

**Report On Audit**

**HOUSING AUTHORITY OF THE  
BOROUGH OF HIGHLAND PARK**

**For the Year Ended  
March 31, 2015**

# Housing Authority of the Borough of Highland Park

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### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the Borough of Highland Park  
242 South 6<sup>th</sup> Avenue  
Highland Park, New Jersey 08904

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Housing Authority of the Borough of Highland Park (a nonprofit corporation) in Highland Park, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of March 31, 2015 and 2014, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Housing Authority of the Borough of Highland Park as of March 31, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and pages 46-47 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other financial and statistical information have not been subjected to the auditing procedures in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued reports dated August 28, 2015 on our consideration of Housing Authority of the Borough of Highland Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: August 28, 2015

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AT MARCH 31, 2015**

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

**FINANCIAL HIGHLIGHTS**

Net position of the Authority's enterprise fund was \$2,326,817 greater than the liabilities, a decrease in the financial position of \$16,820 or 1% percent.

As noted above, the net position of the Authority exceeded its liabilities by \$2,326,817 as of March 31, 2015. Of this amount, the unrestricted position is \$430,814 representing an increase of \$46,092 or 12% percent from the previous year. The net investment in capital assets decreased \$22,706 or 1% percent for an ending balance of \$1,884,172. The restricted position decreased \$40,206 from the previous year for an ending balance of \$11,831. Additional information on the Authority's restricted and unrestricted net positions can be found in Note 16 & Note 17 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at March 31, 2015 is \$624,016 representing an increase of \$140,680 or 29% percent from the prior fiscal year. Total restricted cash and cash equivalents decreased \$40,066 or 40% for an ending balance of \$61,317. The full detail of this amount can be found in the Statement of Cash Flow on pages 20-21 of this report.

The Authority's total assets are \$2,597,377 of which capital assets net book value is \$1,884,172, leaving total current assets at \$713,205. Total current assets increased from the previous year by \$99,387 or 16% percent. Unrestricted cash and cash equivalents increased by \$140,680, restricted cash and cash equivalents decreased \$40,066 accounts receivables decreased by \$380, and prepaid expenses decreased by \$847.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$22,706 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$115,491, less the recording of depreciation expense in the amount of \$138,197. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 8 Fixed Assets.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AT MARCH 31, 2015**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority's total liabilities are reported at \$270,560, of which noncurrent liabilities are stated at \$63,918. Total liabilities increased during the year as compared to the prior year in the amount of \$93,501 or 53% percent. Total current liabilities increased during the year by \$81,394 leaving non-current liabilities for an increase of \$12,107 as compared to the previous year.

Total current liabilities increased from the previous year by \$81,394 or 65% percent. Accounts payables increased by \$8,104, accrued liabilities increased by \$76,153, tenant security deposit payable decreased by \$402, and unearned revenue decreased \$2,461. Accounts payables and accrued liabilities increased due to repairs from water damage to the elevators and units due to a burst sprinkler head.

Total noncurrent liabilities increased by \$12,107 or 23% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$12,454, with no offsetting assets, increased \$3,507 from the previous year, accrued post-employment benefits (OPEB) liabilities increased \$8,600 or 20% percent. Additional information on the Authority's accrued OPEB liability at March 31, 2015 can be found in Note 15 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$2,600,390 as compared to \$2,428,441 from the prior year for an increase of \$171,949 or 7% percent. Total operating expenses of \$2,464,583 as compared to \$2,604,259 from the previous year for a decrease of \$139,676 or 5% percent, resulting in excess revenue over expenses from operations in the amount of \$135,807 for the current year as compared to a deficit from operations in the amount of \$175,818 from the prior year. This resulted in a decrease in deficit of \$311,625 or 177% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$84,053 as compared to \$219,481 from the previous year for a decrease of \$135,428 or 62% percent.

The Authority's had capital outlays in the amount of \$115,491 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$84,053 and the remainder through management's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$1,800,735 for the fiscal year 2015 as compared to \$1,928,400 for the previous fiscal year 2014 for a decrease of \$127,665 or 7% percent.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**USING THIS ANNUAL REPORT**

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

1. Low Rent Public Housing
2. Housing Choice Voucher Program
3. Public Housing Capital Fund Program

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

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

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

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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 17 through 21.

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

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



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED**

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 22 through 44.

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 45 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Borough of Highland Park are those which equal or exceeded \$300,000 in expenditures for the fiscal year ended March 31, 2015. Type B programs for the Housing Authority of the Borough of Highland Park are those which are less than \$300,000 in expenditures for the fiscal year ended March 31, 2015.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED**

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program found on page 46 the Section Eight Housing Choice Voucher Program on page 47.

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Position between March 31, 2015 and March 31, 2014.

	Year Ended		Increase
	March-15	March-14	(Decrease)
Cash	\$ 685,333	\$ 584,719	\$ 100,614
Other Current Assets	27,872	29,099	(1,227)
Capital Assets - Net	1,884,172	1,906,878	(22,706)
Total Assets	2,597,377	2,520,696	76,681
Less: Current Liabilities	(206,642)	(125,248)	(81,394)
Less: Non Current Liabilities	(63,918)	(51,811)	(12,107)
Net Position	\$ 2,326,817	\$ 2,343,637	\$ (16,820)
Net Investment in Capital Assets	\$ 1,884,172	\$ 1,906,878	\$ (22,706)
Restricted Net Position	11,831	52,037	(40,206)
Unrestricted Net Position	430,814	384,722	46,092
	\$ 2,326,817	\$ 2,343,637	\$ (16,820)

Cash increased by \$100,614 or 17% percent. Net cash provided by operating activities was \$369,134, net cash used for capital and related financing activities was \$271,114, and net cash provided by investing activities was \$2,594. The full detail of this amount can be found in the Statement of Cash Flow on pages 20-21 of this audit report.

Other current assets decreased \$1,227. Accounts receivable decreased \$380 and prepaid expenses decreased \$847 from the prior year.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$22,706 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$115,491, less the recording of depreciation expense in the amount of \$138,197. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 8 Fixed Assets.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AT MARCH 31, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Total current liabilities increased from the previous year by \$81,394 or 65% percent. Accounts payables increased by \$8,104, accrued liabilities increased by \$76,153, tenant security deposit payable decreased by \$402, and unearned revenue decreased \$2,461. Accounts payables and accrued liabilities increased due to repairs from water damage to the elevators and units due to a burst sprinkler head.

Total noncurrent liabilities increased by \$12,107 or 23% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$12,454, with no offsetting assets, increased \$3,507 from the previous year, accrued post-employment benefits (OPEB) liabilities increased \$8,600 or 20% percent. Additional information on the Authority's accrued OPEB liability at March 31, 2015 can be found in Note 15 to the financial statements, which is included in this report.

The Authority's reported net position of \$2,326,817 is made up of three categories. The net investment in capital assets in the amount of \$1,884,172 represents 81% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance March 31, 2014	\$ 1,906,878
Fixed Asset Acquisitions	115,491
Depreciation Expense	<u>(138,197)</u>
Balance March 31, 2015	<u>\$ 1,884,172</u>

The second largest portion of the Authority's net position reflects its unrestricted position in the amount of \$430,814 followed by restricted position in the amount of \$11,831.

The Housing Authority of the Borough of Highland Park operating results for March 31, 2015 reported an increase in unrestricted position of \$46,092 or 12% percent for an ending balance of \$430,814. The Authority reported restricted position in the amount of \$11,831 which decreased \$40,206 or 77% percent compared to the prior fiscal year. A full detail of these accounts can be found in the Notes to the Financial Statements section Notes - 16 & 17.

At the end of the current year, the Authority is able to report positive balances in all three categories of net position. The same held true for the prior year.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following summarizes the changes in Net Position between March 31, 2015 and March 31, 2014:

	<u>Year Ended</u>		Increase
	March-15	March-14	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 590,731	\$ 588,145	\$ 2,586
HUD Subsidies	1,716,682	1,708,919	7,763
Other Government Grants	4,129	5,000	(871)
Other Revenues	288,848	126,377	162,471
Total Operating Income	2,600,390	2,428,441	171,949
<u>Expenses</u>			
Operating Expenses	2,326,386	2,436,993	(110,607)
Depreciation Expense	138,197	167,266	(29,069)
Total Operating Expenses	2,464,583	2,604,259	(139,676)
Operating Income before Non Operating Expenses	135,807	(175,818)	311,625
Interest Income	2,594	2,839	(245)
Extraordinary Maintenance	(239,274)	-	(239,274)
HUD Capital Grants	84,053	219,481	(135,428)
Change in Net Position	(16,820)	46,502	(63,322)
Net Position Prior Year	2,343,637	2,285,250	58,387
Prior Period Adjustment	-	11,885	(11,885)
Total Net Position	\$ 2,326,817	\$ 2,343,637	\$ (16,820)

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Approximately 66% percent of the Authority's total revenue was provided by HUD operating subsidy, while 23% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 11% percent of the total income. The Housing Authority of the Borough of Highland Park received capital fund improvement grant money during the year in the amount of \$84,053 as compared to \$219,481 for the previous year.

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 51% percent of total operating expenses. Administrative expenses accounted for 16% percent, utilities expense accounted for 13% percent, maintenance expense accounted for 11% percent, other operating expenses accounted for 4% percent, and depreciation accounted for the remaining 5% percent of the total operating expenses.

The Authority operating revenue exceeded its operating expenses resulting in excess revenue over expenses from operations in the amount of \$135,807 from operations as compared to deficit from operations of \$175,818 for the previous year. The key element for the decrease in deficit in comparison to the prior year is as follow:

- The Authority reported minor increases in tenant revenue in the amount of \$2,586 and in HUD PHA Operating grants in the amount of \$7,763.
- Other Revenue increased in the amount of \$162,471. The increase was due to insurance reimbursement amounts totaling \$250,000 in relation to the claim which resulted from the bursting of the sprinkler heads above the elevator on the top floor. This resulted in \$239,274 of extraordinary maintenance for the Authority for fiscal year ended March 31, 2015.
- The Authority experience decreases in the following expenses:
  - Utilities decreased \$45,622 or 13% percent.
  - Maintenance decreased \$36,019 or 11% percent.
  - Housing Assistance Payments decreased \$42,020 or 3% percent.

Total net cash provided by operating activities during the year was \$369,134 as opposed to the prior year where operating activities used \$19,560. A full detail of this amount can be found on the Statement of Cash Flow on pages 20-21 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following are financial highlights of significant items for a four year period of time ending on March 31, 2015:

	March-15	March-14	March-13	March-12
<b>Significant Income</b>				
Total Tenant Revenue	\$ 590,731	\$ 588,145	\$ 571,091	\$ 580,641
HUD Operating Grants	1,716,682	1,708,919	1,762,717	1,659,619
HUD Capital Grants	84,053	219,481	97,227	50,490
Other Government Grants	4,129	5,000	648	12,221
Investment Income	2,594	2,839	4,647	6,109
Other Income	288,848	126,377	103,286	124,835
Total	<u>\$ 2,687,037</u>	<u>\$ 2,650,761</u>	<u>\$ 2,539,616</u>	<u>\$ 2,433,915</u>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 62,385	\$ 43,546	\$ 55,695	\$ 176,065
Utilities Labor	14,465	19,540	22,890	20,105
Maintenance Labor	83,200	88,776	79,135	68,020
Tenant Service Salaries	4,889	537	5,148	-
Employee Benefits Expense	101,531	125,045	71,550	121,497
Total Payroll Expense	<u>\$ 266,470</u>	<u>\$ 277,444</u>	<u>\$ 234,418</u>	<u>\$ 385,687</u>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 302,018	\$ 305,517	\$ 266,108	\$ 186,919
Utilities Expense	292,176	326,283	305,803	326,309
Maintenance Supplies	33,562	32,747	36,137	24,436
Maintenance Contract Cost	101,950	113,341	206,151	81,310
Insurance Premiums	34,935	33,867	39,890	45,891
Severance Expense	-	8,246	8,575	14,908
Housing Assistance Payments	1,249,270	1,291,290	1,342,566	1,303,111
Total	<u>\$ 2,013,911</u>	<u>\$ 2,111,291</u>	<u>\$ 2,205,230</u>	<u>\$ 1,982,884</u>
<b>Total Operating Expenses</b>	<u>\$ 2,464,583</u>	<u>\$ 2,604,259</u>	<u>\$ 2,669,584</u>	<u>\$ 2,667,324</u>
<b>Total of Federal Awards</b>	<u>\$ 1,800,735</u>	<u>\$ 1,928,400</u>	<u>\$ 1,859,944</u>	<u>\$ 1,710,109</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**THE AUTHORITY AS A WHOLE**

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses excluding depreciation expense. The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

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

**THE HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK PROGRAMS**

Public Housing Program:

Under the Public Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the Borough of Highland Park flat rent amount.

Housing Choice Voucher Program:

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

Capital Fund Program:

The public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments and homes to keep them clean, safe and in good condition.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**BUDGETARY HIGHLIGHTS**

For the year ended March 31, 2015, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 46 of this report.

The budget for the Housing Choice Voucher Program was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs. The full detail can be found in the Budget comparison to actual results for the Housing Choice Voucher Program on page 47 of this report.

**NEW INITIATIVES**

For the year 2015 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 67% percent of its revenue from the Department of Housing and Urban Development, (2014 was 73% percent), the Authority are constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the Borough of Highland Park all the while being mindful of their responsibility to be good stewards of the public's tax dollars.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 - Capital Assets

The Authority's investment in capital assets as of March 31, 2015 was \$1,884,172 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decreased during the year in the Authority's investment in capital assets was \$22,706 or 1% percent. Major capital expenditures of \$115,491 were made during the year. Major capital assets events during the fiscal year included the following:

- Replace Flooring
- Kitchen Upgrades/Renovations
- A/C Units
- Ranges and Refrigerators
- Medical Alarm Monitors
- Dumpsters
- Power Washing

	March-15	March-14	Increase (Decrease)
Land	\$ 93,550	\$ 93,550	\$ -
Building	4,627,269	4,627,269	-
Furniture, Equipment - Dwelling	335,009	303,571	31,438
Furniture, Equipment - Administration	303,094	303,094	-
Construction in Process	426,887	342,834	84,053
Total Fixed Assets	\$ 5,785,809	\$ 5,670,318	\$ 115,491
Accumulated Depreciation	(3,901,637)	(3,763,440)	(138,197)
Net Book Value	\$ 1,884,172	\$ 1,906,878	\$ (22,706)

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 - Debt Administration

The Authority does not have any long-term debt at this time.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2015**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority of Borough of Highland Park is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

The capital budgets for the 2015 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2016.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Donna Brightman, Executive Director, Housing Authority of the Borough of Highland Park, 242 South 6<sup>th</sup> Street Highland Park, New Jersey 08904, or call (732) 572-4421.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF NET POSITION - 1**  
**AS MARCH 31, 2015**

	March 31, 2015
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents - Unrestricted	\$ 624,016
Cash, Cash Equivalents - Restricted	61,317
Accounts Receivables, Net of Allowances	2,342
Prepaid Expenses	25,530
Total Current Assets	<u>713,205</u>
<b>Noncurrent Assets</b>	
Capital Assets	
Land	93,550
Building	4,627,269
Furniture, Equipment - Dwelling	335,009
Furniture, Equipment - Administration	303,094
Construction in Process	426,887
Total Capital Assets	<u>5,785,809</u>
Less: Accumulated Depreciation	<u>(3,901,637)</u>
Net Book Value	<u>1,884,172</u>
 Total Assets	 <u>2,597,377</u>
<b>Deferred Outflow of Resources</b>	
Total Deferred Outflows of Resources	<u>-</u>
 Total Assets and Deferred Outflow of Resources	 <u><u>\$ 2,597,377</u></u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF NET POSITION - 2**  
**AS MARCH 31, 2015**

March 31,  
2015

**Liabilities**

**Current Liabilities:**

Accounts Payable	\$ 33,672
Accrued Liabilities	123,883
Tenant Security Deposit Payable	48,944
Unearned Revenue	143
Total Current Liabilities	<u>206,642</u>

**Noncurrent Liabilities**

Accrued Compensated Absences - Long-Term	12,454
Accrued Other Post-Employment Benefits Liabilities	51,464
Total Noncurrent Liabilities	<u>63,918</u>

Total Liabilities	<u>270,560</u>
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**Deferred Inflow of Resources**

Total Deferred Inflow of Resources	<u>-</u>
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**Net Position:**

Net Investment in Capital Assets	1,884,172
Restricted	11,831
Unrestricted	<u>430,814</u>

Total Net Position	<u>2,326,817</u>
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Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 2,597,377</u></u>
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See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2015**

	March 31, 2015
<b>Revenue:</b>	
Tenant Rental Revenue	\$ 590,731
HUD PHA Operating Grants	1,716,682
Other Government Grants	4,129
Other Revenue	288,848
Total Revenue	<u>2,600,390</u>
<b>Operating Expenses:</b>	
Administrative Expense	394,047
Tenant Services	9,297
Utilities Expense	317,161
Maintenance Expense	278,326
Other Operating Expenses	78,285
Housing Assistance Payments	1,249,270
Depreciations Expense	138,197
Total Operating Expenses	<u>2,464,583</u>
Excess Revenue Over Expenses From Operations	<u>135,807</u>
<b>Non Operating Income and (Expenses):</b>	
Investment Income	2,594
Extraordinary Maintenance	(239,274)
Total Non Operating (Expenses)	<u>(236,680)</u>
Capital Grants	<u>84,053</u>
<b>Change in Net Position</b>	(16,820)
Beginning Net Position	<u>2,343,637</u>
Ending Net Position	<u><u>\$ 2,326,817</u></u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF CASH FLOW - 1**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2015**

	March 31, 2015
<b>Cash Flow From Operating Activities</b>	
Receipts from Tenants	\$ 597,774
Receipts from Federal Grants	1,716,682
Receipts from Misc. Sources	288,848
Payments to Vendors and Suppliers	(383,918)
Payments for Housing Assistance Payments	(1,249,270)
Payments to Employees	(164,939)
Payment of Employee Benefits	(143,867)
Payments for Utilities	(292,176)
Net Cash Provided by Operating Activities	<u>369,134</u>
<b>Cash Flow From Capital and Related Financing Activities</b>	
Receipts from Capital Grants	84,053
Acquisitions and Construction of Capital Assets	(115,491)
(Payment) of Extraordinary Maintenance	(239,274)
(Payment) of Tenant Security Deposits	(402)
Net Cash (Used) by Capital and Related Financing Activities	<u>(271,114)</u>
<b>Cash Flow From Investing Activities</b>	
Interest Income	<u>2,594</u>
Net Cash Provided by Investing Activities	<u>2,594</u>
Net Increase in Cash and Cash Equivalents	100,614
<b>Beginning Cash</b>	<u>584,719</u>
<b>Ending Cash</b>	<u><u>\$ 685,333</u></u>
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 624,016
HCV HAP Reserves	11,831
Tenant Security Deposits	48,944
Cash Restricted for Current Liabilities	542
Total Ending Cash	<u><u>\$ 685,333</u></u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF CASH FLOW - 2**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2015**

	March 31, 2015
<b>Reconciliation of Operating Income to Net Cash</b>	
Provided by Operating Activities	
Excess of Revenue Over Expenses	\$ 135,807
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense - net of adjustments	138,197
(Increase) Decrease in:	
Accounts Receivables	380
Prepaid Expenses	847
Increase (Decrease) in:	
Accounts Payable	8,104
Accrued Liabilities	76,153
Unearned Revenue	(2,461)
Compensated Absences - Non-Current	3,507
Accrued Other Post-Employment Benefits Liabilities	8,600
Net Cash Provided by Operating Activities	<u>\$ 369,134</u>

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

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

**1. Organization** - The Authority is a non-profit corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Borough of Highland Park in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority.

Operating and modernization subsidies are provided to the Authority by the federal government.

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

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

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



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

### **2. Significant Accounting Policies**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" addresses the applicability of the various FASB's, and allows several options in the use of the FASB's. The Authority has elected to use Alternative 2 of GASB-20 which states that "a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements". The Authority follows GASB-45-"Accounting for Pensions by State and Local Governmental Employers."

#### **Basis of Accounting -**

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net position, revenue, and expenses are accounting for through a single enterprise fund for the primary government.

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

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

### **Basis of Accounting – Continued**

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the Borough of Highland Park's flat rent amount.

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

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program income are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Other revenue composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available.

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

### **Basis of Accounting – Continued**

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

### **Report Presentation -**

The Authority's basic financial statements are presented on an entity-wide basis consisting of various housing programs. The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

### **Net Investment in Capital Assets.**

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

### **Report Presentation - Continued**

#### Restricted Net Position

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

#### Unrestricted Net Position

The net position consists of net assets that do not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

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

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

1 - Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 - Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 - Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 - Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 - Operating subsidies received from HUD are recorded as income when earned.

6 - The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 - Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

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

9 - The Authority does not have any infrastructure assets for its Enterprise Fund.

10 - Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

11- Advertising cost is charged to expense when incurred.

12- 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.

13- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

14 - The Authority defines its operating revenues as income derived from charges to residents and other services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are cost incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenue as non-operating.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

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

15- Fair Value Measurements - Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

### **Budgetary and Policy Control -**

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

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 46 the Section Eight Housing Choice Voucher Program on page 47.

**Taxes** - Under federal, state, and local law, the Authority's program are 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 must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

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

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Low Rent Housing	14.850	NJ044	124
Capital Fund	14.872		N/A
<u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ39-V044-001	145

### Low Rent Public Housing Program

The Low Rent Public Housing Program is designed to provide low-cost housing within the Borough of Highland Park. Funding is provided by eligible residents who are charged monthly rent based on family size, family income and other determinants, as well as by subsidies provided by HUD.

### Capital Fund Programs

Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. These programs are financed by HUD subsidies. The capital fund programs are now merged into the low rent public housing program.

### Housing Choice Vouchers Program

Under the 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.

**Grants** - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

**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.

### **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 collectibility 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 NJ SA 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.



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

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

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.state.nj.us/treasury/pensions/pdf/financial/2014divisioncombined.pdf>

#### 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 6.64% of base wages.

The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2015 amounted to \$17,441.

#### 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.

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

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. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

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 BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements March 31, 2015

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

#### 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.

The Authority has total unrestricted cash, cash equivalents at March 31, 2015 in the amount of \$624,016 and restricted cash in the amount of \$61,317 which consists of the following:

	March-15
Unity Bank	\$ 684,333
Petty Cash	1,000
Total Cash, Cash Equivalents	<u>\$ 685,333</u>

Below is the detail of the restricted cash amounts for March 31, 2015 in the amount of \$61,317:

	March-15
HCV HAP Reserves	\$ 11,831
Tenant Security Deposits	48,944
Cash Restricted for Current Liabilities	542
Total Restricted Cash, Cash Equivalents	<u>\$ 61,317</u>

The Authority has restricted cash in the amount of \$11,831 as of March 31, 2015 which is for the Section 8 Housing Choice Voucher Program HAP Reserve. In accordance with HUD's PIH Notice 2007-03, started January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the reserve fund balance and may only be used to assist additional families up to the number of units under contract.

The tenant security deposit restricted cash at March 31, 2015 was in the amount of \$48,944. These amounts are held as security deposits for the tenants of the Low Income Housing in interest bearing accounts.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements March 31, 2015

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

#### **Risk Disclosures**

##### 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 March 31, 2015, 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 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>March-15</u>
Insured	\$ 250,000
Collateralized held by pledging bank's trust department in the Authority's name	435,333
Total Cash, Cash Equivalents	<u>\$ 685,333</u>

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements March 31, 2015

### **NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts Receivable at March 31, 2015 consisted of the following:

	March-15
Tenants Accounts Receivable - Present	\$ 1,418
Accounts Receivable - HUD	924
Total Accounts Receivables	<u>\$ 2,342</u>

The Housing Authority of the Borough of Highland Park carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. 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.

### **NOTE 6 - 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. Prepaid expenses at March 31, 2015 were in the amount of \$25,530 which consisted of prepaid insurance amounts.

### **NOTE 7 - 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 March 31, 2015 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 BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

### **NOTE 8 - FIXED ASSETS**

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value. 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.

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

The Housing Authority of the Borough of Highland Park has given consideration to the GASBS #42, Accounting for the Impairment or Disposal of Long-Lived Assets, in the preparation of these financial statements.

The carrying value of long-live assets in accordance with GASBS #42, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at March 31, 2015.

Below is a schedule of changes in fixed assets for the twelve months ending March 31, 2015:

	March-14	Additions	Transfer	March-15
Land	\$ 93,550	\$ -	\$ -	\$ 93,550
Building	4,627,269	-	-	4,627,269
Furniture, Equipment - Dwelling	303,571	31,438	-	335,009
Furniture, Equipment - Administration	303,094	-	-	303,094
Construction in Process	342,834	84,053	-	426,887
Total Fixed Assets	5,670,318	115,491	-	5,785,809
Accumulated Depreciation	(3,763,440)	(138,197)	-	(3,901,637)
Net Book Value	\$ 1,906,878	\$ (22,706)	\$ -	\$ 1,884,172

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements March 31, 2015

### **NOTE 8 - FIXED ASSETS - CONTINUED**

Below is a schedule of the net book value of the fixed assets for the Housing Authority of the Borough of Highland Park as of March 31, 2015:

	<u>March-15</u>
Land	\$ 93,550
Building	883,314
Furniture, Equipment - Dwelling	253,301
Furniture, Equipment - Administration	227,118
Construction in Process	426,889
Net Book Value	<u>\$ 1,884,172</u>

### **NOTE 9 - ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of March 31, 2015. Accounts payable vendors are amount owed to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at March 31, 2015 consisted of the following:

	<u>March-15</u>
Accounts Payable Vendors	\$ 5,773
Accounts Payable - Other Government	27,357
Accounts Payable - HUD	542
Total Accounts Payable	<u>\$ 33,672</u>

### **NOTE 10 - 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 Highland Park. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. The total amount of PILOT payable at March 31, 2015 consisted of the following:

	<u>March-15</u>
Balance Beginning of Year	\$ 22,536
P.I.L.O.T. Accrued	27,357
Less: Payments Made	(22,536)
Total P.I.L.O.T. Payable	<u>\$ 27,357</u>

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements March 31, 2015

### **NOTE 11 - ACCRUED EXPENSES**

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before March 31, and are payable at some future date. Accrued liabilities at March 31, 2015 consisted of the following:

	March-15
Compensated Absences - Current Portion	\$ 1,383
Accrued Wages and Payroll Taxes	12,900
Accrued Liabilities - Extraordinary Maintenance	109,600
Total Accrued Liabilities	<u>\$ 123,883</u>

### **NOTE 12 - 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 carry over unused vacation days in which the vacation days are earned up to a maximum of 27 working days in addition to those accrued in the current fiscal year. When an employee's is permanently separated, the employee will be entitled to receive a lump sum payment for any unused accumulated vacation time at current rate of pay.

Unused sick leave may be carried to future periods, at a maximum of five (5) working days in one fiscal year, and can be used in the event of extended illness. In the event of voluntary resignation of employment, an employee shall be entitled to be paid for one quarter (1/4) of unused sick time based upon the average annual compensation received during the last full year of his/her active employment prior to the effective date of retirement. Overtime pay or other supplemental pay will not be included in the computation.

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

	March-15
Accumulated Sick Time	\$ 2,130
Accumulated Vacation Time	10,724
Total	12,854
FICA Expense	983
Total Compensated Absences	13,837
Compensated Absences - Current Portion	(1,383)
Total Compensated Absences - Noncurrent	<u>\$ 12,454</u>

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements March 31, 2015

### **NOTE 13 – 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 for March 31, 2015 in the amount of \$143 consisted of prepaid rents for the month of April 2015

### **NOTE 14 – LONG TERM DEBT**

At December 31, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off.

### **NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

	March-15
Annual Required Contribution	\$ 26,655
Interest on net OPEB obligation	2,143
Adjustment to annual required contribution	(5,775)
Annual OPEB cost (expense)	23,023
Contributions made	(14,423)
Increase in net OPEB obligation	8,600
Net OPEB Obligation – beginning of year	42,864
Net OPEB Obligation – end of year	\$ 51,464



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

### **NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED**

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB		Net OPEB Obligation
		Cost Contributed		
March-13	\$ 27,349	68.6%	\$	8,586
March-14	\$ 22,002	63.7%	\$	7,987
March-15	\$ 23,023	62.6%	\$	8,600

### FUNDED STATUS AND FUNDING PROGRESS

As of April 1, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$331,945, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$331,945.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$382,337 or by 15.2% and the corresponding Normal Cost would increase to \$17,040.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

### **NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED** **ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- Actuarial Cost Method
- Investment Rate of Return
- Healthcare Cost Trend Assumption:

Projected Unit Credit  
5.00% per annum

	Year	Pre - 65	Post - 65
Initial Trend	2015	9.00%	9.00%
Ultimate Trend	2019 or Later	5.00%	5.00%
Grading per Year		1.00%	1.00%

- Actuarial Value of Assets:
- Amortization of UAAL: Amortized as fixed dollar basis over 30 years at transition
- Remaining Amortization Period:

Market Value  
30 years at April 1, 2010

#### Reconciliation of Plan Participation (As of April 1, 2013) Active Employees:

	April-13
Number of Active Employees	4
Average Age - Actives	44.8
Average Years of Service - Actives	3
Average Expected Future Working Lifetime	16.3
Average Age - Retirees	67
Active Eligible for Benefits	0%

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements March 31, 2015

### **NOTE 16 - RESTRICTED**

The Authority's Restricted Net Position account balance at March 31, 2015 is \$11,831. The balance of \$11,831 pertains to the HAP reserve. The detail of the restricted reserve account balances is as follows:

	<u>HAP Reserve</u>
Balance March 31, 2014	\$ 52,037
Decrease During the Year	(40,206)
Balance March 31, 2015	<u>\$ 11,831</u>

### Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's fiscal year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets during the year.

### 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 at March 31, 2015 was \$833,839.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2015

### **NOTE 17 - UNRESTRICTED**

The Authority's Unrestricted Net Position account balance at March 31, 2015 is \$430,814. The detail of the account balance is as follows:

	LIH Program Reserves	HCV ADM Reserve	Total
Balance March 31, 2014	\$ 326,905	\$ 57,817	\$ 384,722
Increase During the Year	65,210	-	65,210
Decrease During the Year	-	(19,118)	(19,118)
Balance March 31, 2015	<u>\$ 392,115</u>	<u>\$ 38,699</u>	<u>\$ 430,814</u>

### Housing Choice Voucher Program - Reserves

Administrative fee paid by HUD to the Authority in excess of administrative expenses are part of the undesignated fund balance and are considered to be administrative fee reserves. Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR 982.155 - i.e. other housing purposes permitted by state and local law. Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

Below is a detail of the HCV Administrative Reserves:

	HCV Adm Reserve
Pre 2004 Administrative Reserve	\$ 22,426
Post 2003 Administrative Reserve	16,273
Balance March 31, 2015	<u>\$ 38,699</u>

### **NOTE 18- RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended March 31, 2015, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of all its buildings for the purpose of determining potential liability issues.

# **HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**

## **Notes to Financial Statements**

March 31, 2015

### **NOTE 19 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended March 31, 2015 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended March 31, 2015 was in the amount of \$362,348.

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 program 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 contribution's for the Housing Choice Voucher for March 31, 2015 was in the amount of \$1,311,378.

### **NOTE 20 - 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.

Governmental Accounting Standards Boards Statements (GASBS) requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was \$1,800,735 to the Authority which represents approximately 67% percent of the Authority's total revenue for the year ended March 31, 2015.

### **NOTE 21 - EXTRAORDINARY MAINTENANCE**

The Authority during the year experienced a sprinkler head malfunction, which resulted in water damage to the building. This expense was covered by the insurance company. The income received from the insurance proceeds was recorded as other revenue and the cost of the repair was recorded as extraordinary expense in the amount of \$239,274.

# **HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**

## **Notes to Financial Statements**

March 31, 2015

### **NOTE 22 - CONTINGENCIES**

Litigation – At March 31, 2015, the Authority was not involved in any threatened litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

### **NOTE 23 - SUBSEQUENT EVENTS**

Events that occur after the statement of net assets 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 28, 2015; 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 HIGHLAND PARK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2015**

Programs funded by the U.S. Department of Housing  
and Urban Development: Subject to Annual Contribution Contract

	<u>CFDA#</u>	<u>Expenditures</u>
<b><u>PHA Owned Housing</u></b>		
Low Rent Public Housing	14.850	\$ 362,348
Public Housing Capital Fund Program	14.872	<u>127,009</u>
Subtotal		<u>489,357</u>
 <b><u>Rental Assistance Housing Programs</u></b>		
Housing Choice Vouchers	14.871	<u>1,311,378</u>
Subtotal		<u>1,311,378</u>
 Total Awards		<u><u>\$ 1,800,735</u></u>

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the Borough of Highland Park. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Housing Authority of the Borough of Highland Park, it is not intended to and does not present the financial position, change in net position, or cash flow of Housing Authority of the Borough of Highland Park.

**Note 2. Summary of Significant Accounting Policies:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or limited as to reimbursement.

**Note 3. Loans Outstanding:**

The Housing Authority of the Borough of Highland Park had no outstanding loans as of March 31, 2015.

**Note 4. Sub recipients:**

Of the federal expenditures presented in the schedule above, The Housing Authority of the Borough of Highland Park did not provide federal awards to any sub recipients.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**BUDGETARY COMPARISON SCHEDULE**  
**LOW RENT PUBLIC HOUSING PROGRAM**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2015**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 590,731	\$ 587,600	\$ 3,131
HUD PHA Operating Grants	405,304	358,610	46,694
Other Revenue	263,734	38,000	225,734
Total Revenue	1,259,769	984,210	275,559
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	24,677	21,200	(3,477)
Audit Fee's	5,005	8,320	3,315
Employee Benefit Contributions	15,780	16,551	771
Other Operating Administrative Expenses	210,002	212,400	2,398
Total Administrative Expenses	255,464	258,471	3,007
Tenant Services:			
Tenant Services Other	9,297	10,600	1,303
Total Tenant Services	9,297	10,600	1,303
Utilities:			
Water	34,517	40,850	6,333
Electricity	215,221	228,360	13,139
Gas	20,689	25,750	5,061
Labor	14,465	16,000	1,535
Sewer	20,829	31,990	11,161
Employee Benefit Contributions	10,520	12,491	1,971
Other Utility Expenses	920	-	(920)
Total Utilities	317,161	355,441	38,280
Maintenance:			
Maintenance Labor	83,200	96,690	13,490
Materials	33,562	37,000	3,438
Maintenance Contract Cost	101,950	94,000	(7,950)
Employee Benefit Contributions	59,614	75,488	15,874
Total Maintenance	278,326	303,178	24,852
Other Operating Expenses:			
Insurance	33,888	37,000	3,112
Payment in Lieu of Taxes	27,357	24,470	(2,887)
Other General Expenses	4,337	5,000	663
Total Other Operating Expenses	65,582	66,470	225
Total Operating Expenses	925,830	994,160	67,667
Excess Revenue Over Expenses From Operations	333,939	(9,950)	343,889
Other Income and (Expenses):			
Investment Income - Unrestricted	1,983	3,680	(1,697)
Prior Period Adjustment	(239,274)	-	(239,274)
Building Improvements	(31,438)	(14,500)	(16,938)
Total Other (Expenses)	(268,729)	(10,820)	(257,909)
Excess Revenue Over Expenses	\$ 65,210	\$ (20,770)	\$ 85,980

See accompanying notes to the financial statements.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**BUDGETARY COMPARISON SCHEDULE**  
**HOUSING CHOICE VOUCHER PROGRAM**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2015**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue - Annual Contribution Required</b>			
Housing Assistance Payments	\$ 1,181,467	\$ 1,240,000	\$ (58,533)
Ongoing Administrative Fees Earned	129,911	127,680	2,231
Other Revenue	29,243	5,000	24,243
Total Revenue	1,340,621	1,372,680	(32,059)
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	37,708	17,000	(20,708)
Audit Fee's	1,580	2,680	1,100
Employee Benefit Contributions	13,864	15,000	1,136
Other Operating Administrative Expenses	85,431	92,000	6,569
Total Administrative Expenses	138,583	126,680	(11,903)
Other Operating Expenses:			
Other General Expenses	12,703	1,000	(11,703)
Housing Assistance Payments	1,249,270	1,240,000	(9,270)
Total Other Operating Expenses	1,261,973	1,241,000	(20,973)
Total Operating Expenses	1,400,556	1,367,680	(32,876)
Excess Expenses Over Revenue From Operations	(59,935)	5,000	(64,935)
Other Income and (Expenses):			
Interest Income	611	1,500	(889)
Transfer In from HAP Reserve	40,206	-	40,206
Total Other Income	40,817	1,500	(889)
Excess Expenses Over Revenue	\$ (19,118)	\$ 6,500	\$ (25,618)

See accompanying notes to the financial statements.

## Highland Park Housing Authority (NJ044)

HIGHLAND PARK, NJ

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$566,636	\$57,380	\$624,016	\$624,016
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$11,831	\$11,831	\$11,831
114 Cash - Tenant Security Deposits	\$48,944		\$48,944	\$48,944
115 Cash - Restricted for Payment of Current Liabilities		\$542	\$542	\$542
100 Total Cash	\$615,580	\$69,753	\$685,333	\$685,333
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$924		\$924	\$924
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
128 Accounts Receivable - Tenants	\$1,418		\$1,418	\$1,418
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,342	\$0	\$2,342	\$2,342
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$25,530		\$25,530	\$25,530
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$643,452	\$69,753	\$713,205	\$713,205
161 Land	\$93,550		\$93,550	\$93,550
162 Buildings	\$4,627,269		\$4,627,269	\$4,627,269
163 Furniture, Equipment & Machinery - Dwellings	\$335,009		\$335,009	\$335,009
164 Furniture, Equipment & Machinery - Administration	\$303,094		\$303,094	\$303,094
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$3,901,637		-\$3,901,637	-\$3,901,637
167 Construction in Progress	\$426,887		\$426,887	\$426,887
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,884,172	\$0	\$1,884,172	\$1,884,172
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$1,884,172	\$0	\$1,884,172	\$1,884,172
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$2,527,624	\$69,753	\$2,597,377	\$2,597,377
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$5,773		\$5,773	\$5,773
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$10,003	\$2,897	\$12,900	\$12,900
322 Accrued Compensated Absences - Current Portion	\$1,083	\$300	\$1,383	\$1,383

See accompanying notes to the financial statements

**Highland Park Housing Authority (NJ044)**

**HIGHLAND PARK, NJ**

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs		\$542	\$542	\$542
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$27,357		\$27,357	\$27,357
341 Tenant Security Deposits	\$48,944		\$48,944	\$48,944
342 Unearned Revenue	\$143		\$143	\$143
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other	\$109,600		\$109,600	\$109,600
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$202,903	\$3,739	\$206,642	\$206,642
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current	\$9,750	\$2,704	\$12,454	\$12,454
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$38,684	\$12,780	\$51,464	\$51,464
350 Total Non-Current Liabilities	\$48,434	\$15,484	\$63,918	\$63,918
300 Total Liabilities	\$251,337	\$19,223	\$270,560	\$270,560
400 Deferred Inflow of Resources				
508.4 Net Investment in Capital Assets	\$1,884,172		\$1,884,172	\$1,884,172
511.4 Restricted Net Position	\$0	\$11,831	\$11,831	\$11,831
512.4 Unrestricted Net Position	\$392,115	\$38,699	\$430,814	\$430,814
513 Total Equity - Net Assets / Position	\$2,276,287	\$50,530	\$2,326,817	\$2,326,817
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,527,624	\$69,753	\$2,597,377	\$2,597,377

See accompanying notes to the financial statements

Highland Park Housing Authority (NJ044)

HIGHLAND PARK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$565,255		\$565,255	\$565,255
70400 Tenant Revenue - Other	\$25,476		\$25,476	\$25,476
70500 Total Tenant Revenue	\$590,731	\$0	\$590,731	\$590,731
70600 HUD PHA Operating Grants	\$405,304	\$1,311,378	\$1,716,682	\$1,716,682
70610 Capital Grants	\$84,053		\$84,053	\$84,053
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants	\$4,129		\$4,129	\$4,129
71100 Investment Income - Unrestricted	\$1,983	\$611	\$2,594	\$2,594
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery		\$144	\$144	\$144
71500 Other Revenue	\$259,605	\$29,099	\$288,704	\$288,704
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$1,345,805	\$1,341,232	\$2,687,037	\$2,687,037
91100 Administrative Salaries	\$24,677	\$37,708	\$62,385	\$62,385
91200 Auditing Fees	\$5,005	\$1,580	\$6,585	\$6,585
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$15,780	\$13,864	\$29,644	\$29,644
91600 Office Expenses	\$201,467	\$81,227	\$282,694	\$282,694
91700 Legal Expense	\$8,535	\$4,204	\$12,739	\$12,739
91800 Travel				
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$255,464	\$138,583	\$394,047	\$394,047
92000 Asset Management Fee				
92100 Tenant Services - Salaries	\$4,889		\$4,889	\$4,889
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services	\$1,753		\$1,753	\$1,753
92400 Tenant Services - Other	\$2,655		\$2,655	\$2,655
92500 Total Tenant Services	\$9,297	\$0	\$9,297	\$9,297
93100 Water	\$34,517		\$34,517	\$34,517
93200 Electricity	\$215,221		\$215,221	\$215,221
93300 Gas	\$20,689		\$20,689	\$20,689
93400 Fuel				
93500 Labor	\$14,465		\$14,465	\$14,465
93600 Sewer	\$20,829		\$20,829	\$20,829
93700 Employee Benefit Contributions - Utilities	\$10,520		\$10,520	\$10,520
93800 Other Utilities Expense	\$920		\$920	\$920
93000 Total Utilities	\$317,161	\$0	\$317,161	\$317,161
94100 Ordinary Maintenance and Operations - Labor	\$83,200		\$83,200	\$83,200
94200 Ordinary Maintenance and Operations - Materials and Other	\$33,562		\$33,562	\$33,562

See accompanying notes to the financial statements

## Highland Park Housing Authority (NJ044)

HIGHLAND PARK, NJ

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
94300 Ordinary Maintenance and Operations Contracts	\$101,950		\$101,950	\$101,950
94500 Employee Benefit Contributions - Ordinary Maintenance	\$59,614		\$59,614	\$59,614
94000 Total Maintenance	\$278,326	\$0	\$278,326	\$278,326
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$16,944		\$16,944	\$16,944
96120 Liability Insurance	\$8,472		\$8,472	\$8,472
96130 Workmen's Compensation	\$8,472	\$1,047	\$9,519	\$9,519
96140 All Other Insurance				
96100 Total Insurance Premiums	\$33,888	\$1,047	\$34,935	\$34,935
96200 Other General Expenses		\$9,156	\$9,156	\$9,156
96210 Compensated Absences	\$4,337	\$2,500	\$6,837	\$6,837
96300 Payments in Lieu of Taxes	\$27,357		\$27,357	\$27,357
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$31,694	\$11,656	\$43,350	\$43,350
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$925,830	\$151,286	\$1,077,116	\$1,077,116
97000 Excess of Operating Revenue over Operating Expenses	\$419,975	\$1,189,946	\$1,609,921	\$1,609,921
97100 Extraordinary Maintenance	\$239,274		\$239,274	\$239,274
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$1,221,745	\$1,221,745	\$1,221,745
97350 HAP Portability-In		\$27,525	\$27,525	\$27,525
97400 Depreciation Expense	\$138,197		\$138,197	\$138,197
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,303,301	\$1,400,556	\$2,703,857	\$2,703,857
10010 Operating Transfer In	\$40,028		\$40,028	\$40,028
10020 Operating transfer Out	-\$40,028		-\$40,028	-\$40,028
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				

See accompanying notes to the financial statements

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$42,504	-\$59,324	-\$16,820	-\$16,820
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,233,783	\$109,854	\$2,343,637	\$2,343,637
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050 Changes in Compensated Absence Balance				
11060 Changes in Unrecognized Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$38,699	\$38,699	\$38,699
11180 Housing Assistance Payments Equity		\$11,831	\$11,831	\$11,831
11190 Unit Months Available	1488	1740	3228	3228
11210 Number of Unit Months Leased	1409	1559	2968	2968
11270 Excess Cash	\$338,111		\$338,111	\$338,111
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$84,043		\$84,043	\$84,043
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0	\$0
11650 Leasehold Improvements Purchases	\$0		\$0	\$0
11660 Infrastructure Purchases	\$0		\$0	\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT AND CERTIFICATION OF**  
**ACTUAL CAPITAL FUND GRANT COST**  
**AS OF MARCH 31, 2015**

	NJ39P044501-12		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 10,000	\$ 10,000	\$ -
Administration	10,350	10,350	-
Fee's & Cost	6,000	6,000	-
Dwelling Structures	77,151	77,151	-
Total	<u>\$ 103,501</u>	<u>\$ 103,501</u>	<u>\$ -</u>
Funds Advanced	\$ 103,501		
Funds Expended	103,501		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund costs have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-12 was completed on July 23, 2014.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the Borough of Highland Park  
242 South 6<sup>th</sup> Avenue  
Highland Park, New Jersey 08904

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of the Borough of Highland Park (hereafter referred to as the Authority), which comprise the statement of net position as of March 31, 2015 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Housing Authority of the Borough of Highland Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the Borough of Highland Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Housing Authority of the Borough of Highland Park's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the Borough of Highland Park's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: August 28, 2015



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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**(Unmodified Opinion on Compliance for Each Major Program:  
No Material Weakness or Significant Deficiencies  
in Internal Control Over Compliance Identified)**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the Borough of Highland Park  
242 South 6<sup>th</sup> Avenue  
Highland Park, New Jersey 08904

**Report on Compliance**

We have audited Housing Authority of the Borough of Highland Park's (hereafter referred to as the Authority), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* applicable to Authority's major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs .

**Management's Responsibility for Compliance**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Housing Authority of the Borough of Highland Park's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the Borough of Highland Park's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Housing Authority of the Borough of Highland Park complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

### **Report on Internal Control Over Compliance**

Management of Housing Authority of the Borough of Highland Park is responsible for establishing and maintaining effective internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

### **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: August 28, 2015

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Schedule of Findings and Questioned Cost

Year Ended March 31, 2015

### Prior Audit Findings

None reported

### Summary of Auditor's Results

#### Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified?

\_\_\_\_\_ yes X no

Significant Deficiency(ies) identified that are  
considered to be material weakness(es)?

\_\_\_\_\_ yes X none reported

Noncompliance Material to Financial Statements Noted?

\_\_\_\_\_ yes X no

#### Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified?

\_\_\_\_\_ yes X no

Significant Deficiency(ies) identified that are  
considered to be material weakness(es)?

\_\_\_\_\_ yes X none reported

Type of audit report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with section 510(a) of  
Circular A-133

\_\_\_\_\_ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Housing Choice Vouchers Program	\$ 1,311,378

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as a low-risk auditee

X yes \_\_\_\_\_ no

### FINDINGS - FINANCIAL STATEMENT AUDIT

None reported

### FINDINGS AND QUESTIONED COST - MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



# Hymanson, Parnes & Giampaolo

## Certified Public Accountants

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners  
Housing Authority of the Borough of Highland Park  
242 South 6<sup>th</sup> Avenue  
Highland Park, New Jersey 08904

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the Borough of Highland Park and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. Housing Authority of the Borough of Highland Park is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, by Housing Authority of the Borough of Highland Park as of and for the year ended March 31, 2015, and have issued our reports thereon dated August 28, 2015. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated March 31, 2015, was expressed in relation to the basic financial statements of Housing Authority of the Borough of Highland Park taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from Housing Authority of the Borough of Highland Park. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of Housing Authority of the Borough of Highland Park and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey  
August 28, 2015

**ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON  
PROCEDURE**

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>