

# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements

December 31, 2019

### **Other accounting policies are as follows - continued**

#### 13 - Taxes

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

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

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

#### 15 - Net Position

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

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

# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements

December 31, 2019

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

#### 15 - Net Position -continued

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

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

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

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, tenant rental charges, HAP portability payments for the tenants and various charges to tenants.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority.

#### 17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2019.

#### 18- Recent Accounting Pronouncements

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

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**Budgetary and Policy Control -**

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

**Activities** - The only programs or activities administered by the Authority were:

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-77	449
<u>Business Activities</u>			
Rental Assistance Demonstration Program (RAD)			99

Section 8 Housing Choice Vouchers 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.

Business Activities Program -RAD

Under the Business Activities program the Authority has a non-profit, Weehawken Senior Housing Corporation, which was utilized for the transition of the public housing units to RAD units. The Authority converted its 99 Public and Indian Housing Program units to Rental Assistance Demonstration Program (RAD) Project Based Vouchers (PBV). The Rental Assistance Demonstration (RAD) was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties. RAD allows public housing agencies to leverage public and private debt and equity in order to reinvest in the public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.

# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements

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

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

### **Revenue from Rental Contracts**

The Authority RAD housing program recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant (s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit the tenant(s) may also income qualify for a Housing Assistance Payment (HAP). HAP payments are used to subsidize the tenants(s) rental payment to allow them the ability to afford a unit in the development.

Tenant(s) lease payments, including the HAP payment, are due the first day of each month of the lease term. The monthly unit rental charge is determined based on local market conditions but cannot exceed the monthly rental amount set annually by the New Jersey Mortgage and Finance Agency (NJHMFA). Any tenant(s) rental payment not received by the fifth day of each month. Will be charged a late fee. HAP payments received directly from a sponsoring governmental agency are not subject to late fees. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

### **Rent Increases**

Under the regulatory agreement, the Authority RAD housing program may not increase rents charged to tenants without the New Jersey Mortgage and Finance Agency (NJHMFA) approval.

# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements

December 31, 2019

### **NOTE 2 - ESTIMATES**

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

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

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision 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. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

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

On the web: <http://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-pers18.pdf>

# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements

December 31, 2019

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

#### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2019 amounted to \$26,698.

#### Post Employment Retirement Benefits

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

Further information on the Pension Plan and its effects do to the adoption of GASB 68 can be found in Note 18- Accrued Pension Liability.

### **NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

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

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

# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements

December 31, 2019

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

#### **Risk Disclosures**

##### Collateral for Deposits

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

##### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2019, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

##### Credit Risk

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

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

<u>Depository Accounts</u>	<u>December-19</u>
Insured	\$ 635,785
Collateralized held by pledging bank's trust department in the Authority's name	406,583
Total Cash and Cash Equivalents	<u>\$ 1,042,368</u>

#### **Investments**

The Authority's investments at December 31, 2019 included the following:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market Account	Upon Demand	\$ 369,797

# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements

December 31, 2019

### **NOTE 5 – RESTRICTED DEPOSITS AND FUNDED RESERVES**

Under the terms of the agreement with HUD RAD conversion, the Housing Authority of the Township of Weehawken is required to maintain certain escrow accounts and reserves.

#### **Reserve for Repair and Replacement**

The Housing Authority of the Township of Weehawken is required to fund this reserve out of current operations. It is a restricted cash account to ensure that funds are available to cover the future cost of major repairs and improvements.

	<u>December-19</u>
Beginning Balance	\$ 921,355
Deposit Made	25,620
Interest Earned	6,915
Withdrawals Made	(532,288)
Ending Balance	<u>\$ 421,602</u>

#### **Capital Repairs Reserve**

The Housing Authority of the Township of Weehawken is required to fund this reserve at the time of the RAD conversion for required capital repairs. It is a restricted cash account to ensure that funds are available to cover required repairs.

	<u>December-19</u>
Beginning Balance	\$ 193
Deposit Made	-
Interest Earned	77
Withdrawals Made	-
Ending Balance	<u>\$ 270</u>

#### **Tenant Security Deposit Account**

The Housing Authority of the Township of Weehawken has tenant security deposit restricted cash in the amount of \$35,060. This amount is held as security deposits for the tenants in an interest bearing account at Lakeland Bank. Upon termination of a lease agreement, any remaining funds are returned to the tenant. Security deposit cash and the related liability to tenants are \$35,060 at December 31, 2019.



**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements  
December 31, 2019

**NOTE 6 - ACCOUNTS RECEIVABLE**

Accounts Receivable at December 31, 2019 consisted of the following:

	<u>December-19</u>
Accounts Receivable - Tenants	\$ 2,148
Less Allowance for Doubtful Accounts	<u>(2,113)</u>
Net Accounts Receivable - Tenants	35
Accounts Receivable - HUD	85,662
Accounts Receivable - Management Fees	\$ 145,147
Total Accounts Receivable	<u>\$ 230,844</u>

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

**NOTE 7 – PREPAID EXPENSES**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Inventory of supplies is recorded at the lower of cost (determined by using the “first-in-first- out” method) or market. Prepaid expense at December 31, 2019 was in the amount of \$4,884.

**NOTE 8 – INTERFUND ACTIVITY**

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at December 31, 2019 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements

December 31, 2019

### **NOTE 9 - FIXED ASSETS**

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

#### Depreciation Expense

Depreciation expense for December 31, 2019 was \$139,977. Property and equipment are stated at cost. Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

Housing Authority of the Township of Weehawken reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2019.

Below is a schedule of changes in fixed assets for the twelve months ended December 31, 2019:

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 9 - FIXED ASSETS - CONTINUED**

Below is a schedule of the net book value of the fixed assets for the Authority as of December 31, 2019:

	<u>December-19</u>
Land	\$ 250,000
Building	1,338,711
Furniture, Equipment - Dwelling	36,100
Furniture, Equipment - Administration	86,778
Construction in Process	<u>1,780,479</u>
Net Book Value	<u><u>\$ 3,492,068</u></u>

**NOTE 10 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

The OPEB and Pension Liability discussed in Note 17-18 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net OPEB and pension liability, is amortized over a five-year closed period for OPEB and PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as OPEB and pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows are as follows:

<b>Deferred Outflows of Resources</b>	<u>OPEB</u>	<u>Pension</u>	<u>Total</u>
Differences Between Expected and Actual Experiences	\$ -	\$ 8,877	\$ 8,877
Changes in Assumptions	-	49,383	49,383
Net Difference Between Projected and Actual Earning on Pension Plan Investments	698	-	698
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	62,803	66,087	128,890
Total	<u>\$ 63,501</u>	<u>\$ 124,347</u>	<u>\$ 187,848</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - CONTINUED**

<b>Deferred Inflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 247,944	\$ 2,185	\$ 250,129
Changes in Assumptions	300,459	171,659	472,118
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	7,807	7,807
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	99,869	186,271	286,140
Total	\$ 648,272	\$ 367,922	\$ 1,016,194

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$8,877 and \$250,129.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$49,383 and \$472,118.

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

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$698 and \$7,807.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 10 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - CONTINUED**

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

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of PERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$128,890 and \$286,140.

**NOTE 11 - ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of December 31, 2019. Accounts payable vendors are amount owed to creditors as a result of delivered goods and completed services. Accounts payable at December 31, 2019 was in the amount of \$79,977 which consisted of the following:

	<u>December-19</u>
Accounts Payable Vendors	\$ 71,033
Accounts Payable - Other Government	8,944
Total Accounts Payable	<u>\$ 79,977</u>

**NOTE 12 - ACCOUNTS PAYABLE - OTHER GOVERNMENT (PILOT PAYABLE)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the Business Activities Program in accordance with the provisions of its Cooperation Agreement with the Township of Weehawken. Under the Cooperation Agreements, the Authority pay the municipality a 10% of its net shelter rent. PILOT payable at December 31, 2019 consist of the following:

	<u>December-19</u>
Balance Beginning of Year	\$ 28,020
P.I.L.O.T. Accrued	16,661
Less Payments Made	<u>(35,737)</u>
Total P.I.L.O.T. Payable	<u>\$ 8,944</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 13 – ACCRUED EXPENSES**

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities incurred on or before December 31. Accrued liabilities at December 31, 2019 consist of the following:

	<u>December-19</u>
Compensated Absences - Current Portion	\$ 5,682
Accrued Interest Payable	2,862
Accrued Liabilities - Utilities	8,609
Total Accrued Liabilities	<u>\$ 17,153</u>

**NOTE 14 – ACCRUED COMPENSATED ABSENCES**

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

An employee may not carry over unused vacation days in which the vacation days are earned. When an employee's employment terminated, the employee will be entitled to receive payment for any unused accumulated vacation time earned within the previous 12-month time period.

Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of voluntary resignation of employment, an employee shall be entitled to be paid for half (1/2) of unused sick time, not to exceed \$15,000.

For December 31, 2019 the Authority has determined that the potential liability for accumulated vacation time, sick leave, and terminal pay to be as follows:

	<u>December-19</u>
Accumulated Sick Time	\$ 26,072
Accumulated Vacation Time	26,701
Total	52,773
Payroll Tax Expense	4,040
Total Compensated Absences	56,813
Compensated Absences - Current Portion	(5,682)
Total Compensated Absences - Noncurrent	<u>\$ 51,131</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements  
December 31, 2019

**NOTE 15 - UNEARNED REVENUE**

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unearned revenue account balance at December 31, 2019 is \$14 which consisted of prepaid rents.

**NOTE 16 - LONG TERM DEBT - MORTGAGE PAYABLE**

Weehawken Housing Authority, due to the RAD conversion that took place during 2017, issued tax-exempt bond privately placed with Lakeland Bank. Collateral for these bonds would be the Authority's properties. The proceeds of these bonds are to be used to finance capital improvements subject to the RAD program and related reserves, as well as refunding existing debt.

The commercial mortgage with Lakeland Bank was in the amount of \$1,000,000 as of April of 2017. The commercial mortgage has fixed interest rate of 3.5%, for the first ten years, and a 20-year life where the final payment is due by May 1, 2037. The payment schedule was based on a 30-year table requiring monthly payments of \$4,519.28 where the final payment for May 2037 will be a balloon payment. The balance of this note at December 31, 2019 is \$949,479.

The annual debt service requirements to maturity, including principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2020	\$ 20,782	\$ 33,449	\$ 54,231
2021	21,626	32,605	54,231
2022	22,406	31,825	54,231
2023	23,215	31,438	54,231
2024	23,966	31,017	54,231
Subtotal	111,995	160,334	271,155
Therafter	837,484	249,945	1,087,429
Total	<u>\$ 949,479</u>	<u>\$ 410,279</u>	<u>\$ 1,358,584</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 17 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Authority as of December 31, 2019 reported accrued pension and OPEB liability amounts as follows:

	<u>December-19</u>
Accrued OPEB Liability	\$ 847,849
Accrued Pension Liability	<u>494,556</u>
Total OPEB and Pension Liability	<u>\$ 1,342,405</u>

These amounts arose due to adoption of GASB #75 (OPEB) in 2018 year as well as GASB #68 (Pension) which was adopted in 2014 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 18 will discuss the effect of GASB #68 pension liability which arose from that.

**OPEB Liability**

The Authority as of December 31, 2019 reported a net OPEB liability in the amount of \$847,849 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	<u>June-19</u>
Employer Total OPEB Liability	\$ 864,947
Plan Net Position	<u>(17,098)</u>
Employer Net OPEB Liability	<u>\$ 847,849</u>

The Authority allocation percentage is 0.0062590% as of June 30, 2019.

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

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



# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements

December 31, 2019

### **NOTE 17 – OPEB LIABILITIES - CONTINUED**

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

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

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

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

### Allocation Methodology

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 17 – OPEB LIABILITIES - CONTINUED**

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

Retired Employees Receiving Benefits	5
Actives Eligible for Benefits	1
Active Employees	1
Total Employees	<u>7</u>

Net OPEB Liability

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

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

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

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

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

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 17 – OPEB LIABILITIES - CONTINUED**

Health Care Trend Assumptions

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

Discount Rate

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

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

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

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

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

Change in Assumptions: Effective June 30, 2019.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 17 – OPEB LIABILITIES - CONTINUED**

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for the 2019, 2018 and 2017 amounts, respectively.

*Changes in Net OPEB Liability:*

<b><u>Total OPEB Liability</u></b>	<b><u>2019</u></b>
Service Cost	\$ 41,721
Interest on Total OPEB liability	39,812
Expected Investment Return	(706)
Administrative Expenses	593
Changes in Benefits Term	(119)
Current Period Deferred Inflows/Outflows of Resources	(38,769)
Changes in Assumptions or Other Inputs	(253,814)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	224
Benefit Payments	-
Change in Plan	460,716
Net Change in Total OPEB Liability	<u>249,658</u>
Total OPEB Liability, Beginning	<u>598,191</u>
 Total OPEB Liability, Ending	 <u><u>\$ 847,849</u></u>

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

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

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 18 – ACCRUED PENSION LIABILITY**

Net Pension Liability Information

The Authority as of December 31, 2019 reported a net pension liability in the amount of \$494,556 due to GASB #68. The component of the current year net pension liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	<u>June-19</u>
Employer Total Pension Liability	\$ 1,138,823
Plan Net Position	<u>(644,267)</u>
Employer Net Pension Liability	<u>\$ 494,556</u>

The Authority allocation percentage is 0.0027447158% as of June 30, 2019.

Plan Description

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

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

Net Pension Liability Information

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

The following represents the membership tiers for PERS:

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

# HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN

## Notes to Financial Statements December 31, 2019

### **NOTE 18 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Allocation Percentage Methodology

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

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

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

#### Net Pension Liability Information

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

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 18 - ACCRUED PENSION LIABILITY - CONTINUED**

Actuarial Assumptions

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

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

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements

December 31, 2019

**NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED**

Actuarial Assumptions – Continued

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2019 as summarized in the following table:

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

Discount Rate

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

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



**HOUSING AUTHORITY OF THE TOWNSHIP OF WEEHAWKEN**

Notes to Financial Statements  
December 31, 2019

**NOTE 18 - ACCRUED PENSION LIABILITY - CONTINUED**

Discount Rate - Continued

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

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

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

	1% Decrease (5.28%)	Current Discount (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 629,051	\$ 494,556	\$ 387,565

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

Year Ending June 30, 2020	\$ (14,281)
Year Ending June 30, 2021	(46,326)
Year Ending June 30, 2022	(41,366)
Year Ending June 30, 2023	(19,424)
Year Ending June 30, 2024	(1,994)
Total	<u>\$ (123,391)</u>