

**Report On Audit**

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

**For the Year Ended  
March 31, 2018**

**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 the Housing Authority of the Borough of Highland Park (a governmental public corporation) in Highland Park, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of March 31, 2018, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the Borough of Highland Park 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Borough of Highland Park as of March 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and PERS supplemental information on pages 4 through 17 and pages 56-57 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for additional analysis and is not required part of the financial statements. The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of housing and Urban Development's Real Estate Assessment Center and is also not required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. The Financial Data Schedule and the Schedule of Federal Awards 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 Financial Data Schedule and the Schedule of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued reports dated September 21, 2018 on our consideration of the Housing Authority of the Borough of Highland Park 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* in considering Housing Authority of the Borough of Highland Park's internal control over financial reporting and compliance.

**Hymanson, Parnes & Giampaolo**

Lincroft, New Jersey

Date: September 21, 2018

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

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 18 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**FINANCIAL HIGHLIGHTS**

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,009,581 an increase in the financial position of \$139,154 or 7% percent as compared to the prior year.

As noted above, the net position of the Authority was \$2,009,581 as of March 31, 2018. Of this amount, the unrestricted net position is \$131,705 representing an increase of \$84,207 or 177% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 18 the financial statements, which is included in this report.

The net investment in capital assets increased \$78,303 or 4% percent for an ending balance of \$1,858,833.

The restricted net position decreased \$23,356 from the previous year for an ending balance of \$19,043. Additional information on the Authority's restricted net position can be found in Note 17 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at March 31, 2018 is \$718,444 representing an increase of \$2,154 or less than 1% percent from the prior fiscal year. Total restricted cash and cash equivalents decreased \$21,595 or 24% for an ending balance of \$68,962. The full detail of this amount can be found in the Statement of Cash Flow on pages 21-22 of this report.

The Authority's total assets and deferred outflows are \$2,787,522 of which capital assets net book value is \$1,858,833, deferred outflows in the amount of \$60,342, restricted cash of \$68,962 leaving total current assets at \$799,385. Total current assets increased from the previous year by \$38,426 or 5% percent. Unrestricted cash and cash equivalents increased by \$2,154, accounts receivables increased by \$33,744, and prepaid expenses increased by \$2,528.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total restricted cash and cash equivalents decreased \$21,595 or 24% for an ending balance of \$68,962.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$78,303 or 4% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$167,163, less the recording of depreciation expense in the amount of \$88,860. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$75,467 for an ending balance of \$60,342. The Authority also reported an increase in the deferred inflow for the pension cost in the amount of \$70,648 for an ending balance of \$271,277. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$506,664, of which noncurrent liabilities are stated at \$350,406. Total liabilities decreased during the year as compared to the prior year in the amount of \$190,135 or 27% percent. Total current liabilities decreased during the year by \$3,551 leaving non-current liabilities for a decrease of \$186,584 as compared to the previous year.

Total current liabilities decreased from the previous year by \$3,551 or 2% percent. Accounts payables increased by \$380, accrued liabilities increased by \$2,233, tenant security deposit payable decreased by \$249, and unearned revenue decreased \$5,915.

Total noncurrent liabilities decreased by \$186,584 or 35% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$15,505, with no offsetting assets, decreased \$1,809 from the previous year.

Accrued pension and OPEB liabilities decreased \$184,775 or 36% percent. Additional information on GASB 68's effect and the Authority's accrued pension as well as the increase in accrued OPEB liability at March 31, 2018 can be found in Notes 15-16 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$2,358,368 as compared to \$2,517,160 from the prior year for a decrease of \$158,792 or 6% percent. Total operating expenses of \$2,303,808 as compared to \$2,403,727 from the previous year for a decrease of \$99,919 or 4% percent, resulting in excess revenue over expenses from operations in the amount of \$54,560 for the current year as compared to excess revenue over expenses in the amount of \$113,433 from the prior year.

Total capital improvements contributions from HUD were in the amount of \$80,640 as compared to \$8,591 from the previous year for an increase of \$72,049 or 839% percent.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority's had capital outlays in the amount of \$167,163 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 \$80,640 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 \$1,801,639 for the fiscal year 2018 as compared to \$1,900,632 for the previous fiscal year 2017 for a decrease of \$98,993 or 5% percent.

**USING THIS ANNUAL REPORT**

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

1. Public and Indian Housing Program
2. Section 8 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 serves as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash 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 18 through 22.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

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

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.

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 23 through 53.

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.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 54-55 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Borough of Highland Park are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended March 31, 2018. Type B programs for the Housing Authority of the Borough of Highland Park are those which are less than \$750,000 in expenditures for the fiscal year ended March 31, 2018.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

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

The following summarizes the computation of Net Position between March 31, 2018 and March 31, 2017.

Computations of Net Position are as follows:

	Year Ended		Increase
	March-18	March-17	(Decrease)
Cash	\$ 787,406	\$ 806,847	\$ (19,441)
Other Current Assets	80,941	44,669	36,272
Capital Assets - Net	1,858,833	1,780,530	78,303
Deferred Outflows	60,342	135,809	(75,467)
Total Assets	2,787,522	2,767,855	19,667
Less: Current Liabilities	(156,258)	(159,809)	3,551
Less: Non Current Liabilities	(350,406)	(536,990)	186,584
Less: Deferred Inflows	(271,277)	(200,629)	(70,648)
Net Position	\$ 2,009,581	\$ 1,870,427	\$ 139,154
Net Investment in Capital Assets	\$ 1,858,833	\$ 1,780,530	\$ 78,303
Restricted Net Position	19,043	42,399	(23,356)
Unrestricted Net Position	131,705	47,498	84,207
Net Position	\$ 2,009,581	\$ 1,870,427	\$ 139,154

Cash decreased by \$19,441 or 2% percent. Net cash provided by operating activities was \$102,037, net cash used for capital and related financing activities was \$125,432, and net cash provided by investing activities was \$3,954. The full detail of this amount can be found in the Statement of Cash Flow on pages 21-22 of this audit report.

Other current assets increased \$36,272. Accounts receivable increased \$33,744 and prepaid expenses increased \$2,528 from the prior year.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$78,303 or 4% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$167,163, less the recording of depreciation expense in the amount of \$88,860. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$75,467 for an ending balance of \$60,342. The Authority also reported an increase in the deferred inflow for the pension cost in the amount of \$70,648 for an ending balance of \$271,277. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

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

Total current liabilities decreased from the previous year by \$3,551 or 2% percent. Accounts payables increased by \$380, accrued liabilities increased by \$2,233, tenant security deposit payable decreased by \$249, and unearned revenue decreased \$5,915.

Total noncurrent liabilities decreased by \$186,584 or 35% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$15,505, with no offsetting assets, decreased \$1,809 from the previous year.

Accrued pension and OPEB liabilities decreased \$184,775 or 36% percent. Additional information on GASB 68's effect and the Authority's accrued pension as well as the increase in accrued OPEB liability at March 31, 2018 can be found in Notes 15-16 to the financial statements, which is included in this report.

The Authority's reported net position of \$2009,581 is made up of three categories. The net investment in capital assets was in the amount of \$1,858,833. 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, 2017	\$ 1,780,530
Fixed Asset Acquisitions	167,163
Depreciation Expense	<u>(88,860)</u>
Balance March 31, 2018	<u><u>\$ 1,858,833</u></u>

The Authority reported an increase in its unrestricted position in the amount of \$84,207 or 177% percent resulting in an ending balance in the amount of \$131,705. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 18.

The Authority reported restricted position in the amount of \$19,043 which decreased \$23,356 or 55% percent compared to the prior fiscal year. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 17.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

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

The following summarizes the changes in Net Position between March 31, 2018 and March 31, 2017:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase
	March-18	March-17	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 606,025	\$ 587,134	\$ 18,891
HUD Subsidies	1,720,999	1,892,041	(171,042)
Other Revenues	31,344	37,985	(6,641)
Total Operating Income	<u>2,358,368</u>	<u>2,517,160</u>	<u>(158,792)</u>
<u>Expenses</u>			
Operating Expenses	2,214,948	2,315,075	(100,127)
Depreciation Expense	88,860	88,652	208
Total Operating Expenses	<u>2,303,808</u>	<u>2,403,727</u>	<u>(99,919)</u>
Operating Income before Non Operating Expenses	54,560	113,433	(58,873)
Interest Income	3,954	5,270	(1,316)
Extraordinary Maintenance	-	(26,602)	26,602
HUD Capital Grants	80,640	8,591	72,049
Change in Net Position	139,154	100,692	38,462
Net Position Prior Year	<u>1,870,427</u>	<u>1,769,735</u>	<u>100,692</u>
Total Net Position	<u>\$ 2,009,581</u>	<u>\$ 1,870,427</u>	<u>\$ 139,154</u>

Approximately 73% percent of the Authority's total revenue was provided by HUD operating subsidy, while 26% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 1% 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 \$80,640 as compared to \$8,591 for the previous year.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

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

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 56% percent of total operating expenses. Administrative expenses accounted for 16% percent, tenant services accounted for less than 1% percent, utilities expense accounted for 11% percent, maintenance expense accounted for 8% percent, other operating expenses accounted for 4% percent, and depreciation accounted for the remaining 4% 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 \$54,560 from operations as compared to excess revenue over expenses of \$113,433 for the previous year. The key element for the decrease in revenue over expenses in comparison to the prior year is as follow:

- The Authority reported an increase in tenant rental revenue in the amount of \$18,891 or 3% percent and decrease in other revenue in the amount of \$6,641 or 17% percent.
- The Authority's operating grants received from HUD decreased \$171,042 or 9% percent.
- The Authority experience decreases in the following expenses:
  - Maintenance decreased \$56,104 or 24% percent.
  - The Authority saw a decrease in housing assistance payments in the amount of \$58,760 or 4% percent.
  - Tenant services decreased \$1,230 or 15% percent
- The Authority experience increases in the following expenses:
  - Administrative expenses increased \$7,261 or 2% percent
  - Utilities increased \$7,909 or 3% percent.

Total net cash provided by operating activities during the year was \$102,037 as opposed to the prior year where operating activities provided \$167,835. A full detail of this amount can be found on the Statement of Cash Flow on pages 21-22 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

**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, 2018:

	March-18	March-17	March-16	March-15
<b>Significant Income</b>				
Total Tenant Revenue	\$ 606,025	\$ 587,134	\$ 605,019	\$ 590,731
HUD Operating Grants	1,720,999	1,892,041	1,841,850	1,716,682
HUD Capital Grants	80,640	8,591	5,935	84,053
Other Government Grants	-	-	2,029	4,129
Investment Income	3,954	5,270	3,637	2,594
Other Income	31,344	37,985	60,310	288,848
Total	<u>\$ 2,442,962</u>	<u>\$ 2,531,021</u>	<u>\$ 2,518,780</u>	<u>\$ 2,687,037</u>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 53,358	\$ 50,723	\$ 59,095	\$ 62,385
Utilities Labor	14,580	14,000	16,000	14,465
Maintenance Labor	85,902	86,993	82,706	83,200
Tenant Service Salaries	-	-	4,338	4,889
Employee Benefits Expense	40,653	78,099	87,715	101,531
Total Payroll Expense	<u>\$ 194,493</u>	<u>\$ 229,815</u>	<u>\$ 249,854</u>	<u>\$ 266,470</u>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 312,438	\$ 308,652	\$ 321,594	\$ 302,018
Utilities Expense	243,666	231,913	254,433	292,176
Maintenance Supplies	7,401	23,122	34,137	33,562
Maintenance Contract Cost	45,499	77,446	110,335	101,950
Insurance Premiums	40,341	35,846	32,425	34,935
Housing Assistance Payments	1,297,346	1,356,106	1,340,759	1,249,270
Total	<u>\$ 1,946,691</u>	<u>\$ 2,033,085</u>	<u>\$ 2,093,683</u>	<u>\$ 2,013,911</u>
<b>Total Operating Expenses</b>	<u>\$ 2,303,808</u>	<u>\$ 2,403,727</u>	<u>\$ 2,482,517</u>	<u>\$ 2,464,583</u>
<b>Total of Federal Awards</b>	<u>\$ 1,801,639</u>	<u>\$ 1,900,632</u>	<u>\$ 1,847,785</u>	<u>\$ 1,800,735</u>

**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 sufficient to cover all operating expenses.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2018**

**THE AUTHORITY AS A WHOLE -CONTINUED**

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 and Indian Housing Program:

Under the Public and Indian 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.

Section 8 Housing Choice Voucher Program:

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

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). 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. 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 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, 2018**

**BUDGETARY HIGHLIGHTS**

For the year ended March 31, 2018, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

**NEW INITIATIVES**

For the year 2018 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 74% percent of its revenue from the Department of Housing and Urban Development, (2017 was 75% 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 been involved with a Rental Assistance Application (RAD) which would involve converting current public housing units to a Section 8 platform. While this process takes time the Authority has remained diligent in being proactive in regards to maintaining the condition of their buildings.

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, 2018**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's investment in capital assets as of March 31, 2018 was \$1,858,833 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total increase during the year in the Authority's investment in capital assets was \$78,303 or 4% percent. Major capital expenditures of \$167,163 were made during the year. Major capital assets events during the fiscal year included the following:

- Electrical Upgrades
- Replacement Flooring and Carpets
- Site Improvements
- Replacement of Apartment Appliances

	March-18	March-17	Increase (Decrease)
Land	\$ 93,550	\$ 93,550	\$ -
Building	4,893,657	4,893,657	-
Furniture, Equipment - Dwelling	421,693	416,320	5,373
Furniture, Equipment - Administration	321,441	314,935	6,506
Construction in Process	293,441	138,157	155,284
Total Fixed Assets	\$ 6,023,782	\$ 5,856,619	\$ 167,163
Accumulated Depreciation	(4,164,949)	(4,076,089)	(88,860)
Net Book Value	\$ 1,858,833	\$ 1,780,530	\$ 78,303

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, 2018**

**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. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2018 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, 2019.

- 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.
- Converting Public and Indian Housing Program rental units into RAD subsidy units.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- 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, 2018**

	<u>2018</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents - Unrestricted	\$ 718,444
Accounts Receivables, Net of Allowances	47,804
Prepaid Expenses	33,137
Total Current Assets	<u>799,385</u>
<b>Noncurrent Restricted Assets</b>	
Cash and Cash Equivalents - Restricted	<u>68,962</u>
<b>Noncurrent Assets</b>	
Capital Assets	
Land	93,550
Building	4,893,657
Furniture, Equipment - Dwelling	421,693
Furniture, Equipment - Administration	321,441
Construction in Process	293,441
Total Capital Assets	<u>6,023,782</u>
Less: Accumulated Depreciation	<u>(4,164,949)</u>
Net Book Value	<u>1,858,833</u>
Total Assets	2,727,180
<b>Deferred Outflow of Resources</b>	
State of New Jersey P.E.R.S.	<u>60,342</u>
Total Assets and Deferred Outflow of Resources	<u><u>\$ 2,787,522</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, 2018**

	<u>2018</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$ 96,038
Accrued Liabilities	11,760
Tenant Security Deposit Payable	47,620
Unearned Revenue	840
Total Current Liabilities	<u>156,258</u>
<b>Noncurrent Liabilities</b>	
Accrued Compensated Absences - Long-Term	15,505
Accrued Pension and OPEB Liabilities	334,901
Total Noncurrent Liabilities	<u>350,406</u>
Total Liabilities	<u>506,664</u>
<b>Deferred Inflow of Resources</b>	
State of New Jersey P.E.R.S.	<u>271,277</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	1,858,833
Restricted	19,043
Unrestricted	131,705
Total Net Position	<u>2,009,581</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 2,787,522</u></u>

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, 2018**

	<u>2018</u>
<b>Revenue:</b>	
Tenant Rental Revenue	\$ 606,025
HUD PHA Operating Grants	1,720,999
Other Revenue	<u>31,344</u>
Total Revenue	<u>2,358,368</u>
 <b>Operating Expenses:</b>	
Administrative Expense	385,832
Tenant Services	6,722
Utilities Expense	264,727
Maintenance Expense	179,455
Other Operating Expenses	80,866
Housing Assistance Payments	1,297,346
Depreciations Expense	<u>88,860</u>
Total Operating Expenses	<u>2,303,808</u>
 Excess Revenue Over Expenses From Operations	 <u>54,560</u>
 <b>Non Operating Income and (Expenses):</b>	
Investment Income	3,954
Capital Grants	<u>80,640</u>
Total Non Operating Income	<u>84,594</u>
 <b>Change in Net Position</b>	 139,154
 Beginning Net Position	 <u>1,870,427</u>
Ending Net Position	<u><u>\$ 2,009,581</u></u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF CASH FLOWS - 1**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2018**

	2018
<b>Cash Flow From Operating Activities</b>	
Receipts from Tenants	\$ 602,332
Receipts from Federal Grants	1,690,948
Receipts from Misc. Sources	31,344
Payments to Vendors and Suppliers	(487,082)
Payments for Housing Assistance Payments	(1,297,346)
Payments to Employees	(153,840)
Payment of Employee Benefits	(40,653)
Payments for Utilities	(243,666)
Net Cash Provided by Operating Activities	<u>102,037</u>
<b>Cash Flow From Capital and Related Financing Activities</b>	
Receipts from Capital Grants	80,640
Acquisitions and Construction of Capital Assets	(167,163)
Payment of Tenant Security Deposits	(249)
Change in Accrued Pension and OPEB Liabilities	(184,775)
Net Effect of Deferred Inflows and Outflows	146,115
Net Cash (Used) by Capital and Related Financing Activities	<u>(125,432)</u>
<b>Cash Flow From Investing Activities</b>	
Interest Income	<u>3,954</u>
Net Cash Provided by Investing Activities	<u>3,954</u>
Net (Decrease) in Cash and Cash Equivalents	(19,441)
<b>Beginning Cash</b>	<u>806,847</u>
<b>Ending Cash</b>	<u><u>\$ 787,406</u></u>
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 718,444
HCV HAP Reserves	19,043
Tenant Security Deposits	47,620
Cash Restricted for Current Liabilities	2,299
Total Ending Cash	<u><u>\$ 787,406</u></u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF CASH FLOWS - 2**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2018**

	<u>2018</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
Provided by Operating Activities	
Excess of Revenue Over Expenses	\$ 54,560
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	88,860
(Increase) Decrease in:	
Accounts Receivables	(33,744)
Prepaid Expenses	(2,528)
Increase (Decrease) in:	
Accounts Payable	380
Accrued Liabilities	2,233
Unearned Revenue	(5,915)
Compensated Absences - Non-Current	(1,809)
Net Cash Provided by Operating Activities	<u>\$ 102,037</u>

See accompanying notes to the financial statements.



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **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 an entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

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

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

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

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

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **Significant Accounting Policies -Continued**

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

### **Basis of Accounting –**

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.

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.

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

## Notes to Financial Statements

March 31, 2018

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

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.

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 financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **Report Presentation – Continued**

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges, designated to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

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

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.

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. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

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

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

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

## Notes to Financial Statements

March 31, 2018

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

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

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

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

8 – The Authority does not have any infrastructure assets for its Enterprise Fund.

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

10- Advertising cost is charged to expense when incurred.

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

12- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

13- 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.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

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

#### 14 - Taxes

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

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

#### 15 - Net Position

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

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

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

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

#### 16-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2018.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **Budgetary and Policy Control –**

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

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

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-044	124
Public Housing Capital Fund	14.872		N/A
<u>Section 8</u>			
Section 8 Housing Choice Vouchers	14.871	NJ39-V044	145

### Public and Indian Housing Program:

Under the Public and Indian 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.

### Section 8 Housing Choice Voucher Program:

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



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **Activities – Continued**

#### Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). 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. 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 to keep them clean, safe and in good condition.

**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.

**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 collectability of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **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.

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 7.20% 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 2018 amounted to \$10,029.

#### Post Employment Retirement Benefits

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

Further information on the Pension Plan and its effects do to the adoption of GASB 68 can be found in Note 16– Accrued Pension Liability.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

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

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

### **Concentration of Credit Risk**

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

### **Risk Disclosures**

#### Collateral for Deposits

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

#### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At March 31, 2018, 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.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

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

#### 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-18</u>
Insured	\$ 250,000
Collateralized held by pledging bank's trust department in the Authority's name	537,406
Total Cash, Cash Equivalents	<u>\$ 787,406</u>

#### **Restricted Cash**

The Authority has restricted cash at March 31, 2018 in the amount of \$68,962. The amount of \$47,620 is held as security deposits for the tenants of the Public and Indian Housing program in an interest bearing account.

The restricted cash in the amount of \$21,342 for 2018 was reported under the Housing Choice Voucher Program as a reserve for future use.

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

Accounts Receivable at March 31, 2018 consisted of the following:

	<u>March-18</u>
Tenants Accounts Receivable - Present	\$ 5,557
Accounts Receivable - HP Affordable Housing C	2,300
Accounts Receivable - HUD	39,947
Total Accounts Receivables	<u>\$ 47,804</u>

The Housing Authority of the Borough of Highland Park carries its accounts receivable at cost less an allowance for doubtful accounts. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change. As of March 31, 2018, the allowance for doubtful accounts was \$-0-.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **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, 2018 were in the amount of \$33,137 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, 2018 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

### **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 \$5,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

#### Depreciation

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 Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2018.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

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

Below is a schedule of changes in fixed assets for the twelve months ending March 31, 2018:

	March-17	Additions	March-18
Land	\$ 93,550	\$ -	\$ 93,550
Building	4,893,657	-	4,893,657
Furniture, Equipment - Dwelling	416,320	5,373	421,693
Furniture, Equipment - Administration	314,935	6,506	321,441
Construction in Process	138,157	155,284	293,441
Total Fixed Assets	5,856,619	167,163	6,023,782
Accumulated Depreciation	(4,076,089)	(88,860)	(4,164,949)
Net Book Value	\$ 1,780,530	\$ 78,303	\$ 1,858,833

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, 2018:

	March-18
Land	\$ 93,550
Building	962,553
Furniture, Equipment - Dwelling	272,429
Furniture, Equipment - Administration	236,860
Construction in Process	293,441
Net Book Value	<u>\$ 1,858,833</u>

### **NOTE 9 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

The Pension Liability discussed in Note 16 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 9 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED**

The Authority's deferred outflows and inflows are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experiences	\$ 5,934	\$ -
Changes in Assumptions	50,771	50,585
Net Difference Between Projected and Actual Earning on Pension Plan Investments	1,716	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 60,342</u>	<u>\$ 271,277</u>

#### Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$5,934 and \$-0-.

#### Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$50,771 and \$50,585.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED**

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

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$1,716 and \$-0-.

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

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$1,921 and \$220,692.

### **NOTE 10 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of March 31, 2018. 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, 2018 consisted of the following:

	<u>March-18</u>
Accounts Payable Vendors	\$ 58,212
Accounts Payable - Other Government	34,130
Accounts Payable - HUD	<u>3,696</u>
Total Accounts Payable	<u><u>\$ 96,038</u></u>



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 11 – 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 10% of its net shelter rent. The total amount of PILOT payable at March 31, 2018 is detailed below:

	<u>March-18</u>
Balance Beginning of Year	\$ 65,114
P.I.L.O.T. Accrued	34,130
Less Payments Made	<u>(65,114)</u>
Total P.I.L.O.T. Payable	<u><u>\$ 34,130</u></u>

### **NOTE 12 – 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, 2018 consisted of the following:

	<u>March-18</u>
Compensated Absences - Current Portion	\$ 1,723
Accrued Wages and Payroll Taxes	4,462
Accrued Liabilities - Utilities	<u>5,575</u>
Total Accrued Liabilities	<u><u>\$ 11,760</u></u>

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 13 – 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-18
Accumulated Sick Time	\$ 1,922
Accumulated Vacation Time	14,082
Total	16,004
FICA Expense	1,224
Total Compensated Absences	17,228
Compensated Absences - Current Portion	(1,723)
Total Compensated Absences - Noncurrent	\$ 15,505

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 14 – 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, 2018 in the amount of \$840 consisted of April 2018 tenant's rents.

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

The Authority as of March 31, 2018 reported accrued pension and OPEB liability amounts as follows:

	March-18
Accrued OPEB Liability	\$ 82,892
Accrued Pension Liability	252,009
Total OPEB and Pension Liability	<u>\$ 334,901</u>

These amounts arose due to adoption of GASB 45 several years ago as well as GASB 68 which was adopted a couple fiscal years ago. This note will discuss the liability associated with GASB 45, which is accrued other postemployment benefits. Note - 16 will discuss the effect of GASB 68 and the liability which arose from that.

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

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.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

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

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-18
Annual Required Contribution	\$ 31,168
Interest on net OPEB obligation	2,834
Adjustment to annual required contribution	(21,921)
Annual OPEB cost (expense)	12,081
Contributions made	-
Increase in net OPEB obligation	12,081
Net OPEB Obligation – beginning of year	70,811
Net OPEB Obligation – end of year	\$ 82,892

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2018 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
March-15	\$ 23,023	62.6%	\$ 8,600
March-16	\$ 24,106	65.2%	\$ 8,387
March-17	\$ 10,960	N/A	\$ 10,960
March-18	\$ 12,081	N/A	\$ 2,079

### Funding Policy, Funded Status, and Funding Progress

As of April 1, 2016, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$135,770, and the actuarial value of assets was \$-0-, resulting in an unfunded accrued liability (UAL) of \$135,770.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions 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 as required supplementary information following the notes to the financial statements, presents multi-year trend information indicating whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liabilities for benefits.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

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

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.

#### 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.

The following simplifying assumptions were made:

#### 1.) Assumptions About Employees and Members:

Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 65 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by the National Center for Health Statistics. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

#### 2.) Assumptions About Healthcare Cost Trends:

	Year	Pre - 65	Post - 65
Initial Trend	2018	8.00%	8.00%
Ultimate Trend	2024 or Later	5.00%	5.00%
Grading per Year		0.50%	0.50%

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

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

#### **3.) Other Assumptions and Methods:**

- Actuarial Cost Method
  - Discount Rate
  - Actuarial Value of Assets:
  - Amortization of UAL: Amortized as fixed dollar basis over 30 years at transition
  - Remaining Amortization Period:
- Projected Unit Credit  
4.00% per annum  
Market Value  
30 years at April 1, 2010

Reconciliation of Plan Participants as of evaluation date:

	April-16	April-13	Change
Number of Active Employees	3	4	-1
Average Age - Actives	57.3	44.8	12.5
Average Years of Service - Actives	6.3	3	3.3
Number of Retired Employees	0	2	-2
Active Eligible for Benefits	0	0	0

#### Summary of changes to Unfunded Accrued Liability

Below is a schedule the items that caused the decrease in the UAL from the initial actuarial valuation of the unfunded accrued liability as of April 1, 2016:

Initial Valuation of UAL April 1, 2013	\$	331,945
Impact from prior evaluations		46,010
Impact due to changes in employee counts		(271,073)
Impact due to change in discount rate		28,888
Total UAL as of April 1, 2016	\$	<u>135,770</u>

### **NOTE 16 – ACCRUED PENSION LIABILITY**

#### Net Pension Liability Information

The Authority as of March 31, 2018 reported a net pension liability in the amount of \$252,009 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2017, the last evaluation date, is as follows:

	PERS
Employer Total Pension Liability	\$ 485,565
Plan Net Position	(233,557)
Employer Net Pension Liability	<u>\$ 252,009</u>

The Authority allocation percentage is 0.0010825857% as of June 30, 2017.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Plan Description

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

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

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

The following represents the membership tiers for PERS:

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

#### Allocation Percentage Methodology

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2017.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Allocation Percentage Methodology -continued

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017 the State's pension contribution was less than the actuarial determined amount.

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

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

#### Actuarial Assumptions

The total pension liability for June 30, 2017 measurement dates were determined by using an actuarial valuation as of July 1, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. The actuarial valuations used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65-4.15%, based on age
Thereafter	2.65-5.15%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Actuarial Assumptions - Continued

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 evaluation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Actuarial Assumptions - Continued

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2014.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Discount Rate -Continued

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

#### Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 5.00% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.00% percent) or 1 percentage-point higher (6.00% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 312,634	\$ 252,009	\$ 201,500

#### Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

Year Ending June 30, 2018	\$ 5,933
Year Ending June 30, 2019	8,952
Year Ending June 30, 2020	5,425
Year Ending June 30, 2021	(7,215)
Year Ending June 30, 2022	(5,259)
Total	<u>\$ 7,836</u>

#### Changes in Proportion

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 16 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2017, are as follows:

Service Cost	\$	11,754
Interest on the Total Pension Liability		21,330
Member Contributions		(5,591)
Administrative Expenses		146
Expected Investment Return Net of Investment Expenses		(15,229)
Pension Expense Related to Specific Liabilities of Individual Employers		(165)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		1,869
Changes of Assumptions		4,355
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		(292)
Total	\$	<u>18,177</u>

### **NOTE 17 – RESTRICTED NET POSITION**

The Authority's Restricted Net Position account balance at March 31, 2018 is \$19,043. The balance pertains to the HAP reserve.

#### 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 AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2018

### **NOTE 17 – RESTRICTED NET POSITION -CONTINUED**

#### 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, 2018 was \$70,840.

### **NOTE 18 – UNRESTRICTED NET POSITION**

The Authority's Unrestricted Net Position account balance at March 31, 2018 is \$131,705. The detail of the account balance is as follows:

	LIH Program Reserves	HCV ADM Reserve	Total
Balance March 31, 2017	\$ 65,969	\$ (18,471)	\$ 47,498
Increase During the Year	89,852	-	89,852
Decrease During the Year	-	(5,645)	(5,645)
Balance March 31, 2018	<u>\$ 155,821</u>	<u>\$ (24,116)</u>	<u>\$ 131,705</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.

### **NOTE 19 – 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, 2018, 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, 2018

### **NOTE 20 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended March 31, 2018 were \$337,465.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Section 8 Housing Choice Voucher for March 31, 2018 were \$1,383,534.

### **NOTE 21 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

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

Total financial support by HUD was \$1,801,639 to the Authority which represents approximately 74% percent of the Authority's total revenue for the year ended March 31, 2018.

### **NOTE 22 - CONTINGENCIES**

Litigation – At March 31, 2018, 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.

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

## Notes to Financial Statements

March 31, 2018

### **NOTE 23 – SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru September 21, 2018; 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, 2018**

Programs funded by:

U.S. Department of Housing and Urban Development

CFDA #'s	Grant Period		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
	From	To				
<u>Public and Indian Housing Program</u>						
NJ044-00000116D	1/1/2016	12/31/2016	\$ 352,249	\$ 484	484	\$ 352,249
NJ044-00000117D	1/1/2017	12/31/2017	300,697	232,061	232,061	300,697
NJ044-00000118D	1/1/2018	12/31/2018	322,989	104,920	104,920	299,120
Grant Subtotal			<u>975,935</u>	<u>337,465</u>	<u>337,465</u>	<u>952,066</u>
<u>Public Housing Capital Fund Program</u>						
NJ39P044501-14	5/13/2014	5/12/2018	114,050	14,608	14,608	114,050
NJ39P044501-15	5/13/2015	5/12/2019	115,539	66,032	66,032	104,862
Grant Subtotal			<u>229,589</u>	<u>80,640</u>	<u>80,640</u>	<u>218,912</u>
<u>Section 8 Housing Choice Voucher Program</u>						
NJ39PO44	4/1/2017	3/31/2018	1,383,534	1,383,534	1,383,534	1,383,534
Grant Subtotal			<u>1,383,534</u>	<u>1,383,534</u>	<u>1,383,534</u>	<u>1,383,534</u>
Total Federal Financial Assistance						
			\$ 2,589,058	\$ 1,801,639	\$ 1,801,639	\$ 2,554,512



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018**

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the Borough of Highland Park is under programs of the federal government for the year ended March 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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 the 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Indirect Cost Rate**

The Housing Authority of the Borough of Highland Park has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

**Note 4. Loans Outstanding:**

The Housing Authority of the Borough of Highland Park had no outstanding loans as of March 31, 2018.

**Note 5. Non- Cash Federal Assistance:**

The Authority did not receive any non-cash Federal assistance for the year ended March 31, 2018.

**Note 6. 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

Schedule of Proportionate Share of the Net Pension Liability  
Of the Public Employee Retirement System (PERS)

March 31, 2018

## REQUIRED SUPPLEMENTAL INFORMATION

GASB 68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2017	2016	2016	2015
Housing Authority's proportion of the net pension liability	0.00108259%	0.00151556%	0.00150047%	0.00194399%
Housing Authority's proportionate share of the net pension liability	\$ 252,009	\$ 261,133	\$ 336,825	\$ 363,969
Housing Authority's covered employee payroll	\$ 153,840	\$ 151,716	\$ 162,139	\$ 164,939
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.81%	172.12%	207.74%	220.67%
Plan fiduciary net position as a percentage of the total pension liability	48.01%	59.86%	52.07%	52.08%

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Schedule of Proportionate Share of the Net Pension Liability  
Of the Public Employee Retirement System (PERS)  
March 31, 2018

## REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

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

	2017	2016	2016	2015
Contractually required contribution	\$ 10,029	\$ 13,464	\$ 12,900	\$ 16,026
Contribution in relation to the contractually required contribution	(10,029)	(13,464)	(12,900)	(16,026)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 153,840	\$ 151,716	\$ 162,139	\$ 164,939
Contribution as a percentage of covered employee payroll	6.52%	8.87%	7.96%	9.72%

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

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT AND CERTIFICATION OF**  
**ACTUAL CAPITAL FUND GRANT COST**  
**AS OF MARCH 31, 2018**

	NJ39P044501-14		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 22,810	\$ 22,810	\$ -
Administration	2,000	2,000	-
Administration	11,405	11,405	-
Fee's & Cost	9,000	9,000	-
Dwelling Structures	68,835	68,835	-
Total	<u>\$ 114,050</u>	<u>\$ 114,050</u>	<u>\$ -</u>
Funds Advanced	\$ 114,050		
Funds Expended	114,050		
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 501-14 was completed on March 31, 2018.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

## Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$637,901	\$80,543	\$718,444	\$718,444
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$19,043	\$19,043	\$19,043
114 Cash - Tenant Security Deposits	\$47,620		\$47,620	\$47,620
115 Cash - Restricted for Payment of Current Liabilities		\$2,299	\$2,299	\$2,299
100 Total Cash	\$685,521	\$101,885	\$787,406	\$787,406
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$39,947		\$39,947	\$39,947
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous	\$2,300		\$2,300	\$2,300
126 Accounts Receivable - Tenants	\$5,557		\$5,557	\$5,557
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	\$47,804	\$0	\$47,804	\$47,804
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$33,137		\$33,137	\$33,137
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$766,462	\$101,885	\$868,347	\$868,347
161 Land	\$93,550		\$93,550	\$93,550
162 Buildings	\$4,893,657		\$4,893,657	\$4,893,657
163 Furniture, Equipment & Machinery - Dwellings	\$421,693		\$421,693	\$421,693
164 Furniture, Equipment & Machinery - Administration	\$321,441		\$321,441	\$321,441
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$4,164,949		-\$4,164,949	-\$4,164,949
167 Construction in Progress	\$293,441		\$293,441	\$293,441
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,858,833	\$0	\$1,858,833	\$1,858,833
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	\$1,858,833	\$0	\$1,858,833	\$1,858,833
200 Deferred Outflow of Resources	\$49,343	\$10,999	\$60,342	\$60,342
290 Total Assets and Deferred Outflow of Resources	\$2,674,638	\$112,884	\$2,787,522	\$2,787,522
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$58,212		\$58,212	\$58,212
313 Accounts Payable >90 Days Past Due				

See accompanying notes to the financial statements

## Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
321 Accrued Wage/Payroll Taxes Payable	\$4,016	\$446	\$4,462	\$4,462
322 Accrued Compensated Absences - Current Portion	\$1,311	\$412	\$1,723	\$1,723
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs		\$3,696	\$3,696	\$3,696
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$34,130		\$34,130	\$34,130
341 Tenant Security Deposits	\$47,620		\$47,620	\$47,620
342 Unearned Revenue	\$840		\$840	\$840
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	\$5,575		\$5,575	\$5,575
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$151,704	\$4,554	\$156,258	\$156,258
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	\$11,795	\$3,710	\$15,505	\$15,505
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$270,876	\$64,025	\$334,901	\$334,901
350 Total Non-Current Liabilities	\$282,671	\$67,735	\$350,406	\$350,406
300 Total Liabilities	\$434,375	\$72,289	\$506,664	\$506,664
400 Deferred Inflow of Resources	\$225,609	\$45,668	\$271,277	\$271,277
508.4 Net Investment in Capital Assets	\$1,858,833		\$1,858,833	\$1,858,833
511.4 Restricted Net Position		\$19,043	\$19,043	\$19,043
512.4 Unrestricted Net Position	\$155,821	-\$24,116	\$131,705	\$131,705
513 Total Equity - Net Assets / Position	\$2,014,654	-\$5,073	\$2,009,581	\$2,009,581
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,674,638	\$112,884	\$2,787,522	\$2,787,522

Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$576,687		\$576,687	\$576,687
70400 Tenant Revenue - Other	\$29,338		\$29,338	\$29,338
70500 Total Tenant Revenue	\$606,025	\$0	\$606,025	\$606,025
70600 HUD PHA Operating Grants	\$337,465	\$1,383,534	\$1,720,999	\$1,720,999
70610 Capital Grants	\$80,640		\$80,640	\$80,640
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				
71100 Investment Income - Unrestricted	\$2,969	\$985	\$3,954	\$3,954
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery		\$4,344	\$4,344	\$4,344
71500 Other Revenue	\$5,408	\$21,592	\$27,000	\$27,000
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$1,032,507	\$1,410,455	\$2,442,962	\$2,442,962
91100 Administrative Salaries	\$25,391	\$27,967	\$53,358	\$53,358
91200 Auditing Fees	\$5,006	\$2,045	\$7,051	\$7,051
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$12,538	\$7,498	\$20,036	\$20,036
91600 Office Expenses	\$198,898	\$87,309	\$286,207	\$286,207
91700 Legal Expense	\$12,679	\$6,501	\$19,180	\$19,180
91800 Travel				
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$254,512	\$131,320	\$385,832	\$385,832
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$6,722		\$6,722	\$6,722
92500 Total Tenant Services	\$6,722	\$0	\$6,722	\$6,722
93100 Water	\$27,770		\$27,770	\$27,770
93200 Electricity	\$177,899		\$177,899	\$177,899
93300 Gas	\$16,308		\$16,308	\$16,308
93400 Fuel				
93500 Labor	\$14,580		\$14,580	\$14,580
93600 Sewer	\$20,816		\$20,816	\$20,816
93700 Employee Benefit Contributions - Utilities	\$6,481		\$6,481	\$6,481
93800 Other Utilities Expense	\$873		\$873	\$873
93000 Total Utilities	\$264,727	\$0	\$264,727	\$264,727
94100 Ordinary Maintenance and Operations - Labor	\$85,902		\$85,902	\$85,902

See accompanying notes to the financial statements

Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
94200 Ordinary Maintenance and Operations - Materials and Other	\$7,401		\$7,401	\$7,401
94300 Ordinary Maintenance and Operations Contracts	\$45,499		\$45,499	\$45,499
94500 Employee Benefit Contributions - Ordinary Maintenance	\$40,653		\$40,653	\$40,653
94000 Total Maintenance	\$179,455	\$0	\$179,455	\$179,455
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	\$19,072		\$19,072	\$19,072
96120 Liability Insurance	\$9,536		\$9,536	\$9,536
96130 Workmen's Compensation	\$9,536	\$2,197	\$11,733	\$11,733
96140 All Other Insurance				
96100 Total insurance Premiums	\$38,144	\$2,197	\$40,341	\$40,341
96200 Other General Expenses		\$8,407	\$8,407	\$8,407
96210 Compensated Absences	-\$2,198	\$186	-\$2,012	-\$2,012
96300 Payments in Lieu of Taxes	\$34,130		\$34,130	\$34,130
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$31,932	\$8,593	\$40,525	\$40,525
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	\$775,492	\$142,110	\$917,602	\$917,602
97000 Excess of Operating Revenue over Operating Expenses	\$257,015	\$1,268,345	\$1,525,360	\$1,525,360
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$1,282,700	\$1,282,700	\$1,282,700
97350 HAP Portability-In		\$14,646	\$14,646	\$14,646
97400 Depreciation Expense	\$88,860		\$88,860	\$88,860
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$864,352	\$1,439,456	\$2,303,808	\$2,303,808
10010 Operating Transfer In				
10020 Operating transfer Out				
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				

See accompanying notes to the financial statements



Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
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				
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	\$168,155	-\$29,001	\$139,154	\$139,154
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$1,846,499	\$23,928	\$1,870,427	\$1,870,427
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent 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		-\$24,116	-\$24,116	-\$24,116
11180 Housing Assistance Payments Equity		\$19,043	\$19,043	\$19,043
11190 Unit Months Available	1488	1740	3228	3228
11210 Number of Unit Months Leased	1475	1521	2996	2996
11270 Excess Cash	\$516,997		\$516,997	\$516,997
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$80,640		\$80,640	\$80,640
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

See accompanying notes to the financial statements



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**INDEPENDENT AUDITOR'S REPORT  
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**

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 the Housing Authority of the Borough of Highland Park as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise Housing Authority of the Borough of Highland Park basic financial statements, and have issued our report thereon dated September 21, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Housing Authority of the Borough of Highland Park internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the Borough of Highland Park's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the Borough of Highland Park internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the Borough of Highland Park financial statements are free from 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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Hymanson, Parnes & Giampaolo**

Lincroft, New Jersey

Date: September 21, 2018



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### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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 for Each Major Federal Program**

We have audited Housing Authority of the Borough of Highland Park compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the Borough of Highland Park major federal programs for the year ended March 31, 2018. Housing Authority of the Borough of Highland Park major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of Housing Authority of the Borough of Highland Park 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the Borough of Highland Park compliance with those requirements and performing such other procedures as we consider 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 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 types of 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, 2018.

### ***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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the Borough of Highland Park's internal control over compliance with the types 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 circumstances 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 the Uniform Guidance, 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 Housing Authority of the Borough of Highland Park internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 type of 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 over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Hymanson, Parnes & Giampaolo**

Lincroft, New Jersey

Date: September 21, 2018

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Schedule of Findings and Questioned Cost

Year Ended March 31, 2018

### 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 Title 2 U.S. Code of Federal Regulation  
Part 200, Uniform Administrative Requirements, \_\_\_\_\_

yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Vouchers Program	\$ 1,383,534

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

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



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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 6th 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 Uniform Guidance 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 the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the Borough of Highland Park as of and for the year ended March 31, 2018, and have issued our reports thereon dated September 21, 2018. 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, 2018, 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 Uniform Guidance, 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  
September 21, 2018



**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 to G3000-050)	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"/>