

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2021

NOTE 11 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of December 31, 2021. Accounts payable vendors are amount owing to creditors because of delivered goods and completed services. The Authority accounts payable on December 31, 2021, in the amount of \$242,490 consist of the following:

	Primary Government	Component Unit
Accounts Payable Vendors	\$ 211,619	\$ 9,741
Accounts Payable - Other Government	4,484	14,716
Accounts Payable HUD Programs	1,930	-
Total Accounts Payable	<u>\$ 218,033</u>	<u>\$ 24,457</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 PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Borough of Edgewater. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes.

Edgewater Housing Associates Urban Renewal, L.P. (Component Unit) has entered into an agreement with the Borough of Edgewater which exempts the development from real estate taxes during the entire term of the mortgage. Under the agreement, Edgewater Housing Associates Urban Renewal, L.P. must pay the municipality an annual service charge, or payment in lieu of taxes (P.I.L.O.T.), for municipal service to 3%, of the annual gross revenue of the development generated from affordable housing rental income.

PILOT payable on December 31, 2021, consist of the following:

	December-21
Balance Beginning of Year	\$ 21,888
P.I.L.O.T. Accrued -Authority	4,483
P.I.L.O.T. Accrued -Component Unit	11,491
Less: Payments Made	(18,662)
Total P.I.L.O.T. Payable	<u>\$ 19,200</u>
P.I.L.O.T. Payable -Authority	\$ 4,484
P.I.L.O.T. Payable -Component Unit	14,716
Total P.I.L.O.T. Payable	<u>\$ 19,200</u>

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

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NOTE 13 - ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before December 31. Accrued expenses on December 31, 2021, consisted of the following:

	Primary Government	Component Unit
Compensated Absences - Current Portion	\$ 3,230	\$ -
Accrued Liabilities - Utilities	3,102	2,972
Accrued Interest Payable	833	353,797
Accrued Operating Expenses - Fees	79,910	-
Total Accrued Liabilities	\$ 87,075	\$ 356,769

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.

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 fifty (50%) percent of unused sick time not to exceed \$15,000.

The Authority has determined that the potential liability for accumulated vacation and sick time is as follows:

Balance December-20	Payments Made	Additions	Balance December-21	Current Portion
\$ 32,294	\$ -	\$ 1	\$ 32,295	\$ 3,230

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NOTE 15 - LONG TERM DEBT

The Authority and the Component Unit as of December 31, 2021, has the following notes payable:

Notes Payable	Balance December-20	Payments	Balance December-21
Connect One -Component Unit	\$ 745,085	\$ (19,184)	\$ 725,901
Balance Home Loan - Component Unit	274,850	-	274,850
CDBG Funds -Component Unit	644,236	-	644,236
Mariners Bank - Business Activities	239,849	(4,655)	235,194
Total Note Payable	<u>\$ 1,904,020</u>	<u>\$ (23,839)</u>	<u>\$ 1,880,181</u>

Notes Payable	December-21	Current	Non-Current
Connect One -Component Unit	\$ 725,901	\$ 20,538	\$ 705,363
Balance Home Loan - Component Unit	274,850	-	274,850
CDBG Funds -Component Unit	644,236	-	644,236
Mariners Bank - Business Activities	235,194	4,872	230,322
Total Note Payable	<u>\$ 1,880,181</u>	<u>\$ 25,410</u>	<u>\$ 1,854,771</u>

First Mortgage Loan

Edgewater Housing Associates Urban Renewal, L.P. obtained its permanent financing from Connect One formally called Bank of New Jersey in the form of a 30 year \$850,000 first mortgage. The note bears an interest at a fixed rate of 4% per annum and it is secured by a first deed of trust on the rental property. Principal and interest payments of \$4,087 are payable in monthly installments thru July 29, 2044. Accrued interest payable on December 31, 2021, was \$2,500. The balance on December 31, 2021, was \$725,901.

Second Mortgage Loan

Edgewater Housing Associates Urban Renewal, L.P. have obtained a second mortgage loan from the Neighborhood Preservation Balanced Housing Program, Division of Housing and Community Resources, NJ, Department of Community Affairs, in the form of a thirty (30) year, \$275,900 note. The note accrues interest at the rate of 3.0% (simple interest) per annum and is secured by a lien on the rental property. Principal and accrued interests are due at maturity. During 2021, interest of \$8,245 was accrued and the balance of interest in the amount of \$187,813 remains payable on December 31, 2021.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2021

NOTE 15 – LONG TERM DEBT -CONTINUED

Third Mortgage Loan

Edgewater Housing Associates Urban Renewal, L.P. has obtained a third mortgage loan from the Community Development Block Grant Funds to the Partnership in the form of a thirty (30) year, \$644,236 note. The note accrues interest at the rate of 1.0% per annum and is secured by a lien on the rental property. Principal and accrued interests shall be due on the earliest of A) September 1, 2027, of B) the sale of the Apartment Complex as defined in the loan agreement. During 2021, interest of \$6,442 was accrued and the balance of interest in the amount of \$163,484 remains payable on December 31, 2021.

RAD Note Payable

The Authority obtained a loan note on July 30, 2018, in connection with the RAD conversion of the units located at 300 Undercliff Avenue, Edgewater, NJ. From Mariner’s Bank. The loan amount was \$250,000 which matures August 1, 2016 (18 years). The term of the note is fixed at 4.25% per annum. The note will be based on a thirty (30) year amortization until the Maturity date of August 1, 2036. The monthly payment of principal and interest shall be \$1,229.85 commencing on September 1, 2018. The note is secured with the real property located at 300 Undercliff Avenue, Edgewater, NJ.

The annual debt service requirements to maturity are as follows:

Year	Connect One Principal	Home Loans Principal	CDBG Principal	Mariners Principal	Total
2022	\$ 20,538	\$ -	\$ -	\$ 4,872	\$ 25,410
2023	21,375			5,083	26,458
2024	22,325			5,304	27,629
2025	23,395			5,533	28,928
2026	23,694			5,773	29,467
Subtotal	111,327	-	-	26,565	137,892
Thereafter	614,574	274,850	644,236	208,629	1,742,289
Total	\$ 725,901	\$ 274,850	\$ 644,236	\$ 235,194	\$ 1,880,181

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Notes to Financial Statements

December 31, 2021

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of December 31, 2021, reported accrued pension and OPEB liability amounts as follows:

	<u>December-21</u>
Accrued OPEB Liability	\$ 688,971
Accrued Pension Liability	<u>266,997</u>
Total OPEB and Pension Liability	<u>\$ 955,968</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 - 17 will discuss the effect of GASB #68 pension liability which arose from that.

OPEB Liability

The Authority as of December 31, 2021, reported a net OPEB liability in the amount of \$688,971 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2020, the last evaluation date, is as follows:

Employer OPEB Liability	\$ 695,300
Plan Net Position	<u>(6,329)</u>
Employer Net OPEB Liability	<u>\$ 688,971</u>

The Authority allocation percentage is 0.03839% as of June 30, 2020.

OPEB Liability – Plan Description and Benefits Provided

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

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

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Notes to Financial Statements

December 31, 2021

NOTE 16 – OPEB LIABILITIES - CONTINUED

OPEB Liability – Plan Description and Benefits Provided -Continued

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

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

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended December 31, 2021, were \$688,971.

Employees covered by benefits terms: On June 30, 2020 (the census date), the following employees were covered by the benefits terms:

Plan Memebers

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HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2021

NOTE 16 - OPEB LIABILITIES - CONTINUED

Net OPEB Liability

The total OPEB liability as of December 31, 2021, latest report, was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. 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 on June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.21%

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-2020 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-2020 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-2020 scale.

Certain actuarial assumptions used in the June 30, 2020, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013, to June 30, 2020, and July 1, 2014 to June 30, 2020, respectively.

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% 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.

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Notes to Financial Statements

December 31, 2021

NOTE 16 – OPEB LIABILITIES - CONTINUED

Discount Rate

The discount rate for June 30, 2020, was 2.21%. 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 (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	1.21%	2.21%	3.21%
Total OPEB Liability	\$ 814,509	\$ 688,971	\$ 589,596

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	\$ 570,124	\$ 688,971	\$ 844,602

Change in Assumptions: Effective June 30, 2020.

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 year for the 2020.

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Notes to Financial Statements

December 31, 2021

NOTE 16 – OPEB LIABILITIES - CONTINUED

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2020</u>
Service Cost	\$ 23,262
Interest on Total OPEB liability	19,097
Expected Investment Return	(293)
Administrative Expenses	381
Changes in Benefits Term	40
Current Period Deferred	
Inflows/Outflows of Resources	(21,137)
Changes in Assumptions or Other	
Inputs	182,904
Net Difference Between Projected and	
Actual Investments Earning on OPEB	174
Plan Investments	
Benefit Payments	-
Change in Plan	-
Net Change in Total OPEB Liability	<u>204,428</u>
Total OPEB Liability, Beginning	<u>484,543</u>
 Total OPEB Liability, Ending	 <u><u>\$ 688,971</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, 2021	\$ (37,036)
Year Ending June 30, 2022	(37,069)
Year Ending June 30, 2023	(37,123)
Year Ending June 30, 2024	(37,173)
Year Ending June 30, 2025	(25,347)
Thereafter	13,866
Total	<u><u>\$ (159,882)</u></u>

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December 31, 2021

NOTE 17 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of December 31, 2021, reported a net pension liability in the amount of \$266,997 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2020, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 1,108,519
Plan Net Position	(841,522)
Employer Net Pension Liability	<u>\$ 266,997</u>

The Authority allocation percentage is 0.00163728% as of June 30, 2020.

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.

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 BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2021

NOTE 17 – 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, 2020, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2020.

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 2020 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.

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Notes to Financial Statements December 31, 2021

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions

The total pension liability for June 30, 2020, measurement dates were determined by using an actuarial valuation as of July 1, 2019, with update procedures used to roll forward the total pension liability to June 30, 2021. 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-2020 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-2020 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, 2019, evaluation was based on the results of an actuarial experience study for the period July 1, 2014, to June 30, 2020. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% on June 30, 2020, 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.

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Notes to Financial Statements

December 31, 2021

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions – Continued

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.00%	10.23%
Private Equity	13.00%	11.42%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 2.21% as of June 30, 2020, 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.

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Notes to Financial Statements
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NOTE 17 - 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 7.00% 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 (6.00% percent) or 1 percentage-point higher (8.00% 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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 376,930	\$ 266,997	\$ 212,206

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, 2021	\$ (56,633)
Year Ending June 30, 2022	(5,272)
Year Ending June 30, 2023	(30,297)
Year Ending June 30, 2024	(12,134)
Year Ending June 30, 2025	(2,392)
Total	<u>\$ (106,728)</u>

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Notes to Financial Statements
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NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2020, are as follows:

Service Cost	\$	21,253
Interest on the Total Pension Liability		72,182
Benefits Changes		(448)
Member Contributions		(14,882)
Administrative Expenses		317
Expected Investment Return Net of Investment Expenses		(31,931)
Pension Expense Related to Specific Liabilities of Individual Employers		(325)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		6,760
Changes of Assumptions		(38,832)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		6,913
Total	\$	<u>21,007</u>

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Notes to Financial Statements

December 31, 2021

NOTE 18 – NET INVESTMENT IN CAPITAL ASSETS

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

Balance December 31, 2020	\$	825,346
Payment of Debt		23,839
Capital Additions		127,591
Depreciation Expense		(131,176)
Balance December 31, 2021	\$	<u>845,600</u>

NOTE 19 – RESTRICTED NET POSITION

The Authority restricted net position account balance on December 31, 2021, is \$60,807.

In connection with the Mariner's Bank loan (Note 15), the RAD units of the Authority are required to maintain certain replacement and capital repairs escrow accounts. In accordance with the bank loan, the restricted deposited and funded reserves are held by Mariner's Bank.

	<u>December-21</u>	
Replacement Reserve	\$	57,347
Capital Repairs Escrow Reserve		3,460
Total Restricted Net Positions	\$	<u>60,807</u>

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on December 31, 2021, was \$649,449.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements
December 31, 2021

NOTE 20 – UNRESTRICTED NET POSITION

The Authority’s unrestricted net position account balance on December 31, 2021, is a \$648,488. The detail of the account balance is as follows:

	RAD		Component		
	Business	HCV	Unit		Total
Balance December 31, 2020	\$ (528,585)	\$ 149,269	\$ 487,016	\$	107,700
Increase During the Year	-	570,106	3,522		573,628
Decrease During the Year	(32,840)	-	-		(32,840)
Balance December 31, 2021	\$ (561,425)	\$ 719,375	\$ 490,538	\$	648,488

NOTE 21 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The programs provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for December 31, 2021, were in the amount of \$5,252,409.

NOTE 22 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

Total financial support by HUD was \$5,460,543 to the Authority which represents approximately 85% percent of the Authority's total revenue for the year ended December 31, 2021.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2021

NOTE 23 – CONTINGENCIES AND COMMITMENTS

Litigation – On December 31, 2021, the Authority was not involved in any threatened litigation.

Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the years ended December 31, 2021.

Other Insurance

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Unemployment Insurance

The Authority provides unemployment insurance through direct billings from the New Jersey Unemployment Insurance Fund. For the year ended December 31, 2021, the Authority paid no benefits from the unemployment reserve. On December 31, 2021, the Authority did not recognize a liability for unpaid, unasserted claims, if any, as these would be deemed immaterial.

National Health Emergency

The United States is presently during a national health emergency related to the COVID-19 virus (coronavirus). The overall consequences of coronavirus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law to provide additional funding to Public Housing Authority's to prevent, prepare for and respond to coronavirus, including to maintain normal operations during the period the program was impacted. During the year ended December 31, 2021, the Authority received a \$165,349 in total CARES Act funding of which \$-0- was unspent. The overall impact of this situation on the Authority and its future results and financial position is not presently determinable.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Notes to Financial Statements

December 31, 2021

NOTE 24 – SUBSEQUENT EVENTS

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification's and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown. The Authority already received additional operating subsidy from HUD to offset these expenses.

Events that occur after the statement of net position date but before the financial statements were available to be issued, must be evaluated for recognition, or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru August 19, 2022; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Required Supplementary Information

December 31, 2021

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

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

Total OPEB Liability	2020	2019	2018
Service Cost	\$ 23,262	\$ 23,843	\$ 6,885
Interest on Total OPEB liability	19,097	22,753	33,900
Expected Investment Return	(293)	(404)	-
Administrative Expenses	381	339	-
Changes in Benefits Term	40	(68)	
Current Period Deferred			
Inflows/Outflows of Resources	(21,137)	(22,156)	
Changes in Assumptions or Other			
Inputs	182,904	(28,951)	-
Net Difference Between Projected and			
Actual Investments Earning on OPEB	174	128	
Plan Investments			
Benefit Payments	-	-	(18,983)
Change in Plan	-	(434,333)	-
Net Change in Total OPEB Liability	204,428	(438,849)	21,802
Total OPEB Liability, Beginning	484,543	923,392	901,590
Total OPEB Liability, Ending	\$ 688,971	\$ 484,543	\$ 923,392
Covered, Employee Payroll	\$ 130,177	\$ 120,633	\$ 77,145
Total OPEB Liability as a percentage			
of covered employee payroll	529.26%	401.67%	1196.96%

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

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

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Required Supplementary Information
December 31, 2021

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

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

	2020	2019	2018	2017
Housing Authority's proportion of the net pension liability	0.00163728%	0.00160264%	0.00162163%	0.00330033%
Housing Authority's proportionate share of the net pension liability	\$ 266,997	\$ 288,772	\$ 319,291	\$ 768,263
Housing Authority's covered employee payroll	\$ 130,177	\$ 120,633	\$ 77,145	\$ 118,570
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.10%	239.38%	413.88%	647.94%
Plan fiduciary net position as a percentage of the total pension liability	75.91%	43.42%	46.40%	48.01%

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

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

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Required Supplementary Information

December 31, 2021

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

	2016	2015	2014
Housing Authority's proportion of the net pension liability	0.00323801%	0.00314249%	0.00402591%
Housing Authority's proportionate share of the net pension liability	\$ 959,005	\$ 705,426	\$ 753,760
Housing Authority's covered employee payroll	\$ 170,062	\$ 156,729	\$ 184,434
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	563.91%	450.09%	205.97%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

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

HOUSING AUTHORITY OF THE BOROUGH OF EDGEWATER

Required Supplementary Information
December 31, 2021

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 17,911	\$ 15,589	\$ 16,130	\$ 30,574
Contribution in relation to the contractually required contribution	(17,911)	(15,589)	(16,130)	(30,574)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 130,177	\$ 120,633	\$ 77,145	\$ 118,570
Contribution as a percentage of covered employee payroll	13.76%	12.92%	20.91%	25.79%

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

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