTHER LIABILITIES

Deferred Credits and other liabilities as of September 30, 2020 and 2019:

			2020	2019
Prepaid rents income			\$ 32,419	\$ 38,523
Unearned Revenue			392,530	-
Unused cares act funding revenue			191,843	
			<u>\$ 616,792</u>	<u>\$ 38,523</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

In December 2019 the housing authority received a lump sum payment in the amount of 400,152 for a 35 year easement agreement and assignment of a lease from a cell phone tower for T-Mobile. This is being amortized over the life of the easement agreement.							
	9/30/2021		\$ 11,433				
	9/30/2022		11,433				
	9/30/2023		11,433				
	9/30/2024		11,433				
	9/30/2025		11,433				
	Thereafter		335,335				
			<u>\$ 392,500</u>				
	Current Rental Income		<u>10,207</u>				
In January 2019 the Authority signed a three year lease agreement with the Boys & Girls club of Lodi to rent the first floor of their office building at 50 Brookside Ave., Lodi, Nj							
	9.30/2021		<u>\$ 18,900</u>				
	Current Rental Income		<u>\$ 17,700</u>				

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NOTE 10 - DEFICIT NET POSITION

The unrestricted net deficit of \$801,165 and \$1,165,189 as of September 30, 2020 and 2019, respectively, includes the effect of the recognition of the deferred outflows and inflows of resources related to differences between expected and actual experience, changes in assumptions, changes in proportion, and the net difference between projected and actual investment earnings offset by the Authority's proportionate share of the net pension and OPEB liability and changes in assumptions.

NOTE 11 – Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charges to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources until that time. These inflows consist of unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NOTE 12 – PENSION PLAN

Description of Plan

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employers defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. It is a cost-sharing, multiple-employer defined benefit pension plan. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 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.

Vesting and Benefit Provisions

The vesting and benefit provisions for the PERS are set by N.J. S.A. 43:15A and 43:3B. All benefits vest after ten years of services, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined.

Funding Requirements - PERS

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. Employers' contributions are actuarially determined annually by the
The Authority's total contributions to PERS for the year ended were \$ 130,491.

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NOTE 12 – PENSION PLAN – continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – at September 30, 2020, the Authority reported a liability of \$ 1,945,215 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net pension liability was based on the authority’s share of contributions to the pension plan relative to the contributions of all PERS participating employers. At June 30, 2020, the authority’s collective proportion percentage was .0119284293%

For the year ended the authority recognized pension expense of \$35,409. At September 30, 2020, the authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

					9/30/2020		9/30/2019	
					Deferred	Deferred	Deferred	Deferred
					Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experiences					\$ 35,419	\$ 6,879	\$ 37,993	\$ 9,351
Changes in assumptions					63,105	814,480	211,365	734,715
Net difference between projected and actual earnings on pension plan investments					66,489			33,415
Changes in proportion and differences between Authority contributions and proportionate share of contributions					124,408	148,355	176,685	252,404
Total					\$ 289,421	\$ 969,714	\$ 426,043	\$ 1,029,885

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year		
Ended		
Sept., 30		Total
2021		\$ (136,059)
2022		\$ (136,059)
2023		\$ (136,059)
2024		\$ (136,059)
2025		\$ (136,059)
		\$ (680,293)

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NOTE 12 – PENSION PLAN – continued

Actuarial assumptions – the total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation: price	2.75%
Wage	3.25%
Rates of salary increases:	
through 2026	2.00 – 6.00%
	based on years of service
Thereafter	3.00 – 7.00%
	based on years of service
Investment rate of return	7.00%

Mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality tables with an 82.2% adjustment for males and 101.4% adjustment for females., as appropriate, with adjustments for mortality improvements based on Scale AA.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension 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 are developed for each major 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 class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

						Long-Term
						Expected Real
					Target	Rate of Return
					Allocation	
Risk Mitigation Strategies					3.00%	3.40%
Cash Equivalents					4.00%	0.50%
U.S. Treasuries					5.00%	1.94%
Investment grade credit					8.00%	2.67%
Public High Yield					2.00%	5.95%
Private credit					8.00%	7.59%
Real assets					3.00%	9.73%
Real Estate					8.00%	9.56%
US Equity					27.00%	7.71%
Non-US developed markets equity					13.50%	8.57%
Emerging Markets equity					5.50%	10.23%
Private equity					13.00%	11.42%

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NOTE 12 – PENSION PLAN – continued

Discount Rate - the discount rate used to measure the total pension liability was 6.28% as of June 30, 2020. 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 average of the last five years of contributions made in relation to the last five years of 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's Proportionate Share of Net Pension Liability to changes in the Discount Rate – the following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.28 percent, as well as what the authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.66 percent) or 1-percentage point higher (6.66 percent) than the current rate,

		1% Decrease	Discount Rate	1% Increase
		6.00%	7.00%	8.00%
Authority's proportionate share of				
the net pension liability		2,467,956	1,945,215	1,529,930

Note 13 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

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

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NOTE 13. – OTHER POST EMPLOYMENT BENEFITS - (continued)

B. Benefits

SHBP provides medical and prescription drug to retirees and their covered dependents of the employers. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of services credit in a State of 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.

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

At September 30, 2020, the Authority reported a liability of \$2,422,579 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. Current numbers will be adjusted upon issuance of state audit report..

For the year ended September 30, 2020, the Authority recognized OPEB expense of \$(00,000). At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

						9/30/2020		9/30/2019	
						Deferred	Deferred	Deferred	Deferred
						Outflows	Inflows	Outflows	Inflows
Changes in assumptions						\$ -	\$ 858,508	\$ -	\$ 858,508
Changes in proportions						42,595	557,991	42,595	557,991
Net differences between projected and actual							708,457		708,457
investment earnings on OPEB plan investments						1,996		1,996	
Authority contributions subsequent to the						82,219		82,219	
measurement date						-		-	
Total						\$ 126,810	\$ 2,124,956	\$ 126,810	\$ 2,124,956

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NOTES TO FINANCIAL STATEMENTS
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NOTE 13. – OTHER POST EMPLOYMENT BENEFITS - (continued)

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

Year			
Ended			
30-Sep			Total
2021			416,073
2022			416,073
2023			416,073
2024			416,073
2025			416,073
			<u>\$ 2,080,365</u>

D - Actuarial Assumptions

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

Inflation Rate 2.50%

Salary increases:

Through 2026 2.00 to 6.00%, based on years of service

Thereafter 3.00 – 7.00%, based on years of service

Mortality:

PERS Pub-2010 General classification headcount weighted mortality with
Fully generational mortality improvement projections from the central
Year using Scale MP-2019

PFRS Pub-2010 safety classification headcount weighted mortality with
Fully generational mortality improvement projections from the central
Year using Scale MP-2019

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for 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.

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NOTE 13. – OTHER POST EMPLOYMENT BENEFITS - (continued)

E: Discount Rate

The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2020. This represents the municipal bond return rate chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current

				1% Decrease	Discount Rate	1% Increase
Authority's proportionate share of						
the net OPEB liability				2,801,118	2,422,579	2,114,967

G: 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 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% trend rate after eight years.

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NOTE 13. – OTHER POST EMPLOYMENT BENEFITS - (continued)

H: Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate

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

				Healthcare cost	
				Trend rate	
			1% Decrease		1% Increase
Authority's proportionate share of					
the net OPEB liability			2,044,358	2,422,579	2,905,064

NOTE 14 – LITIGATION

The Authority has also been involved in numerous claims against present and former tenants regarding unpaid rents and damage claims. The Authority has proceeded according to the HUD guidelines in these cases.

NOTE 15 – CARES ACT FUNDING

On April 28, 2020, HUD released *PIH Notice 2020-07: Implementation of Supplemental Guidance to the Federal Fiscal Year 2020 Operating Fund Appropriations*. The purpose of this notice was to provide guidance on the allocation and eligible uses of the Supplemental Public Housing Operating Funding provided pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Public Law 116-136), as well as the additional flexibilities provided pursuant to the CARES Act to use previously appropriated Capital and Operating Funds to enable PHAs to prevent, prepare for, and respond to coronavirus. The Authority received an initial Supplemental Public Housing Operating Funding appropriation of \$49,593 for public housing projects. As of September 30, 2020, the Authority has recognized \$35,401 of the grant as revenue and \$ 14,192 remained deferred.

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 and 2019

NOTE 15 – CARES ACT FUNDING - continued

On April 28, 2020, HUD released *PIH Notice 2020-08: CARES Act – HCV Program Administrative Fees*. The purpose of this notice was to implement the funding provisions for the Housing Choice Voucher and Mainstream Programs in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Public Law 116-136), enacted on March 27, 2020. The CARES Act provides additional appropriations for HAP and administrative fee funding to prevent, prepare for and respond to coronavirus. On May 7, 2020, the Authority received an appropriation of \$223,320 for administrative fees under this notice but had not met the eligibility requirements to recognize the full amount as revenue as of September 30, 2020. As of September 30, 2020, the Authority had recognized \$45,669 of the grant as revenue and \$177,651 remained deferred.

NOTE 16. VULNERABILITY - IMPACT OF COVID-19

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

NOTE 17 – SUBSEQUENT EVENTS

In preparing the financial statements, the Housing Authority has evaluated events and transactions for potential recognition or disclosure through December 10, 2021 the date the financial statements were available to be issued. The authority has found no uncertainties to be recognized.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED SEPTEMBER 30, 2020

	2020	2019	2018	2017	2016	2015
Authority's proportions of the net pension liability (asset)	0.0119284293%	0.0117476469%	0.0001201073%	0.0128148609%	0.0112592985%	0.0125833428%
Authority's proportionate share of the net pension liability	\$ 1,945,215	\$ 2,116,748	\$ 2,364,854	\$ 2,983,095	\$ 3,334,681	\$ 2,824,708
Authority's covered-employee payroll	\$ 892,894	\$ 961,965	\$ 843,297	\$ 842,214	\$ 855,930	\$ 1,080,289
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.86%	220.04%	280.43%	354.20%	389.60%	261.48%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	53.60%	53.60%	47.93%	59.86%	47.93%

Note: GASB Statement NO 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Authority will present information for those years for which information is available.

See accompanying independent auditor's report

**HOUSING AUTHORITY OF THE BOROUGH OF LODI
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED SEPTEMBER 30, 2020**

	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 130,491	\$ 114,270	\$ 119,468	\$ 118,716	\$ 100,026	\$ 108,183
Contributions in relation to the statutorily required contributions	\$ 130,491	\$ 114,270	\$ 119,468	\$ 118,716	\$ 100,026	\$ 108,183
Contributions deficiency (excess)						-
Authority's covered-employee payroll	\$ 892,894	\$ 961,965	\$ 843,297	\$ 842,214	\$ 855,930	\$ 1,080,289
Contributions as a percentage of covered-employee payroll	14.61%	11.88%	14.17%	14.10%	11.69%	10.01%

See accompanying independent auditor's report

Housing Authority of the Borough of Lodi
Schedule of Proportionate Share of the Net OPEB Liability (Asset)
For the Year Ended September 30

	2020	2019	(restated) 2018
Employer's proportionate share of the net OPEB liability	\$ 2,422,579	\$ 2,422,579	\$ 3,025,537
Employer's covered payroll	\$ 892,894	\$ 937,135	\$ 951,153
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.86%	38.68%	31.44%
Plan fiduciary net position as a percentage of the total opeb LIABILITY	1.03%	1.03%	1.03%

① Fiscal year en 2020 will be adjusted when numbers are received from the State Health Plan

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE BOROUGH OF LODI
COMBINING STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2020

	Public and Indian Housing	PHC Public Housing CARES act Funding	Capital fund Program	Housing choice Vouchers	HCC HCV CARES Act Funding	Totals
ASSETS						
Current Assets						
Cash	1,074,253	-	-	131,407	-	1,205,660
Restricted cash and investments	47,248	14,192	-	132,661	177,651	371,752
Receivables, net	68,735	-	-	28,895	-	97,630
Due from other funds	-	-	-	-	-	-
Other assets	50,329	-	-	-	-	50,329
Total Current assets	<u>1,240,565</u>	<u>14,192</u>	<u>-</u>	<u>292,963</u>	<u>177,651</u>	<u>1,725,371</u>
NONCURRENT ASSETS						
Capital assets, net of depreciation	5,362,101	-	-	-	-	5,362,101
Other assets	-	-	-	-	-	-
Total noncurrent assets	<u>5,362,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,362,101</u>
Deferred Outflows of Resources	316,629	-	-	99,602	-	416,231
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	<u>6,919,295</u>	<u>14,192</u>	<u>-</u>	<u>392,565</u>	<u>177,651</u>	<u>7,503,703</u>
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts payable	4,169	-	-	4,586	-	8,755
Accrued Liabilities	47,145	-	-	7,661	-	54,806
Accounts Payable - other government	-	-	-	193	-	193
Compensated absences	9,313	-	-	2,150	-	11,463
Tenant security deposits	47,248	-	-	-	-	47,248
Deferred credits and other liabilities	424,939	14,192	-	-	177,651	616,782
Total current liabilities	<u>532,814</u>	<u>14,192</u>	<u>-</u>	<u>14,590</u>	<u>177,651</u>	<u>739,247</u>
NONCURRENT LIABILITIES						
Compensated absences	83,814	-	-	19,343	-	103,157
Accrued pension	3,598,957	-	-	768,837	-	4,367,794
Total noncurrent liabilities	<u>3,682,771</u>	<u>-</u>	<u>-</u>	<u>788,180</u>	<u>-</u>	<u>4,470,951</u>
TOTAL LIABILITIES	<u>4,215,585</u>	<u>14,192</u>	<u>-</u>	<u>802,770</u>	<u>177,651</u>	<u>5,210,198</u>
Deferred Inflows of Resources	2,526,799	-	-	567,871	-	3,094,670
NET POSITION						
Net Investment in Capital assets	5,362,101	-	-	-	-	5,362,101
Restricted Net Position	-	-	-	132,468	-	132,468
Unrestricted Net position	(5,185,190)	-	-	(1,110,544)	-	(6,295,734)
	<u>176,911</u>	<u>-</u>	<u>-</u>	<u>(978,076)</u>	<u>-</u>	<u>(801,165)</u>
TOTAL LIABILITIES AND NET POSITION	<u>6,919,295</u>	<u>14,192</u>	<u>-</u>	<u>392,565</u>	<u>177,651</u>	<u>7,503,703</u>
	-	-	-	-	-	-

HOUSING AUTHORITY OF THE BOROUGH OF LODI
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Low Rent Housing	PHC Public Housing CARES act Funding	Capital Fund Program	Housing Choice Vouchers	HCC HCV CARES Act Funding	Totals
Operating revenue						
Total Tenant Revenue	1,554,473		-	-		1,554,473
Operating subsidies	314,840	35,401	390,188	5,736,047	45,669	6,441,075
other revenue	118,861		-	60,538		179,399
Total operating revenue	<u>1,988,174</u>	<u>35,401</u>	<u>390,188</u>	<u>5,796,585</u>	<u>45,669</u>	<u>8,174,947</u>
Operating Expenses						
Administrative expenses	721,405	6,531	-	414,882	-	1,136,287
Tenant services	2,000	28,870	-	-		2,000
Utilities	465,059		-	-		465,059
Maintenance	680,309		-	13,491		693,800
Protective services	14,953		-	-		14,953
General	191,632		-	6,733		198,365
Housing Assistance payments	-		-	5,180,213	45,669	5,180,213
Depreciation expense	124,763		-	-		124,763
Total operating expenses	<u>2,200,121</u>	<u>35,401</u>	<u>-</u>	<u>5,615,319</u>	<u>45,669</u>	<u>7,815,440</u>
Operating income (loss)	<u>(211,947)</u>	<u>-</u>	<u>390,188</u>	<u>181,266</u>	<u>-</u>	<u>359,507</u>
Nonoperating revenue (expenses)						
Investment Income	7,957		-	2,061		10,018
Net nonoperating revenue	<u>7,957</u>		<u>-</u>	<u>2,061</u>		<u>10,018</u>
Income (Loss) before capital subsidies	(203,990)	-	390,188	183,327	-	369,525
Capital subsidies	-		-			-
Change in net assets	<u>(203,990)</u>		<u>390,188</u>	<u>183,327</u>	<u>-</u>	<u>369,525</u>
Total net assets at beginning of year - restated	(9,287)		-	(1,155,902)	-	(1,165,189)
Capital contributions/transfers	390,188		(390,188)	-		-
PRIOD PERIOD ADJUSTMENTS						
	-			(5,501)	-	(5,501)
Total net position at end of year	<u>176,911</u>		<u>-</u>	<u>(978,076)</u>	<u>-</u>	<u>(801,165)</u>

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
111 Cash - Unrestricted	\$1,074,253		\$131,407		\$1,205,660	\$1,205,660
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$14,192	\$132,468	\$177,651	\$324,311	\$324,311
114 Cash - Tenant Security Deposits	\$47,248				\$47,248	\$47,248
115 Cash - Restricted for Payment of Current Liabilities			\$193		\$193	\$193
100 Total Cash	\$1,121,501	\$14,192	\$264,068	\$177,651	\$1,577,412	\$1,577,412
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government	\$61,926				\$61,926	\$61,926
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$6,809				\$6,809	\$6,809
126.1 Allowance for Doubtful Accounts - Tenants	\$0				\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0				\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery			\$31,429		\$31,429	\$31,429
128.1 Allowance for Doubtful Accounts - Fraud			-\$2,534		-\$2,534	-\$2,534
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$68,735	\$0	\$28,895	\$0	\$97,630	\$97,630
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$32,679				\$32,679	\$32,679
143 Inventories	\$17,650				\$17,650	\$17,650
143.1 Allowance for Obsolete Inventories	\$0				\$0	\$0

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
144 Inter Program Due From						
145 Assets Held for Sale						
150 Total Current Assets	\$1,240,565	\$14,192	\$292,963	\$177,651	\$1,725,371	\$1,725,371
161 Land	\$2,600,000				\$2,600,000	\$2,600,000
162 Buildings	\$14,726,400				\$14,726,400	\$14,726,400
163 Furniture, Equipment & Machinery - Dwellings	\$670,563				\$670,563	\$670,563
164 Furniture, Equipment & Machinery - Administration	\$274,357		\$39,948		\$314,305	\$314,305
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$12,909,219		-\$39,948		-\$12,949,167	-\$12,949,167
167 Construction in Progress						
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,362,101	\$0	\$0	\$0	\$5,362,101	\$5,362,101
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	\$5,362,101	\$0	\$0	\$0	\$5,362,101	\$5,362,101
200 Deferred Outflow of Resources	\$316,629		\$99,602		\$416,231	\$416,231
290 Total Assets and Deferred Outflow of Resources	\$6,919,295	\$14,192	\$392,565	\$177,651	\$7,503,703	\$7,503,703
311 Bank Overdraft						

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
312 Accounts Payable <= 90 Days	\$20,239		\$4,586		\$24,825	\$24,825
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$31,075		\$7,661		\$38,736	\$38,736
322 Accrued Compensated Absences - Current Portion	\$9,313		\$2,150		\$11,463	\$11,463
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects			\$193		\$193	\$193
333 Accounts Payable - Other Government						
341 Tenant Security Deposits	\$47,248				\$47,248	\$47,248
342 Unearned Revenue	\$424,939	\$14,192		\$177,651	\$616,782	\$616,782
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other						
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$532,814	\$14,192	\$14,590	\$177,651	\$739,247	\$739,247
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current	\$83,814		\$19,343		\$103,157	\$103,157
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$3,598,957		\$768,837		\$4,367,794	\$4,367,794

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 09/30/2020				
	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
350 Total Non-Current Liabilities	\$3,682,771	\$0	\$788,180	\$0	\$4,470,951	\$4,470,951
300 Total Liabilities	\$4,215,585	\$14,192	\$802,770	\$177,651	\$5,210,198	\$5,210,198
400 Deferred Inflow of Resources	\$2,526,799		\$567,871		\$3,094,670	\$3,094,670
508.4 Net Investment in Capital Assets	\$5,362,101	\$0			\$5,362,101	\$5,362,101
511.4 Restricted Net Position		\$0	\$132,468		\$132,468	\$132,468
512.4 Unrestricted Net Position	-\$5,185,190	\$0	-\$1,110,544	\$0	-\$6,295,734	-\$6,295,734
513 Total Equity - Net Assets / Position	\$176,911	\$0	-\$978,076	\$0	-\$801,165	-\$801,165
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,919,295	\$14,192	\$392,565	\$177,651	\$7,503,703	\$7,503,703

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
70300 Net Tenant Rental Revenue	\$1,483,879				\$1,483,879	\$1,483,879
70400 Tenant Revenue - Other	\$70,594				\$70,594	\$70,594
70500 Total Tenant Revenue	\$1,554,473	\$0	\$0	\$0	\$1,554,473	\$1,554,473
70600 HUD PHA Operating Grants	\$705,028	\$35,401	\$5,736,047	\$45,669	\$6,522,145	\$6,522,145
70610 Capital Grants						
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue						
70800 Other Government Grants	\$61,926				\$61,926	\$61,926
71100 Investment Income - Unrestricted	\$7,957		\$971		\$8,928	\$8,928
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery			\$53,452		\$53,452	\$53,452
71500 Other Revenue	\$46,644		\$7,086		\$53,730	\$53,730
71600 Gain or Loss on Sale of Capital Assets	\$10,291				\$10,291	\$10,291
72000 Investment Income - Restricted			\$1,090		\$1,090	\$1,090
70000 Total Revenue	\$2,386,319	\$35,401	\$5,798,646	\$45,669	\$8,266,035	\$8,266,035
91100 Administrative Salaries	\$429,713	\$6,531	\$222,205		\$658,449	\$658,449
91200 Auditing Fees	\$4,168		\$4,000		\$8,168	\$8,168

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$128,221		\$133,540		\$261,761	\$261,761
91600 Office Expenses	\$123,584		\$27,137		\$150,721	\$150,721
91700 Legal Expense	\$21,719		\$14,000		\$35,719	\$35,719
91800 Travel						
91810 Allocated Overhead						
91900 Other	\$14,000		\$14,000		\$28,000	\$28,000
91000 Total Operating - Administrative	\$721,405	\$6,531	\$414,882	\$0	\$1,142,818	\$1,142,818
92000 Asset Management Fee						
92100 Tenant Services - Salaries		\$7,980			\$7,980	\$7,980
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$2,000	\$20,890			\$22,890	\$22,890
92500 Total Tenant Services	\$2,000	\$28,870	\$0	\$0	\$30,870	\$30,870
93100 Water	\$74,051				\$74,051	\$74,051
93200 Electricity	\$197,035				\$197,035	\$197,035
93300 Gas	\$94,742				\$94,742	\$94,742
93400 Fuel	\$4,323				\$4,323	\$4,323
93500 Labor	\$67,490				\$67,490	\$67,490
93600 Sewer						
93700 Employee Benefit Contributions - Utilities	\$27,418				\$27,418	\$27,418
93800 Other Utilities Expense						

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
93000 Total Utilities	\$465,059	\$0	\$0	\$0	\$465,059	\$465,059
94100 Ordinary Maintenance and Operations - Labor	\$263,533				\$263,533	\$263,533
94200 Ordinary Maintenance and Operations - Materials and Other	\$84,347		\$13,491		\$97,838	\$97,838
94300 Ordinary Maintenance and Operations Contracts	\$125,032	\$0			\$125,032	\$125,032
94500 Employee Benefit Contributions - Ordinary Maintenance	\$107,060				\$107,060	\$107,060
94000 Total Maintenance	\$579,972	\$0	\$13,491	\$0	\$593,463	\$593,463
95100 Protective Services - Labor	\$10,633				\$10,633	\$10,633
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services	\$4,320				\$4,320	\$4,320
95000 Total Protective Services	\$14,953	\$0	\$0	\$0	\$14,953	\$14,953
96110 Property Insurance	\$66,820				\$66,820	\$66,820
96120 Liability Insurance	\$22,694				\$22,694	\$22,694
96130 Workmen's Compensation	\$26,066				\$26,066	\$26,066
96140 All Other Insurance	\$15,774				\$15,774	\$15,774
96100 Total Insurance Premiums	\$131,354	\$0	\$0	\$0	\$131,354	\$131,354
96200 Other General Expenses						
96210 Compensated Absences	\$30,919		-\$3,705		\$27,214	\$27,214
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents	\$1,184				\$1,184	\$1,184
96500 Bad debt - Mortgages						
96600 Bad debt - Other						

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
96800 Severance Expense	\$28,175		\$10,438		\$38,613	\$38,613
96000 Total Other General Expenses	\$60,278	\$0	\$6,733	\$0	\$67,011	\$67,011
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,975,021	\$35,401	\$435,106	\$0	\$2,445,528	\$2,445,528
97000 Excess of Operating Revenue over Operating Expenses	\$411,298	\$0	\$5,363,540	\$45,669	\$5,820,507	\$5,820,507
97100 Extraordinary Maintenance	\$100,337				\$100,337	\$100,337
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments			\$5,175,409	\$45,669	\$5,221,078	\$5,221,078
97350 HAP Portability-In			\$4,804		\$4,804	\$4,804
97400 Depreciation Expense	\$124,763		\$0		\$124,763	\$124,763
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$2,200,121	\$35,401	\$5,615,319	\$45,669	\$7,896,510	\$7,896,510
10010 Operating Transfer In	\$390,188				\$390,188	\$390,188
10020 Operating transfer Out	-\$390,188				-\$390,188	-\$390,188
10030 Operating Transfers from/to Primary Government						

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
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) Total Expenses	\$186,198	\$0	\$183,327	\$0	\$369,525	\$369,525
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	-\$9,287	\$0	-\$1,155,902	\$0	-\$1,165,189	-\$1,165,189
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			-\$5,501		-\$5,501	-\$5,501
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			-\$1,110,544		-\$1,110,544	-\$1,110,544
11180 Housing Assistance Payments Equity			\$132,468		\$132,468	\$132,468
11190 Unit Months Available	2640		5724		8364	8364

Housing Authority of the Borough of Lodi (NJ011)
LODI, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 09/30/2020				
	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
11210 Number of Unit Months Leased	2640		5446		8086	8086
11270 Excess Cash	\$492,837				\$492,837	\$492,837
11610 Land Purchases	\$0				\$0	\$0
11620 Building Purchases	\$0				\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$61,926				\$61,926	\$61,926
11640 Furniture & Equipment - Administrative Purchases	\$46,971				\$46,971	\$46,971
11650 Leasehold Improvements Purchases	\$0				\$0	\$0
11660 Infrastructure Purchases	\$0				\$0	\$0
13510 CFFP Debt Service Payments	\$0				\$0	\$0
13901 Replacement Housing Factor Funds	\$0				\$0	\$0

HOUSING AUTHORITY OF THE BOROUGH OF LODI
SCHEDULE OF ACTUAL MODERNIZATION COST CERTIFICATES
YEAR ENDED SEPTEMBER 30, 2020

<u>PROGRAM/GRANT</u>	<u>NJ39P011501-18</u>
BUDGET - ORIGINAL FUNDS APPROVED	<u>\$ 374,902</u>
FUNDS DISBURSED	374,902
	-
FUNDS EXPENDED	<u>\$ 374,902</u>
	-
EXCESS (DEFICIENCY) OF ADVANCES DUE TO (FROM) HUD	<u><u>\$ -</u></u>

THE ACTUAL MODERNIZATION COST CERTIFICATES ARE IN AGREEMENT WITH THE RECORDS OF THE HOUSING AUTHORITY OF THE BOROUGH OF LODI, NEW JERSEY.

SINGLE AUDIT AND OTHER REPORTS

HOUSING AUTHORITY OF THE BOROUGH OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020

	<u>CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>Department of Housing and Urban Development</u>		
Public and Indian Housing	14.850	\$ 314,840
COVID 19 - Public and Indian housing	14.PHC	<u>35,401</u>
Total for CFDA 14.850		350,241
Housing Voucher Cluester		
Section 8 Housing Choice Vouchers	14.871	5,736,047
COVID 19 -Section 8 Housing Choice Vouchers	14.HCV	<u>45,669</u>
Total Housing Voucher Cluster		5,781,716
Public Housing Capital Fund Program	14.872	<u>390,188</u>
Total federal Awards Expended		<u><u>\$ 6,522,145</u></u>

HOUSING AUTHORITY OF THE BOROUGH OF LODI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority 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 operations of the Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Housing Authority of the Borough of Lodi.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1 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.
- 2 . The entity did not elect to use the 10 percent de minimis indirect rate.
- 3 The authority was not a subrecipient of any federal awards and did not pass through any federal awards to subrecipients
- 4 The Housing Authority of the Borough of Lodi received grant funding for various programs through the Coronavirus Aid relief and Economic Security Act (Cares Act), enacted on March 27, 2020. No new CFDA number was issued for the CARES Act funding, therefore the supplemental funding is reported under the CFDA number associated with the program on the Schedule where expected.

**HOUSING AUTHORITY OF THE BOROUGH OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Qualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None reported
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	None reported

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None reported
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None reported
Identification of major programs:	

CFDA Number

Name of Federal Program

14.871
14.872

Housing Choice Voucher
Public Housing Capital fund

**HOUSING AUTHORITY OF THE BOROUGH OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

SECTION I – SUMMARY OF AUDITORS' RESULTS - Continued

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

SEMAP Certification – the required SEMAP indicators were verified in accordance with 24CFR985.3

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no Financial Statement Findings for the current audit period.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no Federal Award Findings and Questioned Costs for the current period.

**HOUSING AUTHORITY OF THE BOROUGH OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There are no open prior audit findings.

FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

6225 Rising Sun Avenue
Philadelphia, PA 19111
Voice: 215-742-3428

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 *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Housing Authority of the Borough of Lodi
Lodi, New Jersey

I 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 Borough of Lodi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated August xx, 2021.

Internal Control over Financial Reporting

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

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


My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.


Francis J McConnell
Certified Public Accountant

December 10, 2021

FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

6225 Rising Sun Avenue
Philadelphia, PA 19111
Voice: 215-742-3428

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

Board of Directors
Housing Authority of the Borough of Lodi
Lodi, New Jersey

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Housing Authority of the Borough of Lodi's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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

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

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


Francis J McConnell
Certified Public Accountant

December 10, 2021