

WATERFRONT COMMISSION OF NEW YORK HARBOR

OPERATING FUND

Financial Statement and
Independent Auditors' Report

June 30, 2020

WATERFRONT COMMISSION OF NEW YORK HARBOR
OPERATING FUND

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INDEPENDENT AUDITORS' REPORT

The Commissioners
Waterfront Commission of New York Harbor -
Operating Fund
New York, New York

Report on the Financial Statement

We have audited the accompanying financial statements of the Waterfront Commission of New York Harbor - Operating Fund (the Operating Fund), which comprise the statement of receipts, disbursements and changes in fund balance - modified cash basis (the financial statement), for the year ended June 30, 2020 and the related notes to financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the modified cash basis of accounting described in note 1(b); this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts and disbursements of the Waterfront Commission of New York Harbor - Operating Fund, for the year ended June 30, 2020, in accordance with the modified cash basis of accounting described in note 1(b).

Basis of Accounting

We draw attention to note 1(b) to the financial statement, which describes the basis of accounting. The financial statement is prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in note 1(b), the financial statement presents only the receipts, disbursements and changes in fund balance of the Operating Fund and does not purport to, and does not, present fairly the full financial statements of the Waterfront Commission of New York Harbor Operating Fund as of June 30, 2020, in accordance with the modified cash basis of accounting. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2021, on our consideration of the Waterfront Commission of New York Harbor Operating Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Operating Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Operating Fund's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 22, 2021

WATERFRONT COMMISSION ON NEW YORK HARBOR
Statement of Receipts, Disbursements and Changes in Fund Balance - Modified Cash Basis
Year ended June 30, 2020

Receipts:	
Assessments	\$ 17,044,356
Dividend and interest income	122,797
Overtime reimbursements	48,111
Insurance recovery	24,710
Other	<u>14,833</u>
Total receipts	<u>17,254,807</u>
Disbursements:	
Personnel services:	
Regular payroll	7,612,659
Overtime payroll	118,728
Group health insurance	1,427,820
Workers' compensation insurance	211,004
Employer payroll taxes	648,883
Pension costs	<u>844,789</u>
Subtotal - salaries and benefits	<u>10,863,883</u>
Outside auditors, consultants and counsels	36,867
Administrative judges, transcript and other	<u>66,730</u>
Subtotal - professional services	<u>103,597</u>
Total personnel services	<u>10,967,480</u>
Other than personnel services:	
Office rentals	1,099,426
Utilities	83,585
General insurance	776,767
Travel and automobile	212,905
General office	65,358
Communications	155,846
Special supplies	132,181
Information system	125,052
Repairs and maintenance	45,560
Printing	1,442
Furniture and equipment	36,306
Continuing education	<u>5,715</u>
Total other than personnel services	<u>2,740,143</u>
Total disbursements	<u>13,707,623</u>
Excess of receipts over disbursements	3,547,184
Transfer to reserves	<u>(2,700,000)</u>
Net changes in fund balance	847,184
Fund balance at July 1, 2019	<u>6,329,906</u>
Fund balance at June 30, 2020	<u>\$ 7,177,090</u>

See accompanying notes to financial statement.

WATERFRONT COMMISSION OF NEW YORK HARBOR
OPERATING FUND

Notes to Financial Statement

June 30, 2020

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Waterfront Commission of New York Harbor (the Commission) was created as a bi-state instrumentality in 1953 by joint legislative action of the States of New York and New Jersey in accordance with the Waterfront Commission Act (the Act). The Commission is vested with broad investigative, licensing, and regulatory jurisdiction over the piers and terminals in the Port of New York District. The Commission is exempt from income taxes in accordance with being an instrumentality of the States of New York and New Jersey.

The mission of the Commission is to investigate, deter, combat, and remedy criminal activity and influence in the Port of New York-New Jersey and to ensure fair hiring and employment practices.

(b) Basis of Accounting

The Operating Fund prepared the financial statement on the cash basis, modified, as noted herein, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Under this basis, transactions are recognized as either cash receipts or disbursements, and noncash transactions, if any, are not recognized. Revenues are recorded when received, and expenditures are recorded when paid.

This basis of accounting differs from GAAP in that in accordance with GAAP, revenues are recorded when “measurable” and “available,” and expenditures are recognized when incurred.

(c) Assessment Revenue

The Act permits the Commission to assess employers of persons registered or licensed under the Act, at a rate, not in excess of two percent, computed upon the gross payroll of each employer for the following professions: longshoremen, pier superintendents, hiring agents, and port watchmen.

(d) Subsequent Events

The Operating Fund has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Operating Fund and its future results and financial position is not presently determinable.

WATERFRONT COMMISSION OF NEW YORK HARBOR
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Notes to Financial Statement, Continued

(2) New Jersey Pension Plan

The Commission employees who are eligible for pension coverage are enrolled in one of two State Pension Plans. The State Pension systems were established by the act of the State Legislature. Benefits, contributions, means of funding, and the manner of administration are determined by the State Legislature. The two State administered pension funds are: the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). The Division of Pensions and Benefits within the Treasury Department of the State of New Jersey is the administrator of the funds and charges participating employers annually for their respective contributions. The plans provide retirement and disability benefits, annual cost of living adjustments, and benefits to plan members and beneficiaries. The plans are cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each participating employer in the state and, therefore, the actuarial data for the Commission is not available.

The Division of Pension and Benefits issues publicly available financial reports for each of the plans that include financial statements and required supplemental information. The reports may be obtained by writing to the State of New Jersey, Division of Pension and Benefits.

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The PERS and PFRS provide for employee contributions based on percentages 7.5% and 10.0% through June 30, 2020, respectively, of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in the PERS and the PFRS. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS.

The Commission's contribution for pension expense for PERS and PFRS combined, for the years ended June 30, 2020, 2019 and 2018 amounted to \$106,902, \$101,198 and \$97,269, respectively.

(3) New York Retirement Plans

(a) Plan Description

The Commission participates in the New York State Employees' Retirement System (ERS) and the New York State Policemen's and Firemen's Retirement System (PFRS) (jointly the Systems). These are cost sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules

WATERFRONT COMMISSION OF NEW YORK HARBOR
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Notes to Financial Statement, Continued

(3) New York Retirement Plans, Continued

(a) Plan Description, Continued

and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplemental information. The report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

(b) Funding Policy

The Systems are non-contributory except for (1) employees who joined the New York State and Local Employees' Retirement System on or after July 27, 1976, who contribute 3% of their salary for the first 10 years of membership and (2) employees who join on or after January 1, 2010, and police and fire personnel who join after January 8, 2010, will contribute at a rate from 3% to 6%, depending on the date they join and their annual wage, of their salary for their entire career. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Commission is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

2020	\$ 736,309
2019	803,157
2018	823,647

The Commission's contributions made to the Systems were equal to 100% of the contributions required for each year.

(4) Lease Commitments

The Commission leases building and office facilities under non-cancelable leases. Total costs for such leases were \$1,099,426 for the year ended June 30, 2020. The future minimum lease payments are as follows:

<u>Fiscal Year</u>	
2021	\$ 1,143,745
2022	983,087
2023	1,042,505
2024	1,045,128
2025 and thereafter	<u>2,254,621</u>
	<u>\$ 6,469,086</u>