

**Report On Audit**

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

**For the Year Ended  
March 31, 2020**

# Housing Authority of the Borough of Highland Park

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# *Hymanson, Parnes & Giampaolo*

## *Certified Public Accountants*

tele: 732-842-4550  
fax: 732-842-4551

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

### **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 governmental activities and the aggregate discretely present component unit 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, 2020 and the related statement of revenue, expenses and changes in net position, and 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 did not audit the financial statements of Kronman Affordable Housing LP, the component unit of the Authority, which statements reflect total assets constituting 56% of the consolidated total assets on March 31, 2020, and total revenues constituting 11% of consolidated total revenue for the year ended March 31, 2020. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Kronman Affordable Housing LP, is based solely on the report of the auditors.

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate discretely present component unit of the of the Housing Authority of the Borough of Highland Park as of March 31, 2020, and the respective changes in financial position, and, 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 and OPEB supplemental information on pages 4 through 17 and page 64 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 generally 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 basic financial statements Housing Authority of the Borough of Highland Park. The accompanying supplemental information on pages 69-81 is presented for additional analysis and is not required part of the basic 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 basic financial statements. The Capital Fund cost certifications are also not required part of the basic 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 basic financial statements.

The Schedule of Expenditures of Federal Awards, Capital Fund cost certifications, and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, Capital Fund cost certifications and the Financial Data Schedule 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 June 11, 2021 on our consideration of the Housing Authority of the Borough of Highland Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Borough of Highland Park internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the Borough of Highland Park's internal control over financial reporting and compliance.

**Hymanson, Parnes & Giampaolo**

Lincroft, New Jersey

Date: June 11, 2021



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

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. 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 primary government exceeded its liabilities at the close of the most recent fiscal year by \$3,774,371 an increase in the financial position of \$2,136,427 as compared to the prior year.

As noted above, the net position of the Authority primary government was \$3,774,371 as of March 31, 2020. Of this amount, the primary government unrestricted net position is a positive \$3,432,642 representing an increase in the amount of \$3,737,565 or 1226% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 22 the financial statements, which is included in this report.

The Authority primary government net investment in capital assets decreased \$1,543,813 or 93% percent for an ending balance of \$118,113.

The Authority primary government restricted net position decreased \$57,325 from the previous year for an ending balance of \$223,616. Additional information on the Authority's restricted net position can be found in Note 21 to the financial statements, which is included in this report.

The Authority's primary government unrestricted cash and cash equivalent on March 31, 2020 is \$715,462 representing a decrease of \$419,595 or 37% percent from the prior fiscal year. Total primary government restricted cash and funded reserves decreased \$77,565 or 24% percent for an ending balance of \$250,449. The full detail of this amount can be found in the Statement of Cash Flows on pages 22-23 of this report.

The Authority's primary government total assets and deferred outflows are \$5,968,616 of which capital assets net book value is \$575,992, deferred outflows in the amount of \$169,958 and restricted cash and funded reserves is \$250,449, leaving total current assets at \$4,972,217.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current assets increased from the previous year by \$3,809,720 or 328% percent. Unrestricted cash and cash equivalents decreased by \$419,595, accounts receivables increased by \$4,240,377, and prepaid expenses decreased by \$11,062.

The Authority primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$1,551,983 or 73% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$86,683, less the recording of depreciation expense in the amount of \$33,219. The Authority primary government recorded a loss on the sale of fixed assets in the amount of \$1,605,447. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority primary government reported a decrease in the deferred outflow for the pension cost in the amount of \$51,291 for an ending balance of \$169,958. The Authority primary government reported an increase in the deferred inflow for the pension cost in the amount of \$351,658 for an ending balance of \$622,915. 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 primary government total liabilities are reported at \$1,571,330 of which noncurrent liabilities are stated at \$1,294,333. Total primary government liabilities decreased during the year as compared to the prior year in the amount of \$359,204 or 19% percent. Total primary government current liabilities decreased during the year by \$69,972, leaving non-current liabilities for a decrease of \$289,232 as compared to the previous year.

Total Authority's primary government current liabilities decreased from the previous year by \$69,972 or 20% percent. Accounts payables decreased by \$31,475, accrued liabilities decreased by \$17,507, tenant security deposit payable decreased by \$21,438, unearned revenue decreased by \$241. The current portion of the Capital Project Bonds payable increased \$689 from the prior year.

The Authority primary government total noncurrent liabilities decreased by \$289,232 or 18% percent. The decrease was comprised of three accounts, long-term note payable which decreased by \$8,859 for an ending balance of \$448,953, accrued compensated absences – long term with no offsetting assets increased \$4,113 from the prior fiscal year for an ending balance of \$17,567.

Accrued pension and other post-employment benefits (OPEB) liabilities decreased \$284,486 for an ending balance of \$827,813. Additional information on GASB #68 pension and GASB #75 effect the Authority's accrued OPEB liabilities on March 31, 2020 can be found in Notes 18-19 to the financial statements, which is included in this report.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority primary government had total operating revenue of \$2,815,975 as compared to \$2,700,354 from the prior year for an increase of \$115,621 or 4% percent.

The Authority primary government had total operating expenses of \$2,155,529 as compared to \$2,452,505 from the previous year for a decrease of \$296,976 or 12% percent, resulting in excess revenue over expenses from operations in the amount of \$660,446 for the current year as compared to excess revenue from operations in the amount of \$247,849 for an increase in revenue of \$412,597 or 166% percent from the previous year.

Total primary government capital improvements contributions from HUD were in the amount of \$0 as compared to \$11,076 from the previous year for an decrease of \$11,076 or 100% percent. The Authority's had capital outlays in the amount of \$86,683 for the fiscal year.

The Authority's Expenditures of Federal Awards amounted to \$2,509,593 for the fiscal year 2020 as compared to \$1,95,638 for the previous fiscal year 2019 for an increase of \$558,955 or 29% 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 – RAD Program
2. Section 8 Housing Choice Vouchers
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 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 primary government financial statements.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

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

The financial statements are prepared on an entity wide basis excluding the discretely presented component units and consist of:

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

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 Flows– 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 63.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

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

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by 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 69-70 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, 2020. 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, 2020.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

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

The following summarizes the computation of Net Position of the primary government between March 31, 2020 and March 31, 2019:

Computations of Net Position are as follows:

	Year Ended		Increase
	March-20	March-19	(Decrease)
Cash	\$ 965,911	\$ 1,463,071	\$ (497,160)
Other Current Assets	4,256,755	27,440	4,229,315
Capital Assets - Net	575,992	2,127,975	(1,551,983)
Deferred Outflows	169,958	221,249	(51,291)
Total Assets	5,968,616	3,839,735	2,128,881
Less: Current Liabilities	(276,997)	(346,969)	69,972
Less: Non Current Liabilities	(1,294,333)	(1,583,565)	289,232
Less: Deferred Inflows	(622,915)	(271,257)	(351,658)
Net Position	<u>\$ 3,774,371</u>	<u>\$ 1,637,944</u>	<u>\$ 2,136,427</u>
Net Investment in Capital Assets	\$ 118,113	\$ 1,661,926	\$ (1,543,813)
Restricted Net Position	223,616	280,941	(57,325)
Unrestricted Net Position	3,432,642	(304,923)	3,737,565
Net Position	<u>\$ 3,774,371</u>	<u>\$ 1,637,944</u>	<u>\$ 2,136,427</u>

Cash and restricted cash decreased by \$497,160 or 34% percent. Net cash used by operating activities was \$807,876, net cash provided by capital and related financing activities was \$308,096, and net cash provided by investing activities was \$2,620. The full detail of this amount can be found in the Statement of Cash Flows on pages 22-23 of this audit report.

Other current assets increased \$4,229,315. Accounts receivables increased by \$4,240,377 and prepaid expenses decreased by \$11,062.

The Authority primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$1,551,983 or 73% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$86,683, less the recording of depreciation expense in the amount of \$33,219. The Authority primary government recorded a loss on the sale of fixed assets in the amount of \$1,605,447.

The Authority primary government reported a decrease in the deferred outflow for the pension cost and OPEB in the amount of \$51,291 for an ending balance of \$169,958. The Authority primary government reported an increase in the deferred inflow for the pension cost and OPEB in the amount of \$351,658 for an ending balance of \$622,915.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

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

Total Authority's primary government current liabilities decreased from the previous year by \$69,972 or 20% percent. Accounts payables decreased by \$31,475, accrued liabilities decreased by \$17,507, tenant security deposit payable decreased by \$21,438, unearned revenue decreased by \$241. The current portion of the Capital Project Bonds payable increased \$689 from the prior year.

The Authority primary government total noncurrent liabilities decreased by \$289,232 or 18% percent. The decrease was comprised of three accounts, long-term note payable which decreased by \$8,859 for an ending balance of \$448,953, accrued compensated absences – long term with no offsetting assets increased \$4,113 from the prior fiscal year for an ending balance of \$17,567.

Accrued pension and other post-employment benefits (OPEB) liabilities decreased \$284,486 for an ending balance of \$827,813. Additional information on GASB #68 pension and GASB #75 effect the Authority's accrued OPEB liabilities on March 31, 2020 can be found in Notes 18-19 to the financial statements, which is included in this report.

The Authority's primary government reported a net position is \$3,774,371 which is made up of three categories. The net investment in capital assets in the amount of \$118,113. 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, 2019	\$ 1,661,926
Fixed Asset Acquisitions	(1,518,764)
Depreciation Expense	(33,219)
Payment of Loan	8,170
Balance March 31, 2020	<u>\$ 118,113</u>

The Housing Authority of the Borough of Highland Park primary government operating results for March 31, 2020 reported an increase in unrestricted net position of \$3,737,565 or 1226% percent for an ending balance of \$3,432,642. A full detail of this account can be found in the Notes to the Financial Statements Section Note 22.

The Authority's primary government restricted net position decreased \$57,325 from the previous year for an ending balance of \$223,616. Additional information on the Authority's restricted net position can be found in Note 21 to the financial statements, which is included in this report.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

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

The following summarizes the changes in Net Position of the Authority's primary government between March 31, 2020 and March 31, 2019:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u> March-20	<u>Year Ended</u> March-19	Increase (Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 114,930	\$ 611,273	\$ (496,343)
HUD Subsidies	2,509,593	1,939,562	570,031
Other Revenues	191,452	149,519	41,933
Total Operating Income	2,815,975	2,700,354	115,621
<u>Expenses</u>			
Operating Expenses	2,122,310	2,379,887	(257,577)
Depreciation Expense	33,219	72,618	(39,399)
Total Operating Expenses	2,155,529	2,452,505	(296,976)
Operating Income before Non Operating Expenses	660,446	247,849	412,597
Interest Income	2,620	5,912	(3,292)
HUD Capital Grants	-	11,076	(11,076)
Gain of Sale of Fixed Assets	1,599,316	-	1,599,316
Change in Net Position	2,262,382	264,837	1,997,545
Net Position Prior Year	1,637,944	2,009,581	(371,637)
Period Period Adjustment	(125,955)	(636,474)	510,519
Total Net Position	\$ 3,774,371	\$ 1,637,944	\$ 2,136,427

Approximately 89% percent of the Authority's primary government total operating revenue was provided by HUD operating subsidy, while 4% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 7% percent of the total income.

The Housing Authority of the Borough of Highland Park received from the capital fund program \$0 in grant money, a decrease of \$11,076 from the prior fiscal year.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

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

The Authority's primary government operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 68% percent of total operating expenses. Administrative expenses accounted for 12% percent, tenant services less than 1% percent, utilities expense accounted for 4% percent, maintenance expense accounted for 6% percent, other operating expenses accounted for 7% percent, and depreciation accounted for the remaining 2% percent of the total operating expenses.

The Authority primary government operating revenue exceeded its operating expenses resulting in excess revenue from operations in the amount of \$660,446 from operations as compared to excess revenue from operations of \$247,849 for the previous year. The key elements for the increase in deficit in comparison to the prior year are as follow:

- The Authority primary government reported an increase in HUD PHA operating grants in the amount of \$570,031 or 29% percent.
- The Authority also reported a decrease in the tenants dwelling rental revenue in the amount of \$496,343 or 81% percent.
- Total other revenue increased in the amount of \$37,840 or 25% percent.
- The Authority reported increases in the following accounts:
  - Other operating expenses increased \$100,028 or 42% percent
  - Housing Assistance Payments increased \$182,010 or 14% percent.
- The Authority reported decreases in the following accounts:
  - Administrative Expense decreased in the amount of \$174,867 or 44%
  - Utilities expense decreased \$228,681 or 80% percent
  - Maintenance expense decreased \$130,367 or 75% percent

Total net cash used by operating activities during the year was \$807,876 as compared to cash provided in the amount of \$554,391 for the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flows on pages 22-23 of this report.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

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

The following are financial highlights of significant items for the primary government for a four-year period of time ending on March 31, 2020:

	March-20	March-19	March-18	March-17
<b>Significant Income</b>				
Total Tenant Revenue	\$ 114,930	\$ 611,273	\$ 606,025	\$ 587,134
HUD Operating Grants	2,509,593	1,939,562	1,720,999	1,892,041
HUD Capital Grants	-	11,076	80,640	8,591
Investment Income	2,620	5,912	3,954	5,270
Fraud Recovery	4,093	-	-	-
Other Income	187,359	149,519	31,344	37,985
Total	<u>\$ 2,818,595</u>	<u>\$ 2,717,342</u>	<u>\$ 2,442,962</u>	<u>\$ 2,531,021</u>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 34,494	\$ 56,304	\$ 53,358	\$ 50,723
Utilities Labor	13,700	13,700	14,580	14,000
Maintenance Labor	67,652	86,485	85,902	86,993
Employee Benefits Expense	79,217	64,139	40,653	78,099
Total Payroll Expense	<u>\$ 195,063</u>	<u>\$ 220,628</u>	<u>\$ 194,493</u>	<u>\$ 229,815</u>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 353,381	\$ 306,932	\$ 312,438	\$ 308,652
Utilities Expense	57,517	263,616	243,666	231,913
Maintenance Supplies	25,391	17,801	7,401	23,122
Maintenance Contract Cost	54,367	49,393	45,499	77,446
Insurance Premiums	72,404	39,561	40,341	35,846
Housing Assistance Payments	1,460,404	1,278,394	1,297,346	1,356,106
Total	<u>\$ 2,023,464</u>	<u>\$ 1,955,697</u>	<u>\$ 1,946,691</u>	<u>\$ 2,033,085</u>
<b>Total Operating Expenses</b>	<u>\$ 2,155,529</u>	<u>\$ 2,452,505</u>	<u>\$ 2,303,808</u>	<u>\$ 2,403,727</u>
<b>Total of Federal Awards</b>	<u>\$ 2,509,593</u>	<u>\$ 1,950,638</u>	<u>\$ 1,801,639</u>	<u>\$ 1,900,632</u>

**THE AUTHORITY AS A WHOLE**

The Authority's primary government 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. By far, the largest portion of the Authority's primary government net position reflects its net investment in capital assets. The net investment in capital assets (e.g., land, buildings, equipment, and construction in progress) uses these capital assets to provide housing services to its tenants.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

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

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.

Rental Assistance Demonstration Program

The Rental Assistance Demonstration was created to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties. RAD allows public housing agencies to leverage public and private debt and equity to reinvest in the public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.

Component Units - Blended

The Authority has identified the Highland Park Affordable Housing Corporation as a component unit. The Authority has 100% ownership in the Housing Corporation. This corporation operates on a fiscal year that ended on March 31. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The financial data included in this report is based on the information for the Housing Corporation at the end of its fiscal year, which was March 31, 2020. The entity is being reported as a blended component unit.

Component Unit – Discretely Presented

The Authority has identified one entity Kronman Affordable Housing LP. as a discretely presented component unit. This entity was used for the RAD conversion of public housing units into tax credit units. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The accounting year end for the Kronman Affordable Housing LP. is December 31.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

**BUDGETARY HIGHLIGHTS**

For the year ended March 31, 2020, 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 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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's primary government net investment in capital assets as of March 31, 2020 was \$575,992 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$1,551,983 or 73% percent. Major capital expenditures of \$86,683 were made during the year. Major capital assets events during the fiscal year included the following:

- Plumbing Upgrades

	March-20	March-19	Increase (Decrease)
Land	\$ 18,106	\$ 93,550	\$ (75,444)
Building	947,160	4,893,657	(3,946,497)
Furniture, Equipment - Dwelling	86,855	426,735	(339,880)
Furniture, Equipment - Administration	62,214	321,441	(259,227)
Construction in Process	315,286	630,159	(314,873)
Total Fixed Assets	\$ 1,429,621	\$ 6,365,542	\$ (4,935,921)
Accumulated Depreciation	(853,629)	(4,237,567)	3,383,938
Net Book Value	\$ 575,992	\$ 2,127,975	\$ (1,551,983)

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

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

**CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED**

2 - Debt Administration

The Authority acquired mortgage financing of \$473,500 thru the New Jersey Community Capital for the RAD conversion of the public housing units. Restricted cash relating to the mortgage debt stood at \$202,282 at the end of the fiscal year, with mortgage payable of \$457,879 in outstanding debt. A full disclosure of loans payable on March 31, 2020 can be found in Note 16.

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

The Housing Authority of the 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 following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2021.

- 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.
- Federal funding provided by congress to the Department of housing and Urban Development
- Local labor supply and demand, which can affect salary and wages rates.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Local inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON MARCH 31, 2020**

**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**  
**AS OF MARCH 31, 2020**

	March 31, 2020		
	Primary	Component	Total
	Government	Unit (Dec 2019)	(Memorandum)
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents- Unrestricted	\$ 715,462	\$ 1,037,539	\$ 1,753,001
Accounts Receivables, Net of Allowances	4,248,664	2,464	4,251,128
Prepaid Expenses	8,091	15,499	23,590
Total Current Assets	<u>4,972,217</u>	<u>1,055,502</u>	<u>6,027,719</u>
<b>Restricted Deposits and Funded Reserves</b>			
Tenant Security Deposit	25,635	35,475	61,110
HAP Reserve - Restricted	21,334	-	21,334
Rehab Escrow Account - Restricted	202,282	-	202,282
Restricted for Current Liabilities	1,198	703,131	704,329
Total Restricted Deposits and Funded Reserves	<u>250,449</u>	<u>738,606</u>	<u>989,055</u>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Land	18,106	-	18,106
Building	947,160	5,750,126	6,697,286
Furniture, Equipment - Dwelling	86,855	-	86,855
Furniture, Equipment - Administration	62,214	-	62,214
Construction in Process	315,286	-	315,286
Total Capital Assets	<u>1,429,621</u>	<u>5,750,126</u>	<u>7,179,747</u>
Less: Accumulated Depreciation	<u>(853,629)</u>	<u>(56,844)</u>	<u>(910,473)</u>
Net Book Value	<u>575,992</u>	<u>5,693,282</u>	<u>6,269,274</u>
Other Assets	-	36,491	36,491
Total Other Assets	<u>-</u>	<u>36,491</u>	<u>36,491</u>
Total Assets	5,798,658	7,523,881	13,322,539
<b>Deferred Outflow of Resources</b>			
State of New Jersey PERS and OPEB	<u>169,958</u>	<u>-</u>	<u>169,958</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 5,968,616</u>	<u>\$ 7,523,881</u>	<u>\$ 13,492,497</u>

See accompanying notes to the financial statements.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF NET POSITION**  
**AS OF MARCH 31, 2020**

	March 31, 2020		
	Primary Government	Component Unit (Dec 2019)	Total (Memorandum)
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 39,871	\$ 90,872	\$ 130,743
Accrued Liabilities	202,272	7,500	209,772
Tenant Security Deposit Payable	25,635	35,475	61,110
Unearned Revenue	293	25,474	25,767
Long Term Debt - Current	8,926	-	8,926
Total Current Liabilities	<u>276,997</u>	<u>159,321</u>	<u>436,318</u>
<b>Noncurrent Liabilities</b>			
Long Term Debt - Non Current	448,953	5,229,639	5,678,592
Accrued Compensated Absences - Long-Term	17,567	-	17,567
Non Current Liabilities - Other	-	2,166,827	2,166,827
Accrued Other Post-Employment Benefits Liabilities	827,813	-	827,813
Total Noncurrent Liabilities	<u>1,294,333</u>	<u>7,396,466</u>	<u>8,690,799</u>
Total Liabilities	<u>1,571,330</u>	<u>7,555,787</u>	<u>9,127,117</u>
<b>Deferred Inflow of Resources</b>			
State of New Jersey PERS and OPEB	<u>622,915</u>	<u>-</u>	<u>622,915</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	118,113	2,973,643	3,091,756
Restricted	223,616	703,131	926,747
Unrestricted	<u>3,432,642</u>	<u>(3,708,680)</u>	<u>(276,038)</u>
Total Net Position	<u>3,774,371</u>	<u>(31,906)</u>	<u>3,742,465</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 5,968,616</u>	<u>\$ 7,523,881</u>	<u>\$ 13,492,497</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, 2020**

	March 31, 2020		
	Primary Government	Component Unit (Dec 2019)	Total (Memorandum)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 114,930	\$ 332,423	\$ 447,353
HUD PHA Operating Grants	2,509,593	-	2,509,593
Fraud Recovery	4,093	-	4,093
Other Revenue	187,359	18,590	205,949
Total Revenue	<u>2,815,975</u>	<u>351,013</u>	<u>3,166,988</u>
<b>Operating Expenses:</b>			
Administrative Expense	223,276	179,493	402,769
Tenant Services	614	-	614
Utilities Expense	57,517	133,339	190,856
Maintenance Expense	43,662	161,753	205,415
Other Operating Expenses	336,837	120,169	457,006
Housing Assistance Payments	1,460,404	-	1,460,404
Depreciations Expense	33,219	59,451	92,670
Total Operating Expenses	<u>2,155,529</u>	<u>654,205</u>	<u>2,809,734</u>
Excess Expenses Over Revenue From Operations	<u>660,446</u>	<u>(303,192)</u>	<u>357,254</u>
<b>Non Operating Income and (Expenses):</b>			
Investment Income	2,620	3,543	6,163
Gain on Sale of Fixed Assets	1,599,316	-	1,599,316
Total Non Operating (Expenses) and Income	<u>1,601,936</u>	<u>3,543</u>	<u>1,605,479</u>
<b>Change in Net Position</b>	<u>2,262,382</u>	<u>(299,649)</u>	<u>1,962,733</u>
Beginning Net Position	1,637,944	-	1,637,944
Prior Period Adjustments	(125,955)	267,743	141,788
Beginning Net Position, Restated	<u>1,511,989</u>	<u>267,743</u>	<u>1,779,732</u>
Ending Net Position	<u>\$ 3,774,371</u>	<u>\$ (31,906)</u>	<u>\$ 3,742,465</u>

See accompanying notes to the financial statements.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2020**

	March 31, 2020		
	Primary Government	Component Unit (Dec 2019)	Total (Memorandum)
<b>Cash Flow From Operating Activities</b>			
Receipts from Tenants	\$ 118,882	\$ 329,959	\$ 448,841
Receipts from Federal Grants	2,509,593	-	2,509,593
Receipts from Misc. Sources	191,452	18,590	210,042
Payments to Vendors and Suppliers	(1,889,060)	(49,850)	(1,938,910)
Payments for Housing Assistance Payments	(1,460,404)		(1,460,404)
Payments to Employees	(141,605)	-	(141,605)
Payment of Employee Benefits	(79,217)	-	(79,217)
Payment of Utilities Expenses	(57,517)	(133,339)	(190,856)
Net Cash (Used) Provided by Operating Activities	(807,876)	165,360	(642,516)
<b>Cash Flow From Capital and Related Financing Activities</b>			
Acquisitions and Construction of Capital Assets	(86,683)	(5,750,126)	(5,836,809)
(Payment) Increase in Non Current Liabilities - Other	-	2,166,827	2,166,827
Acquisition of Debt	-	5,229,639	5,229,639
Principal Payment on Debt	(8,170)	-	(8,170)
Net Effect of Deferred Inflows and Outflows	402,949	-	402,949
Increase in Other Assets	-	(39,098)	(39,098)
Net Cash Provided by Capital and Related Financing Activities	308,096	1,607,242	1,915,338
<b>Cash Flow From Investing Activities</b>			
Interest Income	2,620	3,543	6,163
Net Cash Provided by Investing Activities	2,620	3,543	6,163
Net (Decrease) Increase in Cash and Cash Equivalents	(497,160)	1,776,145	1,278,985
<b>Beginning Cash, Cash Equivalents and Restricted Cash</b>	1,463,071	-	1,463,071
<b>Ending Cash, Cash Equivalents and Restricted Cash</b>	\$ 965,911	\$ 1,776,145	\$ 2,742,056
<b>Reconciliation of Cash Balances:</b>			
Cash and Cash Equivalents - Unrestricted	\$ 715,462	\$ 1,037,539	\$ 1,753,001
Cash and Cash Equivalents - Restricted	250,449	738,606	989,055
Total Ending Cash	\$ 965,911	\$ 1,776,145	\$ 2,742,056

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2020**

	March 31, 2020		
	Primary Government	Component Unit (Dec 2019)	Total (Memorandum)
Provided (Used) by Operating Activities	\$ 660,446	\$ (303,192)	\$ 357,254
Excess of Expenses Over Revenue			
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:			
Depreciation Expense	33,219	59,451	92,670
(Increase) Decrease in:			
Accounts Receivables	(1,035,614)	(2,464)	(1,038,078)
Prepaid Expenses	11,062	(15,499)	(4,437)
Increase (Decrease) in:			
Accounts Payable	(31,475)	90,872	59,397
Accrued Liabilities	(17,507)	7,500	(10,007)
Tenant Security Deposit Payable	(21,438)	35,475	14,037
Unearned Revenue	(241)	25,474	25,233
Long Term Compensated Absences	4,113	-	4,113
Accrued Other Post-Employment Benefits Liabilities	(284,486)	-	(284,486)
Prior Period Adjustment	(125,955)	267,743	141,788
Net Cash (Used) Provided by Operating Activities	<u>\$ (807,876)</u>	<u>\$ 165,360</u>	<u>\$ (642,516)</u>
<b>Supplementary information</b>			
Interest Expense Paid during the Year	<u>\$ 30,106</u>	<u>\$ -</u>	<u>\$ 30,106</u>

See accompanying notes to the financial statements.



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **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 identified two (2) entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in 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 can impose its will on the organization.

The Authority manages the financial affairs of Highland Park Affordable Housing Corporation and the Kronman Affordable Housing LP.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **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 like 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.

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 employers 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.

#### Component Units - Blended

The Authority has identified the Highland Park Affordable Housing Corporation as a component unit. The Authority has 100% ownership in the Housing Corporation. This corporation operates on a fiscal year that ended on March 31. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The financial data included in this report is based on the information for the Housing Corporation at the end of its fiscal year, which was March 31, 2020. The entity is being reported as a blended component unit.

#### Component Unit – Discretely Presented

The Authority has identified one entity Kronman Affordable Housing LP. as a discretely presented component unit. This entity was used for the RAD conversion of public housing units into tax credit units. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The accounting year end for the Kronman Affordable Housing LP. is December 31.



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

## Notes to Financial Statements

March 31, 2020

### **Basis of Accounting –**

In proprietary 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 like 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, and other revenue. Other revenue composed primarily of miscellaneous management fees and resident's 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. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing for extremely low and very low-income families.

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 accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

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, 2020

### **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, 2020

### **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, 2020

### **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 rental 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."



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

## Notes to Financial Statements

March 31, 2020

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

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

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, management contract revenue, portability income, developer fees and charges to tenants. The major sources of revenue for Highland Park Affordable Housing Corporation and the Kronman Affordable Housing LP., the component units, are tenant dwelling rents, housing assistances for the tenants and charges to the tenants.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

#### **17-Impairment Losses**

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is 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 2020.

### **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.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

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

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Public Housing Capital Fund	14.872		N/A
<u>Section 8</u>			
Section 8 Housing Choice Vouchers	14.871	NJ39-V044	269
<u>Component Unit</u>			
Highland Park Affordable Housing Corporation			24
Kronman Affordable Housing LP.			100

### 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.

### Rental Assistance Demonstration Program

The Rental Assistance Demonstration was created to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties. RAD allows public housing agencies to leverage public and private debt and equity to reinvest in the public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.



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

## Notes to Financial Statements

March 31, 2020

### **Activities – Continued**

#### Component Units - Blended

The Authority has identified the Highland Park Affordable Housing Corporation as a component unit. The Authority has 100% ownership in the Housing Corporation. This corporation operates on a fiscal year that ended on March 31. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The financial data included in this report is based on the information for the Housing Corporation at the end of its fiscal year, which was March 31, 2020. The entity is being reported as a blended component unit.

#### Component Unit – Discretely Presented

The Authority has identified one entity Kronman Affordable Housing LP. as a discretely presented component unit. This entity was used for the RAD conversion of public housing units into tax credit units. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The accounting year end for the Kronman Affordable Housing LP. is December 31.

**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.

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

## Notes to Financial Statements

March 31, 2020

### **NOTE 2 – ESTIMATES**

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

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

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employer defined benefit pension plan. PERS was established in January 1955 under the provision of 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 7.50% of base wages.



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

## Notes to Financial Statements

March 31, 2020

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

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 2020 amounted to \$18,531.

#### 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 due to the adoption of GASB 68 can be found in Note 19- Accrued Pension Liability.

### **NOTE 4 - CASH EQUIVALENTS AND RESTRICTED CASH**

The Housing Authority of the Borough of Highland Park cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment include 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 always collateralized. 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.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 4 – CASH EQUIVALENTS AND RESTRICTED CASH – CONTINUED**

#### 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. On March 31, 2020, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

#### Credit Risk

This is risk that a security or a portfolio will lose some or all 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:

Depository Accounts	Bank Balances	
	Primary Government	Component Units
Insured	\$ 250,994	\$ 500,000
Collateralized held by pledging bank's trust department in the Authority's name	277,721	-
Uninsured	-	1,713,341
Total Cash and Cash Equivalents	<u>\$ 528,715</u>	<u>\$ 2,213,341</u>

The Highland Park Affordable Housing Corporation and the Kronman Affordable Housing LP. maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 4 – CASH EQUIVALENTS AND RESTRICTED CASH**

#### **Restricted Cash**

The Authority has restricted cash on March 31, 2020 and December 31, 2019 which consists of the following:

	Primary Government March-20	Component Unit December-19
HCV HAP Reserves	\$ 21,334	-
Tenant Security Deposits	25,635	35,475
Rehab Escrow Reserve	202,282	-
Operating Reserve Deficit Account	-	301,326
Reserve Funds	-	401,805
Reserve for HAP Liability	1,198	-
Total Restricted and Funded Reserves	<u>\$ 250,449</u>	<u>\$ 738,606</u>

The Authority has restricted cash on March 31, 2020, in the amount of \$25,635 for tenant security deposits an interest-bearing account.

The restricted cash in the amount of \$21,334 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. The Authority invested these funds with Unity Bank. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

In connection with the RAD conversion, the Highland Park Affordable Housing Corporation is required to maintain certain escrow accounts and reserves by HUD and New Jersey Community Capital. The escrow reserve must be used in the renovations and capital improvements to the Corporation assets in the conversion of the Low-Income Housing Program to the RAD conversion units. The Corporation is required to make monthly deposits of \$1,610 to the account. Below is the activity of the account:

	March-20
Beginning Balance	\$ 182,962
Required Deposit	19,320
Ending Balance	<u>\$ 202,282</u>

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

## Notes to Financial Statements

March 31, 2020

### **NOTE 4 – CASH EQUIVALENTS AND RESTRICTED CASH – CONTINUED**

#### **Restricted Cash - Continued**

##### Component Unit – Discretely Presented

Kronman Affordable Housing LP., under the terms of the partnership agreement, the Project is required to set aside specified amounts for future Project expenditures. As of December 31, 2019, these restricted deposits amounted to \$703,131, respectively, are held in separate accounts in trust and generally are not available for operating purposes.

Pursuant to the Partnership Agreement, the Partnership is to establish a replacement reserve in the amount of \$54 per apartment per month. Disbursements from the replacement reserve are to be used for capital expenditures only with the consent of the Special Limited Partner. As of December 31, 2019, the replacement reserve balance was \$0.

Pursuant to the Partnership Agreement, the Partnership is to establish an operating reserve in the amount of \$300,000. The payment of the Limited Partner's third capital installment to fund any future operating deficits. As of December 31, 2019, the operating reserve balance was \$301,326.

The Partnership set up a guarantor collateral account to reserve funds as collateral. As of December 31, 2019, the guarantor collateral balance was \$401,805.



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

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

Accounts Receivable on March 31, 2020 and December 31, 2019 consisted of the following:

	Primary Government March-20	Component Unit December-19
Tenants Accounts Receivable - Present	\$ 3,048	2,464
Accounts Receivable - Advances	4,245,616	-
Total Accounts Receivables	<u>\$ 4,248,664</u>	<u>\$ 2,464</u>

Tenant rents are due the first of each month. Management considers rents outstanding after the 5th day of the month as past due and late charges are applied accordingly. The Housing Authority of the Borough of Highland Park and the component units 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 has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change.

### **NOTE 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 monthly. 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 on March 31, 2020 and December 31, 2019 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 on March 31, 2020 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **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 Expense

Depreciation expense for March 31, 2020, was \$33,219. 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 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 2020.

Below is a schedule of changes in fixed assets for the twelve months ending March 31, 2020 for the primary government:

	March-19	Additions	Disposal	March-20
Land	\$ 93,550	\$ -	\$ (75,444)	\$ 18,106
Building	4,893,657	-	(3,946,497)	947,160
Furniture, Equipment - Dwelling	426,735	-	(339,880)	86,855
Furniture, Equipment - Administration	321,441	-	(259,227)	62,214
Construction in Process	630,159	86,683	(401,556)	315,286
Total Fixed Assets	6,365,542	86,683	(5,022,604)	1,429,621
Accumulated Depreciation	(4,237,567)	(33,219)	3,417,157	(853,629)
Net Book Value	\$ 2,127,975	\$ 53,464	\$ (1,605,447)	\$ 575,992



## HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

### Notes to Financial Statements

March 31, 2020

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

Below is a schedule of the net book value of the fixed assets for the Housing Authority of the Borough of Highland Park primary government as of March 31, 2020:

	March-20
Land	\$ 18,106
Building	242,600
Furniture, Equipment - Dwelling	-
Furniture, Equipment - Administration	-
Construction in Process	315,286
Net Book Value	<u>\$ 575,992</u>

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2020 for the component unit:

	March-19	Additions	December-19
Land	\$ -	\$ -	\$ -
Building	-	5,750,126	5,750,126
Furniture, Equipment - Dwelling	-	-	-
Furniture, Equipment - Administration	-	-	-
Construction in Process	-	-	-
Total Fixed Assets	-	5,750,126	5,750,126
Accumulated Depreciation	-	(56,844)	(56,844)
Net Book Value	<u>\$ -</u>	<u>\$ 5,693,282</u>	<u>\$ 5,693,282</u>

#### **NOTE 9 - OTHER ASSETS**

##### Component Unit – Discretely Presented

Kronman Affordable Housing LP. reported other assets in the amount of \$36,491. This represents unamortized tax credit fees. Tax credit fees are amortized on a straight-line basis over the 15-year tax credit compliance period. The amortization expense during the period April 4, 2019 (commencement of operations) through December 31, 2019 was \$2,607.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

The OPEB and Pension Liability discussed in Note 18 and 19 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 and OPEB, 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.

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

<b>Deferred Outflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 6,161	\$ 6,161
Changes in Assumptions	-	34,277	34,277
Net Difference Between Projected and Actual Earning on Pension Plan Investments	399	-	399
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	8,382	120,739	129,121
Total	\$ 8,781	\$ 161,177	\$ 169,958

<b>Deferred Inflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 141,699	\$ 1,516	\$ 143,215
Changes in Assumptions	171,711	119,148	290,859
Net Difference Between Projected and Actual Earning on Pension Plan Investments	111,396	5,419	116,815
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	72,026	72,026
Total	\$ 424,806	\$ 198,109	\$ 622,915



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

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

#### 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 \$6,161 and \$143,215.

#### 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 \$34,277 and \$290,859.

#### Net Difference between Projected and Actual Investment 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 and #75. 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 \$399 and \$116,815.

#### 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 and OPEB, reflecting the average remaining service life of PERS and OPEB members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$129,121 and \$72,026.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 11 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of March 31, 2020. Accounts payable vendors are amount owed to creditors or generally on open accounts, because of delivered goods and completed services. Accounts payable on March 31, 2020 and December 31, 2019, consisted of the following:

	Primary Government March-20	Component Unit December-19
Accounts Payable Vendors	\$ 29,236	\$ 71,020
Accounts Payable - Other Government	5,741	19,852
Accounts Payable - HUD	4,894	-
Total Accounts Payable	<u>\$ 39,871</u>	<u>\$ 90,872</u>

### **NOTE 12 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the RAD housing programs 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 on March 31, 2020 and December 31, 2019, is detailed below:

	Primary Government March-20	Component Unit December-19
Balance Beginning of Year	\$ 62,619	\$ -
P.I.L.O.T. Accrued	5,741	19,852
Less Payments Made	(62,619)	-
Total P.I.L.O.T. Payable	<u>\$ 5,741</u>	<u>\$ 19,852</u>



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 13 – ACCRUED EXPENSES**

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before March 31 and are payable at some future date. Accrued liabilities on March 31, 2020 and December 31, 2019, consisted of the following:

	Primary Government March-20	Component Unit December-19
Compensated Absences - Current Portion	\$ 1,952	\$ -
Accrued Wages and Payroll Taxes	4,883	-
Accrued Liabilities - Operating Cost	-	7,500
Accrued Interest Payable	2,479	-
Contractor Retention Payable	192,958	-
Total Accrued Liabilities	<u>\$ 202,272</u>	<u>\$ 7,500</u>

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 14 – ACCRUED COMPENSATED ABSENCES**

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

An employee may 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-20
Accumulated Sick Time	\$ 2,063
Accumulated Vacation Time	16,069
Total	18,132
FICA Expense	1,387
Total Compensated Absences	19,519
Compensated Absences - Current Portion	(1,952)
Total Compensated Absences - Noncurrent	\$ 17,567



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 15 – UNEARNED REVENUE**

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unearned revenue for March 31, 2020, in the amount of \$293 consisted of April 2020 tenant's rents.

### **NOTE 16 – MORTGAGE PAYABLE**

As a requirement of the RAD closing, Highland Park Affordable Housing Corporation obtained a mortgage in the amount of \$473,500 with New Jersey Community Capital in June 2018. The proceeds from the mortgage must be used in the renovations and capital improvements to the Corporation assets in the conversion of the Low-Income Housing Program to the RAD conversion units. The term of the mortgage is fifteen (15) years expiring on June 1, 2033. The mortgage has a federal finance bank rate plus 3.460%. The payment schedule was based on a 25-year table requiring monthly payments of \$3,189.71 where the final payment for June 1, 2033, will be a balloon payment. The balance of this mortgage on March 31, 2020, is \$457,879.

The debt requirements as to principal reduction of the loan for long term debt until exhausted are as follows:

March-21	\$	8,926
March-22		9,521
March-23		10,156
March-24		10,833
March-25		11,523
Subtotal		<u>50,959</u>
Therafter		406,920
Total	\$	<u><u>457,879</u></u>

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 16 – MORTGAGE PAYABLE -CONTINUED**

#### Component Unit – Discretely Presented

Kronman Affordable Housing LP. reported mortgage payable as of December 31, 2019 and was indebted for the following loans:

Mortgage payable dated April 4, 2019 to the NJHMFA in the original amount of \$3,450,000. The interest rate is 3.25% per annum. There is servicing fee of \$1,437 that is due and payable each month. The loan matures on May 1, 2021 and is secured by a first mortgage on underlying land and property. The loan balance as of December 31, 2019 is \$2,719,639.

As of April 4, 2019 Kronman Affordable Housing LP., entered into a mortgage agreement with the Authority in the amount of \$2,510,000. The mortgage bears no interest and matures in April 2049. The mortgage secured by a 2<sup>nd</sup> mortgage lien on the underlying land and property. The loan balance as of December 31, 2019 is \$2,510,000.

Estimated annual maturities over the next five years and thereafter are as follows:

December-20	\$	-
December-21		2,719,639
December-22		-
December-23		-
December-24		-
Subtotal		2,719,639
Therafter		2,510,000
Total	\$	<u>5,229,639</u>

### **NOTE 17 – NON-CURRENT LIABILITY**

#### Component Unit – Discretely Presented

Kronman Affordable Housing LP. reported non-current liability in the amount of \$2,166,827 owed to the Housing Authority of the Borough of Highland Park for reimbursement of construction and various operating cost. The advances are non-interest bearing, unsecured and payable from available cash flow.



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 18 – ACCRUED PENSION AND OPEB LIABILITIES**

The Authority as of March 31, 2020 reported accrued pension and OPEB liability amounts as follows:

	March-20
Accrued OPEB Payable	\$ 484,543
Accrued Pension Payable	343,270
Total OPEB and Pension Payable	<u>\$ 827,813</u>

These amounts arose due to adoption of GASB #75 in 2019 year as well as GASB #68 which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 19 will discuss the effect of GASB #68 and the pension liability which arose from that.

#### **OPEB Liability**

The Authority as of March 31, 2020 reported a net OPEB liability in the amount of \$484,543 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	OPEB
Employer OPEB Liability	\$ 494,314
Plan Net Position	(9,771)
Employer Net OPEB Liability	<u>\$ 484,543</u>

The Authority allocation percentage is 0.0035770% as of June 30, 2019.

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

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 18 – OTHER POST EMPLOYMENT BENEFITS**

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

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

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

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

#### **Allocation Methodology**

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended June 30, 2019 were \$484,543.

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

Total Plan Members	<u><u>4</u></u>
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# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 18 – OTHER POST EMPLOYMENT BENEFITS**

#### Net OPEB Liability

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

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

Inflation Rate = 2.5%

Salary Increases

Through 2026 = 2.00% to 6.00%

Thereafter = 3.00% to 7.00%

#### Actuarial Assumptions - Continued

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

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 18 – OPEB LIABILITIES - CONTINUED**

#### Health Care Trend Assumptions

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

#### Discount Rate

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

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

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 560,255	\$ 484,543	\$ 423,017

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

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 408,895	\$ 484,543	\$ 581,045

Change in Assumptions: Effective June 30, 2019.



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 18 – OPEB LIABILITIES - CONTINUED**

#### Changes in Proportion

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

#### *Changes in Net OPEB Liability:*

<b><u>Total OPEB Liability</u></b>	<b><u>2020</u></b>
Service Cost	\$ 23,843
Interest on Total OPEB liability	22,753
Expected Investment Return	(404)
Administrative Expenses	339
Changes in Benefits Term	(68)
Current Period Deferred	
Inflows/Outflows of Resources	(22,156)
Changes in Assumptions or Other	
Inputs	(28,951)
Net Difference Between Projected and	
Actual Investments Earning on	128
Pension Plan Investments	
Benefit Payments	
Change in Plan	<u>(249,612)</u>
Net Change in Total OPEB Liability	<u>(254,128)</u>
Total OPEB Liability, Beginning	<u>738,671</u>
Total OPEB Liability, Ending	<u>\$ 484,543</u>

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 18 – OPEB LIABILITIES - CONTINUED**

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

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

Year Ending June 30, 2020	\$ (50,979)
Year Ending June 30, 2021	(50,979)
Year Ending June 30, 2022	(51,011)
Year Ending June 30, 2023	(51,061)
Year Ending June 30, 2024	(51,108)
Therafter	(57,873)
Total	<u>\$ (313,011)</u>

### **NOTE 19 – ACCRUED PENSION LIABILITY**

#### Net Pension Liability Information

The Authority as of March 31, 2020 reported a net pension liability in the amount of \$343,270 due to GASB #68. The component of the current year net pension liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	PERS
Employer Total Pension Liability	\$ 790,453
Plan Net Position	(447,183)
Employer Net Pension Liability	<u>\$ 343,270</u>

The Authority allocation percentage is 0.00190509880% as of June 30, 2019.

#### Plan Description

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 19 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Net Pension Liability Information

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

The following represents the membership tiers for PERS:

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

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.

#### 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.



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 19 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Allocation Percentage Methodology -Continued

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

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

#### Actuarial Assumptions

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

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 19 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Actuarial Assumptions -continued

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

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 as summarized in the following table:

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



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 19 – ACCRUED PENSION LIABILITY - CONTINUED**

#### Discount Rate

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

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

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

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

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

	1% Decrease (5.28%)	Current Discount (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 436,622	\$ 343,270	\$ 269,008



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 19 – ACCRUED PENSION LIABILITY – CONTINUED**

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

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

Year Ending June 30, 2020	\$ (9,912)
Year Ending June 30, 2021	(32,155)
Year Ending June 30, 2022	(28,712)
Year Ending June 30, 2023	(13,482)
Year Ending June 30, 2024	(1,384)
Total	<u>\$ (85,645)</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 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

#### Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2019, are as follows:

Service Cost	\$ 15
Interest on the Total Pension Liability	45,385
Member Contributions	(10,547)
Administrative Expenses	279
Expected Investment Return Net of Investment Expenses	(28,161)
Pension Expense Related to Specific Liabilities of Individual Employers	(132)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:	
Difference Between Expected and Actual Experience	3,417
Changes of Assumptions	(10,443)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	3,322
Total	<u>\$ 3,136</u>

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### NOTE 20 – NET INVESTMENT IN CAPITAL ASSETS

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

	Primary Government March-20	Component Unit December-19
Balance Beginning of Year	\$ 1,661,926	\$ -
Fixed Assets Additions	86,683	5,750,126
Issuance of Debt	-	(2,717,032)
Payment of Debt	8,170	
Depreciation Expense	(33,219)	(59,451)
Disposal of Fixed Assets	(1,605,447)	-
Ending Balance	<u>\$ 118,113</u>	<u>\$ 2,973,643</u>

### NOTE 21 – RESTRICTED NET POSITION

The Authority's Restricted Net Position account balance on March 31, 2020 is \$223,616 and the component unit as of December 31, 2019 is \$703,131. The balance is as follows:

	Primary Government March-20	Component Unit December-19
HCV Program HAP Reserves	\$ 21,334	\$ -
Rehab Escrow Reserves - RAD	202,282	-
Reserve for Operating Deficit	-	301,326
Collateral Reserve Funds	-	401,805
Total Restricted Net Position	<u>\$ 223,616</u>	<u>\$ 703,131</u>

In connection with the New Jersey Community Capital mortgage (Note 16), the RAD units are required to maintain certain escrow accounts and reserves. In accordance with the bank loan, the restricted deposited and funded reserves are held by New Jersey Community Capital in the amount of \$202,282.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 21 – RESTRICTED NET POSITION -CONTINUED**

#### Housing Choice Voucher Program - Reserves

The restricted cash in the amount of \$21,334 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

#### Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on March 31, 2020 was \$762,743.

### **NOTE 22 – UNRESTRICTED NET POSITION**

The Authority's Unrestricted Net Position and the component unit account balance on March 31, 2020 and December 31, 2019 is as follows:

	Business	HCV ADM	Component	
	Activities	Reserve	Unit	Total
			December-19	
Balance - Beginning	\$ (65,372)	\$ (183,611)	\$ -	\$ (248,983)
Increase During the Year	3,479	67,876	-	71,355
Decrease During the Year	-	-	(240,198)	(240,198)
Transfer	3,468,482		(3,468,482)	-
Prior Period Adjustment	182,432	(40,644)	-	141,788
Ending Balance	<u>\$ 3,589,021</u>	<u>\$ (156,379)</u>	<u>\$ (3,708,680)</u>	<u>\$ (276,038)</u>

### **NOTE 23 – 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, 2020, the Authority's risk management program, 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, 2020

### **NOTE 24 - 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, 2020, were \$291,310.

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, 2020, were \$1,727,504.

### **NOTE 25 - 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 \$2,509,593 to the Authority which represents approximately 89% percent of the Authority's primary government total revenue for the year ended March 31, 2020.

### **NOTE 26 –CONTRACT ADMINISTRATION**

In April 2019, the Authority converted all of its 124 Public Housing units to Project Based Vouchers under the RAD Program. The RAD program regulations require a separate entity administer the housing assistance payments contract, which will be the Authority. This required the Authority to make an investment in the Highland Park Affordable Housing Corporation and the Kronman Affordable Housing LP. in which the Authority is a managing member in the Kronman Affordable Housing LP. and owns Highland Park Affordable Housing Corporation

### **NOTE 27 – LEASING ACTIVITIES**

On April 4, 2019, the Authority entered into a ground lease agreement with a Developer for the purpose of constructing a 100 dwelling rental unit, known as the Kronman Affordable Housing LP. The base rent shall be \$1.00 per annum, payable at the signing of the agreement. The term of the lease is 75 years, unless sooner termination in accordance with the provisions of the lease.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements March 31, 2020

### **NOTE 28 – RELATED PARTY TRANSACTIONS**

The Housing Authority of the Borough of Highland Park is deemed to have controlling interest in the Kronman Affordable Housing LP. and Highland Park Affordable Housing Corporation.

#### **Development Fee**

Kronman Affordable Housing LP. entered into a development fee agreement with the managing member. Payment of the development fee is subject to the terms and conditions of the development agreement, the development fee note, and the partnership agreement. As of March 31, 2020, the development fee earned was \$375,000 with an outstanding balance of \$149,020 as of March 31, 2020.

#### **Management Fee**

Kronman Affordable Housing LP. entered into agreement with the managing member for a management fee of \$65 per unit per month to the General Partner for the year ended December 31, 2019, the management fee earned was \$58,500. Starting in January 2020, the Partnership will pay a property management fee of 8.40% of gross receipts.

#### **Operating Expenses**

For administrative and economic efficiency purposes, the Authority maintains a centralized payroll system and employee benefits program for all of the Authority employees. the Kronman Affordable Housing LP. and Highland Park Affordable Housing Corporation is charged for administrative and maintenance salaries with related payroll expenses. For the year ended March 31, 2020 the following expenses were charged:

	Highland Park Affordable Housing Corporation	Kronman Affordable Housing Limited Partnership
Administrative Salaries	\$ 3,246	\$ 8,167
Maintenance Salaries	19,700	61,652
Employee Benefits	10,529	62,924
Total Cost	<u>\$ 33,475</u>	<u>\$ 132,743</u>



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 29 - CONTINGENCIES**

Litigation – On March 31, 2020, 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 number of disallowances, if any, which may arise from future audits will not be material.

### **NOTE 30 - PRIOR PERIOD ADJUSTMENTS**

For year ending March 31, 2020

As of March 31, 2020, the Authority had a prior period adjustment in the amount of \$141,788 while adjusting the opening balance GASB #75 Net OPEB Liability as detailed below:

Net OPEB Liability GASB #75 March 31, 2019 Liability	\$ 738,671
Opening Balance GASB #75 - June 30, 2018	(596,883)
Prior Period Adjustment - April 1, 2019	<u>\$ 141,788</u>



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Notes to Financial Statements

March 31, 2020

### **NOTE 31 – SUBSEQUENT EVENTS**

#### Coronavirus Pandemic:

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

Events that occur after the statement of net position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru June 11, 2021; 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

## Required Supplementary Information

March 31, 2020

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

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

<b><u>Total OPEB Liability</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Service Cost	\$ 23,843	\$ 10,951
Interest on Total OPEB liability	22,753	24,888
Expected Investment Return	(404)	-
Administrative Expenses	339	-
Changes in Benefits Term	(68)	-
Current Period Deferred		
Inflows/Outflows of Resources	(22,156)	-
Changes in Assumptions or Other		
Inputs	(28,951)	-
Net Difference Between Projected and		
Actual Investments Earning on	128	-
Pension Plan Investments		
Benefit Payments	(16,531)	
Change in Plan	(249,612)	-
Net Change in Total OPEB Liability	(254,128)	19,308
Total OPEB Liability, Beginning	738,671	719,363
Total OPEB Liability, Ending	\$ 484,543	\$ 738,671
Covered, Employee Payroll	\$ 141,603	\$ 156,489
Plan Fiduciary Net Position as a		
Percentage of the Total OPEB	342.18%	472.03%
Liability		

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Required Supplementary Information

March 31, 2020

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

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

	2020	2019	2018
Housing Authority's proportion of the net pension liability	0.00190509880%	0.0018976000%	0.00108259%
Housing Authority's proportionate share of the net pension liability	\$ 343,270	\$ 373,628	\$ 252,009
Housing Authority's covered employee payroll	\$ 141,603	\$ 156,489	\$ 153,840
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	242.42%	238.76%	163.81%
Plan fiduciary net position as a percentage of the total pension liability	43.42%	53.60%	48.01%

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

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



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

Required Supplementary Information

March 31, 2020

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

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

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

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

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

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
Required Supplementary Information  
 March 31, 2020

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

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

	<u>2020</u>	<u>2019</u>	<u>2017</u>
Contractually required contribution	\$ 18,531	\$ 18,875	\$ 10,029
Contribution in relation to the contractually required contribution	(18,531)	(18,875)	(10,029)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 141,603	\$ 156,489	\$ 153,840
Contribution as a percentage of covered employee payroll	13.09%	12.06%	6.52%

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Required Supplementary Information

March 31, 2020

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

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

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

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

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



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020**

Programs funded by:

U.S. Department of Housing and Urban Development

	CFDA #'s	Beginning Balance	Revenue Recognized	Fiscal Year Expenditures	Ending Balance
<u>Public and Indian Housing Program</u>					
NJ044	14.850	-	291,310	291,310	-
Grant Total 14.850		-	291,310	291,310	-
<u>Section 8 Housing Choice Voucher Program</u>					
NJ39PO44	14.871	-	1,727,504	1,727,504	-
Grant Total 14.871		-	1,727,504	1,727,504	-
<u>Public Housing Capital Fund Program</u>					
NJ39PO44-501	14.872	-	490,779	490,779	-
Grant Total 14.872		-	490,779	490,779	-
Total Expenditures of Federal Awards		\$ -	\$ 2,509,593	\$ 2,509,593	\$ -

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2020**

**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, 2020. 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 \$457,879 as a loan balance outstanding at March 31, 2020. Note 16 presented on page 45 of this report have full disclosure regarding the loan activity.

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

The Authority did not receive any non-cash Federal assistance for the year ended March 31, 2020.

**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**  
**STATEMENT AND CERTIFICATION OF**  
**ACTUAL CAPITAL FUND GRANT COST**  
**AS OF MARCH 31, 2020**

	NJ39PO44501-15		
	Budget	Actual Cost	Overrun
Operations	\$ 23,188	\$ 23,188	\$ -
Management Improvements	2,000	2,000	-
Administration	11,594	11,594	-
Fee's and Cost	5,000	5,000	-
Dwelling Structures	72,157	72,157	-
Dwelling Equipment	2,000	2,000	-
Total	<u>\$ 115,939</u>	<u>\$ 115,939</u>	<u>\$ -</u>
Funds Advanced	\$ 115,939		
Funds Expended	115,939		
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 cost have been paid and all related liabilities have been discharged through payment.
  3. The Capital Fund Program 501-15 was completed on March 20, 2020.
  4. There were no budget overruns noted.
- 
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 cost have been paid and all related liabilities have been discharged through payment.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT AND CERTIFICATION OF**  
**ACTUAL CAPITAL FUND GRANT COST**  
**AS OF MARCH 31, 2020**

	NJ39PO44501-16		
	Budget	Actual Cost	Overrun
Operations	\$ 24,101	\$ 24,101	\$ -
RAD Investment Activity	96,402	96,402	-
Total	<u>\$ 120,503</u>	<u>\$ 120,503</u>	<u>\$ -</u>
Funds Advanced	\$ 120,503		
Funds Expended	120,503		
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 cost have been paid and all related liabilities have been discharged through payment.
  3. The Capital Fund Program 501-16 was completed on March 20, 2020.
  4. There were no budget overruns noted.
- 
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 cost have been paid and all related liabilities have been discharged through payment.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK**  
**STATEMENT AND CERTIFICATION OF**  
**ACTUAL CAPITAL FUND GRANT COST**  
**AS OF MARCH 31, 2020**

	NJ39PO44501-17		
	Budget	Actual Cost	Overrun
RAD CFP	\$ -	\$ -	\$ -
RAD Investment Acvtivity	124,131	124,131	-
Total	<u>\$ 124,131</u>	<u>\$ 124,131</u>	<u>\$ -</u>
Funds Advanced	\$ 124,131		
Funds Expended	124,131		
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 cost have been paid and all related liabilities have been discharged through payment.
  3. The Capital Fund Program 501-17 was completed on March 20, 2020.
  4. There were no budget overruns noted.
- 
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 cost have been paid and all related liabilities have been discharged through payment.

Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	1 Business Activities	Housing Choice Vouchers	Component Unit - Discretely	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$549,380	\$166,082	\$1,037,539	\$1,753,001		\$1,753,001
112 Cash - Restricted - Modernization and Development		\$202,282			\$202,282		\$202,282
113 Cash - Other Restricted			\$21,334		\$21,334		\$21,334
114 Cash - Tenant Security Deposits		\$25,635		\$35,475	\$61,110		\$61,110
115 Cash - Restricted for Payment of Current Liabilities			\$1,198	\$703,131	\$704,329		\$704,329
100 Total Cash	\$0	\$777,297	\$188,614	\$1,776,145	\$2,742,056		\$2,742,056
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects		\$0			\$0		\$0
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous		\$4,245,616		\$0	\$4,245,616		\$4,245,616
126 Accounts Receivable - Tenants		\$3,048		\$2,464	\$5,512		\$5,512
126.1 Allowance for Doubtful Accounts - Tenants		\$0		\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other		\$0		\$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	\$0	\$4,248,664	\$0	\$2,464	\$4,251,128		\$4,251,128
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets		\$8,091		\$15,499	\$23,590		\$23,590
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$0	\$5,034,052	\$188,614	\$1,794,108	\$7,016,774		\$7,016,774
161 Land		\$18,106			\$18,106		\$18,106
162 Buildings		\$947,160		\$5,750,126	\$6,697,286		\$6,697,286
163 Furniture, Equipment & Machinery - Dwellings		\$86,855			\$86,855		\$86,855



Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	1 Business Activities	Housing Choice Vouchers	Component Unit - Discretely	Subtotal	ELIM	Total
164 Furniture, Equipment & Machinery - Administration		\$62,214			\$62,214		\$62,214
165 Leasehold Improvements							
166 Accumulated Depreciation		-\$853,629		-\$56,844	-\$910,473		-\$910,473
167 Construction in Progress		\$315,286			\$315,286		\$315,286
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$575,992	\$0	\$5,693,282	\$6,269,274		\$6,269,274
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				\$36,491	\$36,491		\$36,491
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$0	\$575,992	\$0	\$5,729,773	\$6,305,765		\$6,305,765
200 Deferred Outflow of Resources		\$140,110	\$29,848		\$169,958		\$169,958
290 Total Assets and Deferred Outflow of Resources	\$0	\$5,750,154	\$218,462	\$7,523,881	\$13,492,497		\$13,492,497
311 Bank Overdraft							
312 Accounts Payable <= 90 Days		\$4,913	\$24,323	\$71,020	\$100,256		\$100,256
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable		\$4,126	\$757		\$4,883		\$4,883
322 Accrued Compensated Absences - Current Portion		\$1,558	\$394		\$1,952		\$1,952
324 Accrued Contingency Liability							
325 Accrued Interest Payable		\$2,479			\$2,479		\$2,479
331 Accounts Payable - HUD PHA Programs			\$4,894		\$4,894		\$4,894
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government		\$5,741		\$19,852	\$25,593		\$25,593
341 Tenant Security Deposits		\$25,635		\$35,475	\$61,110		\$61,110
342 Unearned Revenue		\$293		\$25,474	\$25,767		\$25,767
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue							

Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 03/31/2020					
	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely	Subtotal	ELIM	Total
344 Current Portion of Long-term Debt - Operating Borrowings		\$8,926			\$8,926		\$8,926
345 Other Current Liabilities							
346 Accrued Liabilities - Other		\$192,958		\$7,500	\$200,458		\$200,458
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$0	\$246,629	\$30,368	\$159,321	\$436,318		\$436,318
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							
352 Long-term Debt, Net of Current - Operating Borrowings		\$448,953		\$2,719,639	\$3,168,592		\$3,168,592
353 Non-current Liabilities - Other				\$2,166,827	\$2,166,827		\$2,166,827
354 Accrued Compensated Absences - Non Current		\$14,026	\$3,541		\$17,567		\$17,567
355 Loan Liability - Non Current		\$0		\$2,510,000	\$2,510,000		\$2,510,000
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities		\$647,463	\$180,350		\$827,813		\$827,813
350 Total Non-Current Liabilities	\$0	\$1,110,442	\$183,891	\$7,396,466	\$8,690,799		\$8,690,799
300 Total Liabilities	\$0	\$1,357,071	\$214,259	\$7,555,787	\$9,127,117		\$9,127,117
400 Deferred Inflow of Resources		\$483,667	\$139,248		\$622,915		\$622,915
508.4 Net Investment in Capital Assets		\$118,113		\$2,973,643	\$3,091,756		\$3,091,756
511.4 Restricted Net Position		\$202,282	\$21,334	\$703,131	\$926,747		\$926,747
512.4 Unrestricted Net Position	\$0	\$3,589,021	-\$156,379	-\$3,708,680	-\$276,038		-\$276,038
513 Total Equity - Net Assets / Position	\$0	\$3,909,416	-\$135,045	-\$31,906	\$3,742,465		\$3,742,465
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$5,750,154	\$218,462	\$7,523,881	\$13,492,497		\$13,492,497



Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	1 Business Activities	Housing Choice Vouchers	6.1 Component Unit - Discretely	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$252,175		\$332,423	\$584,598	-\$137,245	\$447,353
70400 Tenant Revenue - Other							
70500 Total Tenant Revenue	\$0	\$252,175	\$0	\$332,423	\$584,598	-\$137,245	\$447,353
70600 HUD PHA Operating Grants	\$782,089		\$1,727,504		\$2,509,593		\$2,509,593
70610 Capital Grants							
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue					\$0	\$0	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$1,322		\$1,298	\$3,543	\$6,163		\$6,163
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery			\$4,093		\$4,093		\$4,093
71500 Other Revenue		\$174,145	\$13,214	\$18,590	\$205,949		\$205,949
71600 Gain or Loss on Sale of Capital Assets		\$1,599,316			\$1,599,316		\$1,599,316
72000 Investment Income - Restricted							
70000 Total Revenue	\$783,411	\$2,025,636	\$1,746,109	\$354,556	\$4,909,712	-\$137,245	\$4,772,467
91100 Administrative Salaries		\$3,246	\$23,081	\$8,167	\$34,494		\$34,494
91200 Auditing Fees		\$4,545	\$7,550		\$12,095		\$12,095
91300 Management Fee		\$0	\$0		\$0		\$0
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative		\$1,579	\$5,764	\$7,551	\$14,894		\$14,894
91600 Office Expenses		\$60,718	\$101,811	\$108,789	\$271,318		\$271,318
91700 Legal Expense		\$8,580	\$6,402	\$54,986	\$69,968		\$69,968
91800 Travel							



Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	1 Business Activities	Housing Choice Vouchers	6.1 Component Unit - Discretely	Subtotal	ELIM	Total
91810 Allocated Overhead							
91900 Other							
91000 Total Operating - Administrative	\$0	\$78,668	\$144,608	\$179,493	\$402,769	\$0	\$402,769
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other		\$614			\$614		\$614
92500 Total Tenant Services	\$0	\$614	\$0	\$0	\$614	\$0	\$614
93100 Water		\$7,767		\$13,080	\$20,847		\$20,847
93200 Electricity		\$15,570		\$99,376	\$114,946		\$114,946
93300 Gas		\$8,224		\$3,307	\$11,531		\$11,531
93400 Fuel							
93500 Labor		\$13,700			\$13,700		\$13,700
93600 Sewer		\$5,938		\$17,576	\$23,514		\$23,514
93700 Employee Benefit Contributions - Utilities		\$6,318			\$6,318		\$6,318
93800 Other Utilities Expense							
93000 Total Utilities	\$0	\$57,517	\$0	\$133,339	\$190,856	\$0	\$190,856
94100 Ordinary Maintenance and Operations - Labor							
94200 Ordinary Maintenance and Operations - Materials and Other		\$6,000		\$61,652	\$67,652		\$67,652
94300 Ordinary Maintenance and Operations Contracts		\$15,560		\$9,831	\$25,391		\$25,391
94500 Employee Benefit Contributions - Ordinary Maintenance		\$19,470		\$34,897	\$54,367		\$54,367
94000 Total Maintenance	\$0	\$2,632		\$55,373	\$58,005		\$58,005
95100 Protective Services - Labor		\$43,662	\$0	\$161,753	\$205,415	\$0	\$205,415
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0



Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	1 Business Activities	Housing Choice Vouchers	6.1 Component Unit - Discretely	Subtotal	ELIM	Total
96110 Property Insurance		\$8,202	\$2,723	\$25,127	\$36,052		\$36,052
96120 Liability Insurance		\$4,101	\$1,361	\$12,714	\$18,176		\$18,176
96130 Workmen's Compensation		\$4,101	\$1,361	\$12,714	\$18,176		\$18,176
96140 All Other Insurance							
96100 Total Insurance Premiums	\$0	\$16,404	\$5,445	\$50,555	\$72,404	\$0	\$72,404
96200 Other General Expenses							
96210 Compensated Absences	\$267,743	\$1,743	\$6,092	\$49,762	\$323,597		\$323,597
96300 Payments in Lieu of Taxes		\$5,741	\$1,084	\$19,852	\$2,827		\$2,827
96400 Bad debt - Tenant Rents					\$25,593		\$25,593
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$267,743	\$7,484	\$7,176	\$69,614	\$352,017	\$0	\$352,017
96710 Interest of Mortgage (or Bonds) Payable		\$32,585			\$32,585		\$32,585
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$32,585	\$0	\$0	\$32,585	\$0	\$32,585
96900 Total Operating Expenses	\$267,743	\$236,934	\$157,229	\$594,754	\$1,256,660	\$0	\$1,256,660
97000 Excess of Operating Revenue over Operating Expenses	\$515,668	\$1,788,702	\$1,588,880	-\$240,198	\$3,653,052	-\$137,245	\$3,515,807
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments			\$1,585,296		\$1,585,296	-\$137,245	\$1,448,051
97350 HAP Portability-In			\$12,353		\$12,353		\$12,353
97400 Depreciation Expense		\$33,219	\$0	\$59,451	\$92,670		\$92,670
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							



Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	1 Business Activities	Housing Choice Vouchers	Component Unit - Discretely	Subtotal	ELIM	Total
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$267,743	\$270,153	\$1,754,878	\$654,205	\$2,946,979	-\$137,245	\$2,809,734
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							
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	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$515,668	\$1,755,483	-\$8,769	-\$299,649	\$1,962,733	\$0	\$1,962,733
Total Expenses							
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$1,545,312	\$178,264	-\$85,632	\$0	\$1,637,944	\$0	\$1,637,944
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$2,060,980	\$1,975,669	-\$40,644	\$267,743	\$141,788	\$0	\$141,788
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			-\$156,379		-\$156,379		-\$156,379
11180 Housing Assistance Payments Equity			\$21,334		\$21,334		\$21,334



Highland Park Housing Authority (NJ044)  
HIGHLAND PARK, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit		Fiscal Year End: 03/31/2020					
	Project Total	1 Business Activities	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely	Subtotal	ELIM	Total
11190 Unit Months Available	0	288	2328	900	3516	0	3516
11210 Number of Unit Months Leased	0	242	1980	857	3079	0	3079
11270 Excess Cash	-\$22,311				-\$22,311		-\$22,311
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$0				\$0		\$0
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



# *Hymanson, Parnes & Giampaolo*

## *Certified Public Accountants*

tele: 732-842-4550  
fax: 732-842-4551

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

**INDEPENDENT AUDITOR'S 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, 2020, 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 June 11, 2021.

### **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: June 11, 2021





# *Hymanson, Parnes & Giampaolo*

## *Certified Public Accountants*

tele: 732-842-4550  
fax: 732-842-4551

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

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

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, 2020. 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, 2020.

### ***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: June 11, 2021



# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

## Schedule of Findings and Questioned Cost

Year Ended March 31, 2020

### 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
14.850	Public and Indian Housing Program	\$ 291,310
14.872	Public Housing Capital Fund Program	\$ 490,779

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



# Hymanson, Parnes & Giampaolo

## Certified Public Accountants

tele: 732-842-4550  
fax: 732-842-4551

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

### 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 procedures enumerated below on whether the electronic submission of certain information agrees with the hard copy documents within the reporting package for the year ended March 31, 2020. The U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) is responsible for the Uniform Financial Reporting Standards (UFRS) procedures.

Housing Authority of the Borough of Highland Park has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the REAC's UFRS requirements for the submission of the PHA financial data for the year ended March 31, 2020. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Procedure	UFRS Rule Information	Hardcopy Documents	Agrees	Does Not Agree
1	Balance Sheet and Revenue and Expense (Data lines 111 to 13901)	Financial Data Schedule of all CFDAs, If Applicable	Yes	
2	Footnotes (data element G5000-010)	Footnotes to the audited basic financial statements	Yes	
3	Type of Opinion on FDS (data element G3100-040)	Auditors Report on Supplemental Data	Yes	
4	Audit findings narrative (date element G5200-010)	Schedule of Findings and Questioned Costs	Yes	

Procedure	UFRS Rule Information	Hardcopy Documents	Agrees	Does Not Agree
5	General Information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Yes	
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	Yes	
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	Yes	
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Yes	
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Yes	

We were engaged by Housing Authority of the Borough of Highland Park to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on UFRS Rule Information. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of REAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Housing Authority of the Borough of Highland Park and 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  
June 11, 2021