

Report On Audit

**HOUSING AUTHORITY OF THE
TOWNSHIP OF WEEHAWKEN**

**For the Year Ended
December 31, 2019**

Housing Authority of the Township of Weehawken
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Township of Weehawken
525 Gregory Ave
Weehawken, New Jersey 07086

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Township of Weehawken (a governmental public corporation) in Hudson County, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of December 31, 2019, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Township of Weehawken as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the Township of Weehawken. The accompanying supplemental information on pages 62-68 is presented for additional analysis and is not required part of the basic financial statements.

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued reports dated November 10, 2020 on our consideration of the Housing Authority of the Township of Weehawken's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: November 10, 2020

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

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

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,466,599 a decrease in the financial position of \$961,358 or 40% as compared to the prior year.

As noted above, the net position of the Authority was \$1,466,599 as of December 31, 2019. Of this amount, the unrestricted net position is negative (\$1,497,862) representing an increase in the deficit of \$762,706 or 104% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 20 the financial statements, which is included in this report.

The net investment in capital assets increased \$605,637 or 31% percent for an ending balance of \$2,542,589.

The restricted net position decreased \$804,289 or 66% percent from the prior year for and ending balance of \$421,872. Additional information on the Authority's restricted net position can be found in Notes 19 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at December 31, 2019 is \$585,436 representing a decrease of \$36,457 or 6% percent from the prior year. Total restricted cash decreased \$804,397 or 64% percent for an ending balance of \$456,932. The full detail of these amounts can be found in the Statement of Cash Flows on pages 20-21 of this report.

The Authority's total assets and deferred outflows are \$4,958,012 of which capital assets net book value is \$3,492,068; deferred outflows amount of \$187,848, total noncurrent restricted assets of \$456,932, which left total current assets at \$821,164.

Total current assets increased from the previous year by \$44,627 or 6% percent. Unrestricted cash and cash equivalents decreased by \$36,457 account's receivables increased by \$76,200 and prepaid expenses increased \$4,884.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

Total noncurrent restricted assets decreased from the previous year by \$804,397 or 64% percent. HAP Restricted Reserves decreased \$304,613 and Replacement Reserve Account decreased \$499,753 or 54% percent. Tenant security deposit decreased \$108 and Capital Repairs Reserve increased \$77.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$585,489 or 20% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$725,466, less the recording of depreciation expense in the amount of \$139,977. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 9 Fixed Assets.

The Authority reported an increase in the deferred outflows for the OPEB and pension cost in the amount of \$100,181 for an ending balance of \$187,848. The Authority also reported an increase in the deferred inflows for the OPEB and pension cost in the amount of \$598,093 for an ending balance of \$1,016,194. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 10 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$2,475,219, of which noncurrent liabilities are stated at \$2,322,233. Total liabilities increased during the year as compared to the prior year in the amount of \$289,165, or 13% percent. Total current liabilities increased during the year by \$27,952, leaving non-current liabilities for an increase of \$261,213 as compared to the previous year.

Total current liabilities increased from the previous year by \$27,952 or 22% percent. Accounts payables increased by \$30,247, accrued liabilities decreased by \$2,778, tenant security deposit payable decreased by \$108, unearned revenue decreased \$60, and the current portion of mortgage payable increased \$651.

Total noncurrent liabilities increased by \$261,213 or 13% percent. Long term obligations such as accrued compensated absences - long term with no offsetting assets, increased \$7,629 or 18% percent from the prior year for an ending balance of \$51,131, mortgage payable long-term decreased \$20,799 or 2% percent compared to the prior year.

Accrued pension and OPEB liability increased \$274,383 or 26% percent for an ending balance of \$1,342,405. Additional information the Authority's accrued pension as well as the increase in accrued OPEB liability at December 31, 2019 can be found in Notes 17-18 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had total operating revenue of \$3,757,021 as compared to \$4,585,064 from the prior year for a decrease of \$828,043 or 18% percent. The Authority had total operating expenses of \$4,265,670 as compared to \$4,019,588 from the previous year for an increase of \$246,082 or 6% percent, resulting in excess of expenses from operations in the amount of \$508,649 as compared to excess revenue from operations in the amount of \$565,476 for a decrease in revenue over expenses of \$1,074,082 or 190% percent from the previous year.

The Authority's had capital outlays in the amount of \$725,466 for the fiscal year. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 9 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$2,918,395 for the year 2019 as compared to \$3,495,560 for the previous year 2018 for a decrease of \$577,165 or 17% percent.

USING THIS ANNUAL REPORT

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

1. Business Activities – RAD Program
2. Section 8 Housing Choice Voucher Program

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 17 through 21.

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

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

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 22 through 56.

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 62-63 of this report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Schedule of Expenditures of Federal Awards - Continued

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Township of Weehawken are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended December 31, 2019. Type B programs for the Housing Authority of the Township of Weehawken are those which are less than \$750,000 in expenditures for the fiscal year ended December 31, 2019.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between December 31, 2019 and December 31, 2018:

	<u>Year Ended</u>		Increase
	December-19	December-18	(Decrease)
Cash	\$ 1,042,368	\$ 1,883,222	\$ (840,854)
Other Current Assets	235,728	154,644	81,084
Capital Assets - Net	3,492,068	2,906,579	585,489
Deferred Outflows	187,848	87,667	100,181
Total Assets	4,958,012	5,032,112	(74,100)
Less: Current Liabilities	(152,986)	(125,034)	(27,952)
Less: Non Current Liabilities	(2,322,233)	(2,061,020)	(261,213)
Less: Deferred Inflows	(1,016,194)	(418,101)	(598,093)
Net Position	<u>\$ 1,466,599</u>	<u>\$ 2,427,957</u>	<u>\$ (961,358)</u>
Net Investment in Capital Assets	\$ 2,542,589	\$ 1,936,952	\$ 605,637
Restricted	421,872	1,226,161	(804,289)
Unrestricted	(1,497,862)	(735,156)	(762,706)
Net Position	<u>\$ 1,466,599</u>	<u>\$ 2,427,957</u>	<u>\$ (961,358)</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Unrestricted cash decreased by \$36,457 or 6% percent. Net cash used by operating activities was \$414,826, net cash used by capital and related financing activities was \$434,035, and net cash provided by investing activities was \$8,007. The full detail of these amounts can be found in the Statement of Cash Flows on pages 20-21 of this audit report.

Other current assets increased \$81,084. Account receivable increased \$76,200 and prepaid expenses increased \$4,884.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$585,489 or 20% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$725,466, less the recording of depreciation expense in the amount of \$139,977.

The Authority reported an increase in the deferred outflows for the OPEB and pension cost in the amount of \$100,181 for an ending balance of \$187,848. The Authority also reported an increase in the deferred inflows for the OPEB and pension cost in the amount of \$598,093 for an ending balance of \$1,016,194.

Total current liabilities increased from the previous year by \$27,952 or 22% percent. Accounts payables increased by \$30,247, accrued liabilities decreased by \$2,778, tenant security deposit payable decreased by \$108, unearned revenue decreased \$60, and the current portion of mortgage payable increased \$651.

Total noncurrent liabilities increased by \$261,213 or 13% percent. Long term obligations such as accrued compensated absences - long term with no offsetting assets, increased \$7,629 or 18% percent from the prior year for an ending balance of \$51,131, mortgage payable long-term decreased \$20,799 or 2% percent compared to the prior year.

Accrued pension and OPEB liability increased \$274,383 or 26% percent for an ending balance of \$1,342,405. Additional information the Authority's accrued pension as well as the increase in accrued OPEB liability at December 31, 2019 can be found in Notes 17-18 to the financial statements, which is included in this report.

The Authority's reported net position of \$1,466,599 is made up of three categories. The net investment in capital assets in the amount of \$2,542,589 represents the majority of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The schedule below reflects the activity in this account for the current year:

Balance December 31, 2018	\$ 1,936,952
Fixed Asset Acquisitions	725,466
Depreciation Expense	(139,977)
Payment of Principal on Debt	20,148
Balance December 31, 2019	<u>\$ 2,542,589</u>

The Housing Authority of the Township of Weehawken operating results for December 31, 2019 reported an increase in the deficit unrestricted net position of \$762,706 or 104% percent for an ending balance of negative (\$1,497,862). A full detail of this account can be found in the Notes to the Financial Statements Section Note - 20.

The Authority reported restricted net position in the amount of \$421,872 which decreased \$804,289 or 66% percent compared to the prior year. A full detail of these accounts can be found in the Notes to the Financial Statements Section Note - 19.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between December 31, 2019 and December 31, 2018:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u> December-19	<u>Year Ended</u> December-18	Increase (Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 800,070	\$ 784,669	\$ 15,401
HUD Subsidies	2,918,395	3,495,560	(577,165)
Other Revenues	38,556	304,835	(266,279)
Total Operating Income	<u>3,757,021</u>	<u>4,585,064</u>	<u>(828,043)</u>
<u>Expenses</u>			
Operating Expenses	4,125,693	3,880,289	245,404
Depreciation Expense	139,977	139,299	678
Total Operating Expenses	<u>4,265,670</u>	<u>4,019,588</u>	<u>246,082</u>
Operating (Loss) before Non Operating Income	(508,649)	565,476	(1,074,125)
Investment Income	<u>8,007</u>	<u>13,363</u>	<u>(5,356)</u>
Change in Net Position	(500,642)	578,839	(1,079,481)
Net Position Prior Year	2,427,957	2,072,348	355,609
Prior Period Adjustment	(460,716)	(223,230)	(237,486)
Total Net Position	<u>\$ 1,466,599</u>	<u>\$ 2,427,957</u>	<u>\$ (961,358)</u>

Approximately 78% percent of the Authority's total revenue was provided by HUD operating subsidy, while 21% percent resulted from tenant revenue. Charges for various services and fraud recovery provided for the remaining 1% percent of the total operating income.

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 69% percent of total operating expenses. Administrative expenses accounted for 10% percent, utilities expense accounted for 3% percent, maintenance expense accounted for 4% percent, tenant services expense accounted for less than 1% insurance accounted for 1% percent, other operating expenses accounted for 9% percent, and depreciation accounted for the remaining 3% of the total operating expenses.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating expenses exceeded its operating revenue resulting in excess expenses from operations in the amount of \$508,649 as compared to excess revenue from operations of \$565,476 for the previous year. The key elements to the increase in deficit in comparison to the prior year are as follow:

- The Authority experienced increases in Tenant Rental revenue in the amount of \$15,401.
- The Authority experienced decreases in HUD PHA Operating Grants in the amount of \$577,165 or 17% percent. This was due to decreased funding by HUD.
- Other revenue overall decreased \$266,279.
- The Authority experienced increases in the following expenses:
 - Administrative expenses increased \$124,404 or 42% percent.
 - Utility expenses increased \$15,616 or 12% percent
 - Maintenance expenses increased \$3,777 or 2% percent.
 - Housing assistance payments increased \$62,520 or 2% percent.
 - Other Operating Expenses increased \$20,163 or 5% percent.

Total net cash used by operating activities during the year was \$414,826 as compared to net cash provided by operating activities during 2018 in the amount of \$567,858. A full detail of this amount can be found on the Statement of Cash Flows on pages 20-21 of this report.

Overall, the Authority reported an increase in the deficit of unrestricted net position of \$762,706 for an ending balance of negative (\$1,497,862). Additional information on the Authority's unrestricted net position can be found in Note 20 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four-year period of time ending on December 31, 2019:

	December-19	December-18	December-17	December-16
Significant Income				
Total Tenant Revenue	\$ 800,070	\$ 784,669	\$ 335,401	\$ 341,288
HUD Operating Grants	2,918,395	3,495,560	3,068,642	2,938,296
HUD Capital Grants	-	-	-	70,303
Investment Income	8,007	13,363	1,830	-
Other Income	38,556	304,835	105,125	57,979
Total	\$ 3,765,028	\$ 4,598,427	\$ 3,510,998	\$ 3,407,866
Payroll Expense				
Administrative Salaries	\$ 163,480	\$ 140,897	\$ 159,981	\$ 186,166
Maintenance Labor	44,741	36,669	41,051	59,106
Employee Benefits Expense	113,237	74,592	200,971	227,080
Total Payroll Expense	\$ 321,458	\$ 252,158	\$ 402,003	\$ 472,352
Other Significant Expenses				
Other Administrative Expenses	\$ 167,251	\$ 108,263	\$ 163,112	\$ 183,117
Utilities Expense	144,508	128,892	159,232	107,979
Maintenance Supplies	22,762	25,090	22,422	23,978
Maintenance Contract Cost	92,805	89,989	71,693	74,663
Insurance Premiums	42,932	38,387	41,688	34,475
Housing Assistance Payments	2,936,178	2,873,658	2,377,561	2,456,634
Total	\$ 3,406,436	\$ 3,264,279	\$ 2,835,708	\$ 2,880,846
Total Operating Expenses	\$ 4,265,670	\$ 4,019,588	\$ 3,613,936	\$ 3,606,308
Total of Federal Awards	\$ 2,918,395	\$ 3,495,560	\$ 3,068,642	\$ 3,008,599

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level.

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

THE HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN PROGRAMS

Section 8 Housing Choice Voucher Program:

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

Rental Assistance Demonstration Program: Business Activities

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

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2019, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

NEW INITIATIVES

For the year 2019 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 78% percent of its revenue from the Department of Housing and Urban Development, (2018 was 76% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority converted all of its Public and Indian Housing Program rental units into RAD subsidy units.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

NEW INITIATIVES - CONTINUED

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2019 was \$3,492,068 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total increase during the year in the Authority's net investment in capital assets for the current calendar year was \$585,489 or 20%. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$725,466, less the recording of depreciation expense in the amount of \$139,977. Major capital assets events during the calendar year included the following:

- Elevator Upgrades
- Kitchen Upgrades
- Water Heater Replacements

	December-19	December-18	Increase (Decrease)
Land	\$ 250,000	\$ 250,000	\$ -
Building	6,337,226	6,326,235	10,991
Furniture, Equipment - Dwelling	632,350	628,310	4,040
Furniture, Equipment - Administration	129,511	129,511	-
Construction in Process	1,780,479	1,070,044	710,435
Total Fixed Assets	\$ 9,129,566	\$ 8,404,100	\$ 725,466
Accumulated Depreciation	(5,637,498)	(5,497,521)	(139,977)
Net Book Value	\$ 3,492,068	\$ 2,906,579	\$ 585,489

2 - Debt Administration

The Authority as of December 31, 2019 had an outstanding loan balance with Lakeland Bank in the amount of \$949,479. The Authority used these proceeds to fund the necessary reserve accounts due to the RAD conversion which took place. A full disclosure of loans payable at December 31, 2019 can be found in Note 16.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The following factors were considered in preparing the Authority's budget for the year ending December 31, 2020.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Inflationary pressure on utility rates, supplies and other cost.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Robert A. DiVincent, Executive Director, Housing Authority of the Township of Weehawken, 525 Gregory Avenue, Weehawken, N.J. 07086, or call (201) 330-1808.

HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

	2019
Assets	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	\$ 585,436
Accounts Receivables, Net of Allowances	230,844
Prepaid Expenses	4,884
Total Current Assets	821,164
 Restricted Deposits and Funded Reserves	
Tenant Security Deposit	35,060
HAP Restricted Reserves	-
Capital Repairs Reserve	270
Replacement Reserve Account	421,602
Total Noncurrent Restricted Assets	456,932
 Noncurrent Assets	
Capital Assets	
Land	250,000
Building	6,337,226
Furniture, Equipment - Dwelling	632,350
Furniture, Equipment - Administration	129,511
Construction in Process	1,780,479
Total Capital Assets	9,129,566
Less: Accumulated Depreciation	(5,637,498)
Net Book Value	3,492,068
Total Assets	4,770,164
 Deferred Outflow of Resources	
State of New Jersey - Pension and OPEB	187,848
Total Assets and Deferred Outflow of Resources	\$ 4,958,012

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

	2019
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 79,977
Accrued Liabilities	17,153
Tenant Security Deposit Payable	35,060
Unearned Revenue	14
Long Term Debt - Current Portion	20,782
Total Current Liabilities	152,986
Noncurrent Liabilities	
Note Payable - Long Term	928,697
Accrued Compensated Absences - Long-Term	51,131
Accrued Pension and OPEB Liabilities	1,342,405
Total Noncurrent Liabilities	2,322,233
 Total Liabilities	 2,475,219
Deferred Inflow of Resources	
State of New Jersey - Pension and OPEB	1,016,194
Net Position:	
Net Investment in Capital Assets	2,542,589
Restricted	421,872
Unrestricted	(1,497,862)
 Total Net Position	 1,466,599
 Total Liabilities, Deferred Inflow of Resources, and Net Position	 \$ 4,958,012

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP WEEHAWKEN
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019**

	2019
Revenue:	
Tenant Rental Revenue	\$ 800,070
HUD PHA Operating Grants	2,918,395
Fraud Recovery Income	30,175
Other Revenue	8,381
Total Revenue	3,757,021
 Operating Expenses:	
Administrative Expense	419,574
Tenant Services	14,379
Utilities Expense	144,508
Maintenance Expense	179,662
Insurance Expense	42,932
Other Operating Expenses	388,460
Housing Assistance Payments	2,936,178
Depreciations Expense	139,977
Total Operating Expenses	4,265,670
 Excess Expenses From Operations	(508,649)
 Non Operating Income:	
Interest Income	8,007
 Change in Net Position	(500,642)
 Beginning Net Position	2,427,957
Prior Period Adjustments	(460,716)
Beginning Net Position, Restated	1,967,241
 Ending Net Position	\$ 1,466,599

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
STATEMENT OF CASH FLOWS - 1
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

	2019
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 798,380
Receipts from Federal Grants	2,832,733
Receipts from Misc. Sources	47,568
Payments to Vendors and Suppliers	(824,476)
Payments for Housing Assistance Payments	(2,936,178)
Payments to Employees	(219,616)
Payment of Employee Benefits	(113,237)
Net Cash (Used) by Operating Activities	(414,826)
Cash Flow From Capital and Related Financing Activities	
Acquisitions and Construction of Capital Assets	(725,466)
Principal Payments made on Mortgage	(20,148)
Change in Accrued Pension and OPEB Liabilities	274,383
Net Effect of Deferred Inflows and Outflows	497,912
Prior Period Adjustment	(460,716)
Net Cash (Used) by and Related Financing Activities	(434,035)
Cash Flow From Investing Activities	
Interest Income	8,007
Net Cash Provided by From Investing Activities	8,007
Net Decrease in Cash and Cash Equivalents	(840,854)
Beginning Cash	1,883,222
Ending Cash	\$ 1,042,368
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 585,436
Restricted Deposits	456,932
Total Ending Cash	\$ 1,042,368

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN
STATEMENT OF CASH FLOWS - 2
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

	2019
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expenses Over Revenue	\$ (508,649)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	139,977
(Increase) Decrease in:	
Accounts Receivables	(76,200)
Prepaid Expenses	(4,884)
Increase (Decrease) in:	
Accounts Payable	30,247
Accrued Liabilities	(2,778)
Unearned Revenue	(60)
Tenant Security Deposits	(108)
Compensated Absences - Non current	7,629
Net Cash (Used) by Operating Activities	\$ (414,826)
Supplemental Cash Flows Disclosures	
Interest Expense Paid During the Year	\$ 34,083

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

Notes to Financial Statements

December 31, 2019

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

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

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

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

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

Notes to Financial Statements

December 31, 2019

2. Significant Accounting Policies

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

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

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

Notes to Financial Statements

December 31, 2019

Significant Accounting Policies -Continued

The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board "*Accounting and Financial Reporting for Pensions.*" The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans of State and Local Governments. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

Statement No. 75 of the Government Accounting Standards Board ("GASB 75") *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued June 2015. GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. The Authority adopted this accounting standards effective January 1, 2018.

Basis of Accounting –

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

Notes to Financial Statements

December 31, 2019

Basis of Accounting – Continued

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

Other revenue composed primarily of miscellaneous services fees and portability HCV income. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

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

Report Presentation -

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

Notes to Financial Statements

December 31, 2019

Other accounting policies are as follows

- 1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- 2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.
- 3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.
- 4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.
- 5 – Operating subsidies received from HUD are recorded as income when earned.
- 6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.
- 7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.
- 8 – The Authority does not have any infrastructure assets for its Enterprise Fund.
- 9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.
- 10- Advertising cost is charged to expense when incurred.
- 11- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.
- 12- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.