

Report On Audit

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

**For the Year Ended
March 31, 2023**

Housing Authority of the Borough of Highland Park
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business activities and the aggregate discretely present component unit of the of the Housing Authority of the Borough of Highland Park (a governmental public corporation) in Middlesex, New Jersey, hereafter referred to as the Authority, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Highland Park basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business activities and the aggregate discretely present component unit of the Housing Authority of the Borough of Highland Park as of March 31, 2023, 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.

We did not audit the financial statements of Kronman Affordable Housing LP. (discretely component unit) which represent 82 percent, 26 percent, and 29 percent, respectively, of the asset, net position, and revenues of the Kronman Affordable Housing LP. as of December 31, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended. 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the Borough of Highland Park and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the Borough of Highland Park's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Borough of Highland Park's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the Borough of Highland Park.

- Housing Authority of the Borough of Highland Park's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 5 through 18 and pages 66-70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 basic 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 methods 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 opinions on the financial statements that collectively comprise the Housing Authority of the Borough of Highland Park's basic financial statements. The accompanying supplemental information on pages 71-80 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 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, 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.

Such information is 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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, 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 our report dated October 20, 2023, in 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Borough of Highland Park's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the Borough of Highland Park's internal control over financial reporting and compliance.

Giampaolo & Associates

Lincroft, New Jersey

Date: October 20, 2023

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

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's 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 19 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 \$4,150,734, an increase in the financial position of \$2,470,357 as compared to the prior year.

As noted above, the net position of the Authority primary government was \$4,150,734 as of March 31, 2023. Of this amount, the primary government unrestricted net position is a positive \$3,907,718, representing an increase in the amount of \$2,521,206 or 150% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 23 the financial statements, which is included in this report.

The Authority primary government net investment in capital assets decreased \$97,281 or 114% percent for an ending deficit balance of \$12,053. Additional information on the Authority's net investment in capital assets can be found in Note 21 of the financial statements, which is included in this report.

The Authority primary government restricted net position increased \$46,432 or 22% from the previous year for an ending balance of \$255,069. Additional information on the Authority's restricted net position can be found in Note 22 to the financial statements, which is included in this report.

The Authority's primary government total cash and cash equivalent on March 31, 2023 is \$1,401,028 representing an increase of \$57,936 or 4% percent from the prior fiscal year. Total primary government operating cash increased \$11,490 or 1% percent for an ending balance of \$1,131,909. Total primary government restricted cash and funded reserves increased \$46,446 or 21% percent for an ending balance of \$269,119. 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 \$6,418,233 of which capital assets net book value is \$417,276, deferred outflows in the amount of \$199,032, leaving total current assets at \$5,801,925.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current assets increased from the previous year by \$2,464,417 or 74% percent. Unrestricted cash and cash equivalents increased by \$11,490, restricted cash increased \$46,446, accounts receivables increased by \$2,409,675 and prepaid expenses decreased by \$3,194.

The Authority primary government capital assets reported a decrease in the net book value of the capital assets in the amount of \$108,390 or 21% percent. The major factors that contributed to the decrease was the purchase of fixed assets in the amount of \$5,332, less the recording of depreciation expense in the amount of \$113,722. 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 \$39,274 for an ending balance of \$199,032. The Authority primary government reported an increase in the deferred inflow for the pension cost in the amount of \$88,936 for an ending deficit balance of \$435,086. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 11 Deferred Outflows/Inflows of Resources.

The Authority's primary government total liabilities are reported at \$1,832,413 of which current liabilities are stated at \$83,367, and noncurrent liabilities are stated at \$1,749,046. Total primary government liabilities decreased during the year as compared to the prior year in the amount of \$64,668 or 3% percent. Total primary government current liabilities decreased during the year by \$36,292, leaving non-current liabilities for a decrease of \$28,376 as compared to the previous year.

Total Authority's primary government current liabilities decreased from the previous year by \$36,292 or 30% percent. Accounts payable decreased by \$37,589, accrued liabilities increased by \$817, tenant security deposit payable decreased by \$241, and unearned revenue increased by \$44. The current portion of the Capital Project Bonds payable increased \$677 from the prior year.

The Authority primary government total noncurrent liabilities decreased by \$28,376 or 2% percent. The decrease was comprised of four accounts, long-term note payable which decreased by \$11,786 for an ending balance of \$418,496, accrued compensated absences – long term with no offsetting assets decreased \$6,831 from the prior fiscal year for an ending balance of \$13,417, and other non-current liabilities remained unchanged from previous year for a balance of 412,790.

Accrued pension and other post-employment benefits (OPEB) liabilities decreased \$9,759 for an ending balance of \$904,343. Additional information on GASB #68 pension and GASB #75 effect the Authority's accrued OPEB liabilities on March 31, 2023 can be found in Notes 19-20 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, 2023**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority primary government had total operating revenue of \$2,591,860 as compared to \$2,430,438 from the prior year for an increase of \$161,422 or 7% percent.

The Authority primary government had total operating expenses of \$2,515,865 as compared to \$2,616,557 from the previous year for a decrease of \$100,692 or 4% percent, resulting in excess revenue from operations in the amount of \$75,995 for the current year as compared to excess expenses from operations in the amount of \$186,119 for an increase in excess revenue of \$262,114 or 345% percent from the previous year.

The Authority primary government had capital outlays in the amount of \$5,332 for the fiscal year ended March 31, 2023.

The Authority's Expenditures of Federal Awards amounted to \$2,429,701 for the fiscal year 2023 as compared to \$2,266,976 for the previous fiscal year 2022 for an increase of \$162,725 or 7% 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

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 serve as an introduction to the Housing Authority's primary government financial statements. The financial statements are prepared on an entity wide basis with the discretely presented component unit and business activities 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

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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 19 through 23.

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 24 through 65.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

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 71-72 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, 2023. 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, 2023.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position of the primary government between March 31, 2023, and March 31, 2022:

Computations of Net Position are as follows:

	Year Ended		Increase
	March-23	March-22	(Decrease)
Cash	\$ 1,401,028	\$ 1,343,092	\$ 57,936
Other Current Assets	4,400,897	1,994,416	2,406,481
Capital Assets - Net	417,276	525,666	(108,390)
Deferred Outflows	199,032	238,306	(39,274)
Total Assets	6,418,233	4,101,480	2,316,753
Less: Current Liabilities	(83,367)	(119,659)	36,292
Less: Non Current Liabilities	(1,749,046)	(1,777,422)	28,376
Less: Deferred Inflows	(435,086)	(524,022)	88,936
Net Position	\$ 4,150,734	\$ 1,680,377	\$ 2,470,357
Net Investment in Capital Assets	\$ (12,053)	\$ 85,228	\$ (97,281)
Restricted Net Position	255,069	208,637	46,432
Unrestricted Net Position	3,907,718	1,386,512	2,521,206
Net Position	\$ 4,150,734	\$ 1,680,377	\$ 2,470,357

Cash and restricted cash increased by \$57,936 or 4% percent. Net cash provided by operating activities was \$179,732, net cash used by capital and related financing activities was \$124,338, and net cash provided by investing activities was \$2,542. The full detail of this amount can be found in the Statement of Cash Flows on pages 21-23 of this audit report.

Other current assets increased by \$2,406,481 or 121% percent. Accounts receivable increased by \$2,409,675 or 121% percent and prepaid expenses decreased by \$3,194 or 29% percent.

The Authority primary government capital assets reported a decrease in the net book value of the capital assets in the amount of \$108,390 or 21% percent. The major factor that contributed to the decrease was the purchase of fixed assets in the amount of \$5,332, less the recording of depreciation expense in the amount of \$113,722. Additional information on the Authority's net investment in capital assets can be found in Note 21 to the financial statements, which is included in this report.

The Authority primary government reported a decrease in the deferred outflow for the pension cost and OPEB in the amount of \$39,274 for an ending balance of \$199,032.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority primary government reported an increase in the deferred inflow for the pension cost and OPEB in the amount of \$88,936 for an ending deficit balance of \$435,086.

Total Authority's primary government current liabilities decreased from the previous year by \$36,292 or 30% percent. Accounts payable decreased by \$37,589, accrued liabilities increased by \$817, tenant security deposit payable decreased \$241, and unearned revenue increased by \$44. The current portion of the Capital Project Bonds payable increased \$677 from the prior year.

The Authority primary government total noncurrent liabilities decreased by \$28,376 or 2% percent. The increase was comprised of four accounts, long-term note payable which decreased by \$11,786 for an ending balance of \$418,496, accrued compensated absences – long term with no offsetting assets decreased \$6,831 from the prior fiscal year for an ending balance of \$13,417, and other non-current liabilities remained unchanged from previous year for a balance of 412,790.

Accrued pension and other post-employment benefits (OPEB) liabilities decreased \$9,759 for an ending balance of \$904,343. Additional information on GASB #68 pension and GASB #75 effect the Authority's accrued OPEB liabilities on March 31, 2023 can be found in Notes 19-20 to the financial statements, which is included in this report.

The Authority's primary government reported a net position is \$4,150,734 which is made up of three categories. The net investment in capital assets in the deficit amount of \$12,053. 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, 2022	\$	85,228
Fixed Asset Acquisitions		5,332
Depreciation Expense		(113,722)
Depreciation Adjustment		1
Payment of Loan		11,108
Balance March 31, 2023	\$	<u>(12,053)</u>

The Housing Authority of the Borough of Highland Park primary government operating results for March 31, 2023, reported an increase in unrestricted net position of \$2,521,206 for an ending balance of \$3,907,718. A full detail of this account can be found in the Notes to the Financial Statements Section Note 23.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority's primary government restricted net position increased \$46,432 from the previous year for an ending balance of \$255,069. Additional information on the Authority's restricted net position can be found in Note 22 of the financial statements, which is included in this report.

The following summarizes the changes in Net Position of the Authority's primary government between March 31, 2023, and March 31, 2022:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u> March-23	<u>Year Ended</u> March-22	Increase (Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 152,914	\$ 155,296	\$ (2,382)
HUD Subsidies	2,429,701	2,266,976	162,725
Other Revenues	9,245	8,166	1,079
Total Operating Income	2,591,860	2,430,438	161,422
<u>Expenses</u>			
Operating Expenses	2,402,143	2,546,081	(143,938)
Depreciation Expense	113,722	70,476	43,246
Total Operating Expenses	2,515,865	2,616,557	(100,692)
Operating Income before Non Operating Expenses	75,995	(186,119)	262,114
Interest Income	7,412	2,542	4,870
Change in Net Position	83,407	(183,577)	266,984
Net Position Prior Year	1,680,377	4,162,899	(2,482,522)
Period Period Adjustment	50,857	37,148	13,709
Eliminating Entries	2,336,093	(2,336,093)	4,672,186
Total Net Position	\$ 4,150,734	\$ 1,680,377	\$ 2,470,357

Approximately 94% percent of the Authority's primary government total operating revenue was provided by HUD operating subsidy, while 5% percent resulted from tenant revenue. Charges for various services and fraud recovery provided the remaining 1% percent of the total income.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

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 77% percent of total operating expenses. Administrative expenses accounted for 11% percent, tenant services accounted for less than 1% percent, utilities expense accounted for 2% percent, maintenance expense accounted for 2% percent, other operating expenses accounted for 3% percent, and depreciation accounted for the remaining 4% 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 \$75,995 from operations as compared to excess expenses from operations of \$186,119 for the previous year. The key elements for the increase in surplus in comparison to the prior year are as follow:

- The Authority reported a decrease in the tenants dwelling rental revenue in the amount of \$2,382 or 2% percent.
- The Authority primary government reported an increase in HUD PHA operating grants in the amount of \$162,725 or 7% percent.
- Total other revenues increased in the amount of \$1,079 or 13% percent.
- The Authority reported a decrease in the following expense accounts:
 - Administrative expenses decreased \$21,912 or 8% percent.
 - Tenant services expense decreased \$73,690 or 100% percent.
 - Utility expenses decreased \$8,077 or 16% percent.
 - Maintenance expenses decreased \$29,118 or 32% percent.
 - Housing Assistance Payments decreased \$15,842 or 1% percent.
- The Authority reported an increase in the following expense accounts:
 - Other operating expenses increased \$4,701 or 6% percent.
 - Depreciation expense increased \$43,246 or 61% percent.

Total net cash provided by operating activities during the year was \$179,732 as compared to cash provided by operations in the amount of \$79,661 for the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flows on pages 21-23 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

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, 2023:

	March-22	March-21	March-20	March-19
Significant Income				
Total Tenant Revenue	\$ 152,914	\$ 155,296	\$ 143,410	\$ 114,930
HUD Operating Grants	2,429,701	2,266,976	2,554,969	2,509,593
HUD Capital Grants	-	-	-	-
Investment Income	7,412	2,542	4,180	2,620
Fraud Recovery	8,308	6,946	3,806	4,093
Other Income	937	1,220	13,464	187,359
Total	<u>\$ 2,599,272</u>	<u>\$ 2,432,980</u>	<u>\$ 2,719,829</u>	<u>\$ 2,818,595</u>
Payroll Expense				
Administrative Salaries	\$ 31,705	\$ 27,295	\$ 52,790	\$ 34,494
Utilities Labor	-	-	2,654	13,700
Maintenance Labor	16,339	19,367	98,271	67,652
Employee Benefits Expense	27,638	77,664	160,568	79,217
Total Payroll Expense	<u>\$ 75,682</u>	<u>\$ 124,326</u>	<u>\$ 314,283</u>	<u>\$ 195,063</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 223,290	\$ 253,082	\$ 300,865	\$ 353,381
Utilities Expense	43,339	51,416	51,845	57,517
Maintenance Supplies	2,977	5,562	4,583	25,391
Maintenance Contract Cost	28,046	58,395	30,715	54,367
Insurance Premiums	32,333	20,181	27,051	72,404
Housing Assistance Payments	1,939,603	1,955,446	1,865,879	1,460,404
Total	<u>\$ 2,269,588</u>	<u>\$ 2,344,082</u>	<u>\$ 2,280,938</u>	<u>\$ 2,023,464</u>
Total Operating Expenses	<u>\$ 2,515,865</u>	<u>\$ 2,616,557</u>	<u>\$ 2,155,529</u>	<u>\$ 2,452,505</u>
Total of Federal Awards	<u>\$ 2,429,701</u>	<u>\$ 2,266,976</u>	<u>\$ 2,554,969</u>	<u>\$ 2,509,593</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, 2023**

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.

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, 2023. 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, 2023**

BUDGETARY HIGHLIGHTS

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.

For the year ended March 31, 2023, 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.

NEW INITIATIVES

For the fiscal year 2023 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 93% percent of its revenue from the Department of Housing and Urban Development, (2022 was 93% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

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

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's primary government net investment in capital assets as of March 31, 2023, was \$417,276 (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 \$108,390 or 21% percent. Major capital expenditures of \$5,331 were made during the year. Major capital assets events during the fiscal year included the following:

- Copier for the Administrative Office

	March-22	March-21	Increase (Decrease)
Land	\$ 18,106	\$ 18,106	\$ -
Building	1,276,173	1,276,173	-
Furniture, Equipment - Dwelling	116,851	116,850	1
Furniture, Equipment - Administration	86,235	80,905	5,330
Total Fixed Assets	\$ 1,497,365	\$ 1,492,034	\$ 5,331
Accumulated Depreciation	(1,080,089)	(966,368)	(113,721)
Net Book Value	\$ 417,276	\$ 525,666	\$ (108,390)

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

CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED

2 - Debt Administration

The Authority acquired mortgage financing of \$473,500 through the New Jersey Community Capital for the RAD conversion of the public housing units. Restricted cash relating to the mortgage debt stood at \$192,605 at the end of the fiscal year, with mortgage payable of \$429,329 in outstanding debt. A full disclosure of loans payable on March 31, 2023, can be found in Note 17.

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.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

The following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2024.

- 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.

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 6th 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, 2023

	March 31, 2023			
	Primary Government	Component Unit (Dec 2022)	Elimination	Total (Memorandum)
Assets				
Current Assets:				
Cash and Cash Equivalents- Unrestricted				
Operating	\$ 1,131,909	\$ 770,551		\$ 1,902,460
Restricted	269,119	987,023		1,256,142
Total cash and equivalents	1,401,028	1,757,574		3,158,602
Accounts Receivables, Net of Allowances	4,393,208	3,212	(4,379,280)	17,140
Prepaid Expenses	7,689	24,336		32,025
Total Current Assets	5,801,925	1,785,122	(4,379,280)	3,207,767
Noncurrent Assets				
Capital Assets				
Land	18,106	-		18,106
Building	1,276,173	6,163,204		7,439,377
Furniture, Equipment - Dwelling	116,851	24,778		141,629
Furniture, Equipment - Administration	86,235	-		86,235
Total Capital Assets	1,497,365	6,187,982		7,685,347
Less: Accumulated Depreciation	(1,080,089)	(524,855)		(1,604,944)
Net Book Value	417,276	5,663,127	-	6,080,403
Ground Lease - Non Current Receivable	-	2,052,409		2,052,409
Other Assets - Deferred Charges	-	28,670		28,670
Total Other Assets	-	2,081,079	-	2,081,079
Total Assets	6,219,201	9,529,328	(4,379,280)	11,369,249
Deferred Outflow of Resources				
State of New Jersey PERS and OPEB	199,032	-	-	199,032
Total Assets and Deferred Outflow of Resources	\$ 6,418,233	\$ 9,529,328	\$ (4,379,280)	\$ 11,568,281

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
STATEMENT OF NET POSITION
AS OF MARCH 31, 2023

	March 31, 2023			
	Primary Government	Component Unit (Dec 2022)	Elimination	Total (Memorandum)
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 49,667	\$ 35,473		\$ 85,140
Accrued Liabilities	10,498	337,048	(326,451)	21,095
Tenant Security Deposit Payable	12,323	43,620		55,943
Unearned Revenue	46	94		140
Long Term Debt - Current	10,833	-		10,833
Total Current Liabilities	<u>83,367</u>	<u>416,235</u>	<u>(326,451)</u>	<u>173,151</u>
Noncurrent Liabilities				
Long Term Debt - Non Current	418,496	3,232,378		3,650,874
Accrued Compensated Absences - Long-Term	13,417	-		13,417
Ground Lease Payable	-	2,104,965	(2,104,965)	-
Non Current Liabilities - Other	412,790	2,273,762	(1,947,864)	738,688
Accrued Other Post-Employment Benefits Liabilities	904,343	-		904,343
Total Noncurrent Liabilities	<u>1,749,046</u>	<u>7,611,105</u>	<u>(4,052,829)</u>	<u>5,307,322</u>
Total Liabilities	<u>1,832,413</u>	<u>8,027,340</u>	<u>(4,379,280)</u>	<u>5,480,473</u>
Deferred Inflow of Resources				
State of New Jersey PERS and OPEB	<u>435,086</u>	<u>-</u>	<u>-</u>	<u>435,086</u>
Net Position:				
Net Investment in Capital Assets	(12,053)	2,430,749		2,418,696
Restricted	255,069	943,403		1,198,472
Unrestricted	3,907,718	(1,872,164)		2,035,554
Total Net Position	<u>4,150,734</u>	<u>1,501,988</u>	<u>-</u>	<u>5,652,722</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 6,418,233</u>	<u>\$ 9,529,328</u>	<u>\$ (4,379,280)</u>	<u>\$ 11,568,281</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, 2023

	March 31, 2023		
	Primary Government	Component Unit (Dec 2022)	Total (Memorandum)
Revenue:			
Tenant Rental Revenue	\$ 152,914	\$ 1,045,493	\$ 1,198,407
HUD PHA Operating Grants	2,429,701	-	2,429,701
Fraud Recovery	8,308	-	8,308
Other Revenue	937	6,665	7,602
Total Revenue	<u>2,591,860</u>	<u>1,052,158</u>	<u>3,644,018</u>
Operating Expenses:			
Administrative Expense	268,963	165,301	434,264
Tenant Services	39	-	39
Utilities Expense	43,339	200,009	243,348
Maintenance Expense	61,032	227,550	288,582
Other Operating Expenses	89,167	257,126	346,293
Housing Assistance Payments	1,939,603	-	1,939,603
Depreciations Expense	113,722	182,331	296,053
Total Operating Expenses	<u>2,515,865</u>	<u>1,032,317</u>	<u>3,548,182</u>
Excess Expenses Over Revenue From Operations	75,995	19,841	95,836
Non Operating Income:			
Investment Income	<u>7,412</u>	<u>3,766</u>	<u>11,178</u>
Change in Net Position	83,407	23,607	107,014
Beginning Net Position	1,680,377	3,895,196	5,575,573
Prior Period Adjustments	50,857	(80,722)	(29,865)
Eliminating Entries	<u>2,336,093</u>	<u>(2,336,093)</u>	<u>-</u>
Beginning Net Position, Restated	<u>4,067,327</u>	<u>1,478,381</u>	<u>5,545,708</u>
Ending Net Position	<u>\$ 4,150,734</u>	<u>\$ 1,501,988</u>	<u>\$ 5,652,722</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, 2023

	March 31, 2023		
	Primary Government	Component Unit (Dec 2022)	Total (Memorandum)
Cash Flow From Operating Activities			
Receipts from Tenants	\$ 144,205	\$ 1,042,281	\$ 1,186,486
Receipts from Federal Grants	2,429,701	-	2,429,701
Receipts from Misc. Sources	9,245	6,665	15,910
Payments to Vendors and Suppliers	(167,717)	(534,202)	(701,919)
Payments for Housing Assistance Payments	(1,939,603)	-	(1,939,603)
Payments to Employees	(173,376)	-	(173,376)
Payment of Employee Benefits	(82,361)	-	(82,361)
Payment of Utilities Expenses	(40,362)	(189,412)	(229,774)
Net Cash Provided by Operating Activities	179,732	325,332	505,064
Cash Flow From Capital and Related Financing Activities			
Acquisitions and Construction of Capital Assets	(5,332)	(18,056)	(23,388)
(Payment) Increase in Non Current Liabilities - Other	19,890	-	19,890
Principal Payment on Debt	(11,108)	-	(11,108)
Net Effect of Deferred Inflows and Outflows	(127,788)	-	(127,788)
Net Cash (Used) by Capital and Related Financing Activities	(124,338)	(18,056)	(142,394)
Cash Flow From Investing Activities			
Interest Income	2,542	3,766	6,308
Net Cash Provided by Investing Activities	2,542	3,766	6,308
Net Increase in Cash and Cash Equivalents	57,936	311,042	368,978
Beginning Cash, Cash Equivalents and Restricted Cash	1,343,092	1,446,532	2,789,624
Ending Cash, Cash Equivalents and Restricted Cash	\$ 1,401,028	\$ 1,757,574	\$ 3,158,602
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	\$ 1,131,909	\$ 770,551	\$ 1,902,460
Cash and Cash Equivalents - Restricted	269,119	987,023	1,256,142
Total Ending Cash	\$ 1,401,028	\$ 1,757,574	\$ 3,158,602

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, 2023

	March 31, 2023		
	Primary Government	Component Unit (Dec 2022)	Total (Memorandum)
Provided by Operating Activities	\$ 75,995	\$ 19,841	\$ 95,836
Excess Revenue from Operations			
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:			
Depreciation Expense	113,722	182,331	296,053
(Increase) Decrease in:			
Accounts Receivables	(10,477)	239	(10,238)
Prepaid Expenses	3,194	3,497	6,691
Increase (Decrease) in:			
Accounts Payable	(37,589)	9,310	(28,279)
Accrued Liabilities	817	108,468	109,285
Tenant Security Deposit Payable	(241)	3,461	3,220
Unearned Revenue	44	(1,815)	(1,771)
Long Term Compensated Absences	(6,831)		(6,831)
Accrued Other Post-Employment Benefits Liabilities	(9,759)		(9,759)
Prior Period Adjustment	50,857	-	50,857
Net Cash Provided by Operating Activities	<u>\$ 179,732</u>	<u>\$ 325,332</u>	<u>\$ 505,064</u>
Supplementary information			
Interest Expense Paid during the Year	<u>\$ 27,165</u>	<u>\$ 21,146</u>	<u>\$ 48,311</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

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.

The Authority's financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has identified two (2) entity which should be subject to evaluation for inclusion in the Authority's reporting entity. 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, 2023

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.

The Authority adopted in April 2022, GASB Statement No. 87, *Accounting for Leases*. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease receivables and liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

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. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this nonprofit corporation and has 100% ownership; this entity is being reported as a blended component unit. Therefore, the activity of this nonprofit corporation is presented as component unit on the Authority's electronically filed financial data schedule. 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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

Significant Accounting Policies -continued

Component Units – Blended -Continued

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, 2023. Highland Park Affordable Housing Corporation was formed for the purpose of developing, operating, and managing low- and moderate-income housing in the Borough of Highland Park. This entity is being reported under business activities on the FDS reporting system.

Component Unit – Discretely Presented

The Authority has identified one entity Kronman Affordable Housing LP. as a discretely presented component unit. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this limited partnership and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit. Therefore, the activity of this limited partnership is presented as component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. This limited partnership operates on a calendar year that ended on December 31. Kronman Affordable Housing LP. was formed for the purpose of developing, operating, and managing low- and moderate-income housing in the Borough of Highland Park.

This limited partnership was used for the RAD conversion of public housing units into tax credit units.

Basis of Accounting –

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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.

Revenue Recognition

The Authority's major sources of revenue are HUD operating subsidies, tenants dwelling rents, and all other revenue. Other revenue composed primarily of miscellaneous fees from the tenant, and laundry income. 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, charges to the tenants, and laundry income.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

Basis of Accounting – Continued

Revenue Recognition - Continued

The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development with durations of less than one year. The Authority records revenue for such leases as prescribed by HUD. This standard indicates that government subsidy and tenant payments are to be considered subject to ASC 606. The Authority believes that such both rental and subsidy income streams are exempt from compliance with ASC 606 due to their inclusion under current and future lease standards.

Revenue streams subject to ASC 606 include: additional revenue includes miscellaneous fees from the tenant, laundry income. Such fees are ancillary to the lease process and are recognized as revenue at the point in time such fees are incurred.

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. 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.

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. 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.

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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

Financial Reporting Entity

The financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined based on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

All governmental activities and functions performed for the Authority are its direct responsibility. The financial reporting entity consists of:

- (a) the primary government which is the Authority,
- (b) organizations for which the primary government is financially accountable, and
- (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 61.

The decision to include a potential unit in the Authority's reporting entity is based on several criteria set forth in GASB Statement No. 61, including legal standing, fiscal dependency, and financial accountability. The Authority has identified Highland Park Affordable Housing Corporation and the Kronman Affordable Housing LP. are a component unit. The Authority has 100% ownership in Highland Park Affordable Housing Corporation; this entity is being reported as a blended component unit. The Authority manages the financial affair of Kronman Affordable Housing LP., a limited partnership and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit.

The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The Highland Park Affordable Housing Corporation 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, 2023.

The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The Kronman Affordable Housing LP., discretely presented component unit, operates on a calendar year that ended on December 31.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

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. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts.

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

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

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

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

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

8 – The Authority 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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

Other accounting policies - Continued

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.

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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

Other accounting policies – Continued

15 - Net Position -continued

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

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

16 - Operating and non-operating revenues and expenses

The Authority's major sources of revenue are HUD operating subsidies, tenants dwelling rents, and all other revenue. Other revenue composed primarily of miscellaneous fees from the tenant, and laundry income. 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, charges to the tenants, and laundry income.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing 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 considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2023.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

Budgetary and Policy Control –

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

Activities - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing Program	14.850		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.

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, 2023

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, 2023. 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, 2023

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenant's who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit until the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit.

All lease agreements have similar terms; therefore all lease contract revenue has been aggregated in the caption rental income in the statement of revenue, expenses and changes in net position. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant's unit and the buildings. Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant's lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant's rental payment not received by the fifth day of each month will be considered late. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

NOTE 2 – ESTIMATES

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

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

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 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.

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 2023 amounted to \$24,760.

Further information on the Pension Plan and its effects due to the adoption of GASB 68 can be found in Note 20- Accrued Pension Liability.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

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.

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, 2023, 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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 4 – CASH EQUIVALENTS AND RESTRICTED CASH – CONTINUED

Credit Risk -Continued

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	\$ 576,514	\$ 671,363
Collateralized held by pledging bank's trust department in the Authority's name	218,392	-
Uninsured	606,122	1,086,211
Total Cash and Cash Equivalents	<u>\$ 1,401,028</u>	<u>\$ 1,757,574</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 and the limited partnership have not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.

Restricted Cash

The Authority has restricted cash on March 31, 2023, and December 31, 2022, which consists of the following:

	Primary Government March-23	Component Unit December-22
HCV HAP Reserves	\$ 62,464	-
Tenant Security Deposits	12,323	43,620
Rehab Escrow Reserve	192,605	-
Operating Reserve Deficit Account	-	341,945
Replacement Reserve Account	-	197,680
Reserve Funds	-	403,778
Reserve for HAP Liability	1,727	-
Total Restricted and Funded Reserves	<u>\$ 269,119</u>	<u>\$ 987,023</u>

The Authority has restricted cash on March 31, 2023, in the amount of \$12,323 for tenant security deposits an interest-bearing account.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 4 – CASH EQUIVALENTS AND RESTRICTED CASH -CONTINUED

Restricted Cash - Continued

The restricted cash in the amount of \$62,464 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-23
Beginning Balance	\$ 171,363
Required Deposit	20,930
Interest Income	312
Disbursements	-
Ending Balance	<u>\$ 192,605</u>

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, 2022, these restricted deposits amounted to \$987,023, 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, 2022, the replacement reserve balance was \$197,680

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, 2022, the operating reserve balance was \$341,945.

The Partnership set up a guarantor collateral account to reserve funds as collateral. As of December 31, 2022, the guarantor collateral balance was \$403,778.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on March 31, 2023 and 2022 and December 31, 2022 and 2021, consisted of the following:

	March-23	December-22
Tenants Accounts Receivable - Present	\$ 38,709	3,212
Less Allowance for Doubtful - Tenants	(32,954)	-
Tenants Accounts Receivable - Net	5,755	3,212
Accounts Receivable - Fraud Recovery	5,521	-
Accounts Receivable - PHA Projects	2,652	-
Less Allowance for Doubtful - Other	-	-
Total Accounts Receivables	\$ 13,928	\$ 3,212

	Primary Government March-22	Component Unit December-21
Tenants Accounts Receivable - Present	\$ 32,908	3,451
Less Allowance for Doubtful - Tenants	(24,494)	-
Tenants Accounts Receivable - Net	8,414	3,451
Accounts Receivable - Fraud Recovery	1,531	-
Accounts Receivable - Advances	1,973,588	-
Less Allowance for Doubtful - Other	-	-
Total Accounts Receivables	\$ 1,983,533	\$ 3,451

Tenant rents are due on the first day of each month. If a rent payment is not received by the 5th day of the month, it is considered past due and late fees are applied. The Authority records its accounts receivable at cost minus an allowance for doubtful accounts, which is established as needed based on factors such as historical collection experience, the current state of accounts receivable, economic conditions, and other considerations. This process involves assessing the creditworthiness of individual tenants and the portfolio as a whole. The determination of the collectability of amounts due requires the Authority to make judgments about future events and trends. The increase in the allowance for doubtful accounts is mainly due to the economic impact of COVID-19, as reflected in bad debt expenses. Management continually monitors tenant payment patterns, investigates past-due accounts, and stays informed of industry and economic trends to estimate the necessary allowances.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

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, 2023, and December 31, 2022, 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, 2023, are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

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

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized.

Expenditures are capitalized when they meet the Capitalization Policy requirements.

Under the policy, assets purchased or constructed at a cost not exceeding \$5,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

Depreciation Expense

Depreciation expense for the primary government on March 31, 2023, was \$113,722.

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 asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. No impairment losses were recognized in 2023.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 8 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending March 31, 2023, for the primary government:

	March-22	Additions	Deletion	March-23
Land	\$ 18,106	\$ -	\$ -	\$ 18,106
Building	1,276,173	-	-	1,276,173
Furniture, Equipment - Dwelling	116,850	1	-	116,851
Furniture, Equipment - Administration	80,905	5,331	-	86,236
Total Fixed Assets	1,492,034	5,332	-	1,497,366
Accumulated Depreciation	(966,368)	(113,722)	1	(1,080,090)
Net Book Value	\$ 525,666	\$ (108,390)	\$ 1	417,276

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, 2023:

	March-23
Land	\$ 18,106
Building	357,186
Furniture, Equipment - Dwelling	29,996
Furniture, Equipment - Administration	11,988
Net Book Value	\$ 417,276

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2022, for the component unit:

	December-21	Additions	December-22
Land	\$ -	\$ -	\$ -
Building	6,153,604	9,600	6,163,204
Furniture, Equipment - Dwelling	16,322	8,456	24,778
Total Fixed Assets	6,169,926	18,056	6,187,982
Accumulated Depreciation	(342,524)	(182,331)	(524,855)
Net Book Value	\$ 5,827,402	\$ (164,275)	\$ 5,663,127

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 9 – GROUND LEASE – KRONMAN AFFORDABLE HOUSING LP

FASB ASC 842 was adopted January 1, 2022, and any adjustment necessary, if any, was recognized through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, were restated to conform to FASB ASC 842. With respect to tenant leases, FASB ASC 842 did not have a material impact on the financial statements.

The Partnership elected the available practical expedients to account for its existing ground lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under the new standard, (b) whether classification of a lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of FASB ASC 842, on January 1, 2021, additions to the existing ground lease payable totaling \$1,975,398 and accrued interest of \$42,324 was recognized, which represents the present value of the remaining 98 ground lease payments totaling \$2,947,037, discounted using our risk-free rate of 3.00%. A right-of-use asset of \$2,052,409 was also recognized which represents the value of the ground lease payable (\$2,116,547) at lease commencement, adjusted for accumulated amortization of \$42,758.

The difference between the additional right-of-use asset, ground lease payable and accrued interest resulted in an increase to partners' capital in the amount of \$56,067 as of December 31, 2021.

Future minimum ground lease payments will be received over the next five years ending December 31, 2022, and thereafter are as follows:

December-23	\$	24,934
December-24		25,682
December-25		26,452
December-26		27,246
December-27		28,063
Therafter		1,920,032
Total	\$	<u>2,052,409</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 10 – OTHER ASSETS

Component Unit – Discretely Presented

Kronman Affordable Housing LP. reported other assets in the amount of \$28,670. 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 for the year was \$2,607.

NOTE 11 – 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 19 and 20 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:

Deferred Outflows of Resources	OPEB		Pension		Total	
Differences Between Expected and Actual Experiences	\$	31,399	\$	2,139	\$	33,538
Changes in Assumptions		81,144		918		82,062
Net Difference Between Projected and Actual Earning on Pension Plan Investments		160		12,264		12,424
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions		40,435		30,573		71,008
Total	\$	153,138	\$	45,894	\$	199,032

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 112,703	\$ 1,886	\$ 114,589
Changes in Assumptions	207,510	44,369	251,879
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	68,161	457	68,618
Total	\$ 388,374	\$ 46,712	\$ 435,086

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 \$33,538 and \$114,589.

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 \$82,062 and \$251,879.

Net Difference between Projected and Actual Investment Earning 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 \$12,424 and \$-0-.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

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 \$71,008 and \$68,618.

NOTE 12 – ACCOUNTS PAYABLE

Accounts payable is a liability account that represents the amount owed by the Authority to its creditors for goods or services received but not yet paid for. When the Authority receives goods or services on credit, it incurs a liability to pay the vendor or supplier in the future. This liability is recorded as an accounts payable on the Authority's financial statements, specifically on the Statement of Net Position under the category of current liabilities. Accounts payable is an important aspect of a company's financial management, as it represents its short-term obligations to its vendors and suppliers. Accounts payable on March 31, 2023, and 2022, and December 31, 2022 and 2021, consisted of the following:

	Primary Government March-23	Component Unit December-22
Accounts Payable Vendors	\$ 27,820	\$ 9,342
Accounts Payable - Other Government	10,958	26,131
Accounts Payable - HUD	10,889	-
Total Accounts Payable	<u>\$ 49,667</u>	<u>\$ 35,473</u>

	Primary Government March-22	Component Unit December-21
Accounts Payable Vendors	\$ 67,704	\$ 75,453
Accounts Payable - Other Government	10,388	28,888
Accounts Payable - HUD	9,164	-
Total Accounts Payable	<u>\$ 87,256</u>	<u>\$ 104,341</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 13 – 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, 2023, and December 31, 2022, is detailed below:

	Primary Government March-23	Component Unit December-22
Balance Beginning of Year	\$ 10,388	\$ 28,888
P.I.L.O.T. Accrued	10,958	26,133
Less Payments Made	(10,388)	(28,890)
Total P.I.L.O.T. Payable	<u>\$ 10,958</u>	<u>\$ 26,131</u>

NOTE 14 – ACCRUED EXPENSES

Accrued expenses are Authority expenses that have been incurred but not yet paid. These expenses are recognized in the financial statements before payment has actually been made, and typically refer to items such as salaries, interest, and taxes. Accrued liabilities on March 31, 2023, and 2022, and December 31, 2022, and 2021, consisted of the following:

	Primary Government March-23	Primary Government March-22
Compensated Absences - Current Portion	\$ 1,491	\$ 2,254
Accrued Wages and Payroll Taxes	3,517	5,010
Accrued Liabilities - Operating Cost	2,977	-
Accrued Interest Payable	2,513	2,417
Total Accrued Liabilities	<u>\$ 10,498</u>	<u>\$ 9,681</u>

	Component Unit December-22	Component Unit December-21
Accrued Liabilities - Operating Cost	\$ 10,597	\$ 17,336
Accrued Interest Payable	-	21,189
Total Accrued Liabilities	<u>\$ 10,597</u>	<u>\$ 38,525</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 15 – 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:

Balance on March-22	Additions	Payments	Balance on March-23	Current Portion
\$ 22,502	\$ -	\$ (7,594)	\$ 14,908	\$ 1,491

NOTE 16 – UNEARNED REVENUE

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. Subject to ASC 606, rental payments with acceptance provisions and future delivery commitments, wherein the Authority has not completed its obligations under the lease, are also offset against the associated accounts receivable since the requirements for revenue recognition have not been met. 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, 2023, and December 31, 2022, consisted of tenants prepaid rents.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 17 – LONG TERM DEBT

The Authority had the following notes payable as of March 31, 2023:

	Primary Government March-23	Component Unit December-22
New Jersey Community Capital	\$ 429,329	\$ -
Mortgage Agreement #1	-	2,510,000
Mortgage Agreement #2	-	722,378
Total Long Term Debt	429,329	3,232,378
Less Current Portion	(10,833)	-
Total Non Current Long Term Debt	\$ 418,496	\$ 3,232,378

New Jersey Community Capital

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, 2023, is \$429,329

Balance on March-22	Payments	Balance on March-23	Current Portion
\$ 440,437	\$ (11,108)	\$ 429,329	\$ 10,833

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

March-24	\$ 10,833
March-25	11,523
March-26	12,325
March-27	13,146
March-28	14,023
Subtotal	61,850
Therafter	367,479
Total	\$ 429,329

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 17 – LONG TERM DEBT -CONTINUED

Component Unit – Discretely Presented

Kronman Affordable Housing LP. reported mortgage payable as of December 31, 2022, and was indebted for the following loans:

As of April 4, 2019, Kronman Affordable Housing LP., entered into a mortgage agreement #1 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 2nd mortgage lien on the underlying land and property. The loan balance as of December 31, 2022, is \$2,510,000.

As of April 4, 2019, Kronman Affordable Housing LP., entered into a mortgage agreement #2 with the Authority in the amount of \$722,378. The mortgage bears an interest rate of 2.20% per annum matures in April 2049. The mortgage secured by a 2nd mortgage lien on the underlying land and property. The loan balance as of December 31, 2022, is \$722,378.

The balance of this mortgage on December 31, 2022, is \$3,232,378.

Balance on December-21	Payments	Balance on December-22	Current Portion
\$ 3,232,378	\$ -	\$ 3,232,378	\$ -

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

	Mortgage Agreement #1	Mortgage Agreement #2
December-23	\$ -	\$ -
December-24	-	-
December-25	-	-
December-26	-	-
December-27	-	-
Subtotal	-	-
Therafter	2,510,000	722,378
Total	<u>\$ 2,510,000</u>	<u>\$ 722,378</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 18 – NON-CURRENT LIABILITY

The Highland Park Affordable Housing Corporation reported non-current liability in the amount of \$738,688 after elimination entry for future obligation in connection with the RAD conversion.

NOTE 19 – ACCRUED PENSION AND OPEB LIABILITIES

The Authority as of March 31, 2023, reported accrued pension and OPEB liability amounts as follows:

	March-23	March-22
Accrued OPEB Payable	\$ 608,032	\$ 688,970
Accrued Pension Payable	296,311	225,132
Total OPEB and Pension Payable	<u>\$ 904,343</u>	<u>\$ 914,102</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 – 20 will discuss the effect of GASB #68 and the pension liability which arose from that.

OPEB Liability

The Authority as of March 31, 2023, reported a net OPEB liability in the amount of \$608,032 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	OPEB
Employer OPEB Liability	<u>\$ 605,823</u>
Plan Net Position (Deficit)	<u>(2,209)</u>
Employer Net OPEB Liability	<u>\$ 608,032</u>

The Authority allocation percentage is 0.0037650% as of June 30, 2022.

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>.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Plan Description and Benefits Provided

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.

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 March 31, 2023 was \$608,032.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Employees covered by benefits terms: On June 30, 2022 (the census date), the following employees were covered by the benefits terms:

Total Plan Members	<u><u>4</u></u>
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Net OPEB Liability

The total OPEB liability as of June 30, 2022, latest report, was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2022. 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, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.16%

Salary Increases

Through 2026 = 2.75% to 6..55%

Thereafter = 3.00% to 7.00%

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2021 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-2021 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-2021 scale.

Certain actuarial assumptions used in the June 30, 2022, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013, to June 30, 2022 and July 1, 2014 to June 30, 2022, 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, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2022, was 3.54%. 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 (2.54%) or one percentage point higher (4.54%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.54%	3.54%	4.54%
Total OPEB Liability	\$ 704,832	\$ 608,032	\$ 530,148

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	\$ 515,812	\$ 608,032	\$ 726,140

Change in Assumptions: Effective June 30, 2022.

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 year for the 2022.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2022, was 3.54%. 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.

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2022</u>
Service Cost	\$ 29,994
Interest on Total OPEB liability	15,112
Expected Investment Return	3
Administrative Expenses	464
Changes in Benefits Term	15,153
Current Period Deferred	
Inflows/Outflows of Resources	(23,735)
Changes in Assumptions or Other	
Inputs	(118,081)
Net Difference Between Projected and	
Actual Investments Earning on	152
Pension Plan Investments	
Benefit Payments	
Change in Plan	-
Net Change in Total OPEB Liability	(80,938)
Total OPEB Liability, Beginning	688,970
Total OPEB Liability, Ending	\$ 608,032

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 19 - OTHER POST EMPLOYMENT BENEFITS -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, 2023	\$	(55,096)
Year Ending June 30, 2024		(55,145)
Year Ending June 30, 2025		(43,547)
Year Ending June 30, 2026		(19,448)
Year Ending June 30, 2027		(4,360)
Therafter		(29,913)
Total	\$	<u>(207,509)</u>

NOTE 20 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of March 31, 2023, reported a net pension liability in the amount of \$296,311 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	June-22	June-21
Employer Total Pension Liability	\$ 1,377,831	\$ 766,997
Plan Net Position	(1,081,520)	(541,865)
Employer Net Pension Liability	<u>\$ 296,311</u>	<u>\$ 225,132</u>

The Authority allocation percentage is 0.0019634462% as of June 30, 2022.

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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 20 – 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, 2023

NOTE 20 – 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, 2022, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2022.

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 2022 the State's pension contribution was less than the actuarial determined amount.

Actuarial Assumptions

The total pension liability for June 30, 2022, measurement dates were determined by using an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. 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 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2022.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions -continued

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2022.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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, 2022, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	4.00%	4.91%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Investment Grade Credit	7.00%	3.38%
High Yield	4.00%	4.95%
Private Credit	7.00%	8.10%
Real Assets	8.00%	11.19%
Real Estate	3.00%	7.60%
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Discount Rate -Continued

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0% percent) or 1 percentage-point higher (8.0% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 354,185	\$ 296,311	\$ 245,334

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, 2023	\$ (25,417)
Year Ending June 30, 2023	(12,949)
Year Ending June 30, 2025	(6,315)
Year Ending June 30, 2026	13,777
Year Ending June 30, 2027	(30)
Total	<u>\$ (30,934)</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 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2022, are as follows:

Service Cost	\$	22,228
Interest on the Total Pension Liability		93,686
Benefits Changes		210
Member Contributions		(90,671)
Administrative Expenses		380
Expected Investment Return Net of Investment Expenses		(3,264)
Pension Expense Related to Specific Liabilities of Individual Employers		(306)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		(8,671)
Changes of Assumptions		(4,918)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		-
Total	\$	8,291
	\$	16,965

NOTE 21 – 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-23	Component Unit December-22
Balance Beginning of Year	\$ 85,228	\$ 2,571,037
Fixed Assets Additions	5,332	18,056
Payment of Debt	11,108	-
Depreciation Expense	(113,722)	(182,331)
Depreciation Expense -Adjustment	1	23,987
Ending Balance	\$ (12,053)	\$ 2,430,749

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 22 – RESTRICTED NET POSITION

The Authority's Restricted Net Position account balance on March 31, 2023, is \$255,069 and the component unit as of December 31, 2022, is \$943,403. The balance is as follows:

	Primary Government March-23	Component Unit December-22
HCV Program HAP Reserves	\$ 62,464	\$ -
Rehab Escrow Reserves - RAD	192,605	-
Operating Reserve Deficit Account	-	341,945
Replacement Reserve Account	-	197,680
Reserve Funds	-	403,778
Total Restricted Net Position	<u>\$ 255,069</u>	<u>\$ 943,403</u>

	Primary Government March-22	Component Unit December-21
HCV Program HAP Reserves	\$ 37,274	\$ -
Rehab Escrow Reserves - RAD	171,363	-
Operating Reserve Deficit Account	-	340,518
Replacement Reserve Account	-	129,600
Reserve Funds	-	402,039
Total Restricted Net Position	<u>\$ 208,637</u>	<u>\$ 872,157</u>

In connection with the New Jersey Community Capital mortgage (Note 17), 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 \$192,605.

Housing Choice Voucher Program - Reserves

The restricted cash in the amount of \$62,464 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 AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 22 – RESTRICTED NET POSITION -CONTINUED

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on March 31, 2023, was \$578,588.

NOTE 23 – UNRESTRICTED NET POSITION

The Authority's Unrestricted Net Position and the component unit account balance on March 31, 2023, and December 31, 2022, is as follows:

	Business Activities	HCV ADM Reserve	Component Unit December-22	Total
Balance - Beginning	\$ 1,330,001	\$ 56,511	\$ 452,002	\$ 1,838,514
Increase During the Year	2,364,030	106,319	-	2,470,349
Decrease for the Year	-	-	(2,243,444)	(2,243,444)
Prior Period Adjustment	50,857	-	(80,722)	(29,865)
Ending Balance	\$ 3,744,888	\$ 162,830	\$ (1,872,164)	\$ 2,035,554

NOTE 24 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The programs provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Section 8 Housing Choice Voucher for March 31, 2023, were \$2,429,701.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

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 \$2,429,701 to the Authority which represents approximately 93% percent of the Authority's primary government total revenue for the year ended March 31, 2023.

NOTE 26 –CONTRACT ADMINISTRATION

In April 2019, the Authority converted all 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, 2023

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, 2023, the development fee earned was \$-0- with an outstanding balance of \$149,020 as of March 31, 2023.

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, 2022, the management fee earned was \$49,350. 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, 2023, the following expenses were charged:

	Highland Park Affordable Housing Corporation	Kronman Affordable Housing Limited Partnership
Administrative Salaries	\$ 5,666	\$ 31,144
Maintenance Salaries	16,339	81,627
Employee Benefits	19,422	54,993
Accounting Fees	8,800	6,500
Management Fees	-	49,350
Total Cost	<u>\$ 50,227</u>	<u>\$ 223,614</u>

NOTE 29 – RECLASSIFICATION

The Authority needed to make a prior period adjustment to adjust the opening balance to the pension payable and OPEB amount as of June 30, 2022, in the amount of \$50,857.

The Component unit needed to make a prior period adjustment for the Lease (FASB ASC 842) in the amount (80,722) as of January 1, 2022.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Notes to Financial Statements

March 31, 2023

NOTE 30 – CONTINGENCIES AND COMMITMENTS

Litigation – On March 31, 2023, the Authority was not involved in any threatened litigation.

Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended March 31, 2023.

NOTE 31 – SUBSEQUENT EVENTS

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

The severity of the impact of COVID-19 on the Authority operations will depend on several factors, including, but limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority's tenants, employees and vendors, all of which are uncertain and cannot be predicted. The Authority's future results could be adversely impacted by delays in rent collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial conditions, results of operations or cash flows.

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru October 20, 2023, 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, 2023

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.

<u>Total OPEB Liability</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service Cost	\$ 29,994	\$ 23,262	\$ 23,843	\$ 10,951
Interest on Total OPEB liability	15,112	19,097	22,753	24,888
Expected Investment Return	3	(293)	(404)	-
Administrative Expenses	464	381	339	-
Changes in Benefits Term	15,153	40	(68)	
Current Period Deferred				
Inflows/Outflows of Resources	(23,735)	(21,137)	(22,156)	-
Changes in Assumptions or Other				
Inputs	(118,081)	182,903	(28,951)	-
Net Difference Between Projected and				
Actual Investments Earning on	152	174	128	-
Pension Plan Investments				
Benefit Payments				(16,531)
Change in Plan	-	-	(249,612)	-
Net Change in Total OPEB Liability	(80,938)	204,427	(254,128)	19,308
Total OPEB Liability, Beginning	688,970	484,543	738,671	719,363
Total OPEB Liability, Ending	\$ 608,032	\$ 688,970	\$ 484,543	\$ 738,671
Covered, Employee Payroll	\$ 173,376	\$ 160,568	\$ 141,603	\$ 156,489
Plan Fiduciary Net Position as a				
Percentage of the Total OPEB				
Liability	350.70%	429.08%	342.18%	472.03%

**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, 2023

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.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Housing Authority's proportion of the net pension liability	0.00196344620%	0.00190004092%	0.00190081890%	0.00190509880%
Housing Authority's proportionate share of the net pension liability	\$ 296,311	\$ 225,132	\$ 309,976	\$ 343,270
Housing Authority's covered employee payroll	\$ 173,376	\$ 158,025	\$ 160,568	\$ 141,603
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.91%	142.47%	193.05%	242.42%
Plan fiduciary net position as a percentage of the total pension liability	21.50%	29.35%	52.16%	43.42%

**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, 2023

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.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Housing Authority's proportion of the net pension liability	0.0018976000%	0.00108259%	0.00151556%	0.00150047%	0.00194399%
Housing Authority's proportionate share of the net pension liability	\$ 373,628	\$ 252,009	\$ 261,133	\$ 336,825	\$ 363,969
Housing Authority's covered employee payroll	\$ 156,489	\$ 153,840	\$ 151,716	\$ 162,139	\$ 164,939
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.76%	163.81%	172.12%	207.74%	220.67%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.01%	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, 2023

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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 24,760	\$ 22,256	\$ 20,974	\$ 18,531
Contribution in relation to the contractually required contribution	(24,760)	(22,256)	(20,974)	(18,531)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 173,376	\$ 158,025	\$ 160,568	\$ 141,603
Contribution as a percentage of covered employee payroll	14.28%	14.08%	13.06%	13.09%

**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, 2023

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 18,875	\$ 10,029	\$ 13,464	\$ 12,900	\$ 16,026
Contribution in relation to the contractually required contribution	(18,875)	(10,029)	(13,464)	(12,900)	(16,026)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 156,489	\$ 153,840	\$ 151,716	\$ 162,139	\$ 164,939
Contribution as a percentage of covered employee payroll	12.06%	6.52%	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, 2023**

Programs funded by:

U.S. Department of Housing and Urban Development

	<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>Section 8 Housing Choice Voucher Program</u>					
NJ39PO44	14.871	\$ -	\$ 2,429,701	\$ 2,429,701	\$ -
Grant Total 14.871		-	2,429,701	2,429,701	-
Total Expenditures of Federal Awards		<u>\$ -</u>	<u>\$ 2,429,701</u>	<u>\$ 2,429,701</u>	<u>\$ -</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2023**

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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the Borough of Highland Park, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the Borough of Highland Park.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

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

Note 4. Loans Outstanding:

The Housing Authority of the Borough of Highland Park had no loans outstanding on March 31, 2023.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended March 31, 2023.

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.

Highland Park Housing Authority (NJ044)
HIGHLAND PARK, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2023

	Project Total	6.1 Component Unit - Discretely	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$770,551	\$663,517	\$468,392	\$1,902,460		\$1,902,460
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted		\$943,403	\$192,605	\$62,464	\$1,198,472		\$1,198,472
114 Cash - Tenant Security Deposits		\$43,620	\$12,323		\$55,943		\$55,943
115 Cash - Restricted for Payment of Current Liabilities				\$1,727	\$1,727		\$1,727
100 Total Cash	\$0	\$1,757,574	\$868,445	\$532,583	\$3,158,602	\$0	\$3,158,602
121 Accounts Receivable - PHA Projects				\$2,652	\$2,652		\$2,652
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous			\$4,379,280		\$4,379,280	-\$4,379,280	\$0
126 Accounts Receivable - Tenants		\$3,212	\$38,709		\$41,921		\$41,921
126.1 Allowance for Doubtful Accounts - Tenants		\$0	-\$32,954		-\$32,954		-\$32,954
126.2 Allowance for Doubtful Accounts - Other			\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery			\$5,521		\$5,521		\$5,521
128.1 Allowance for Doubtful Accounts - Fraud			\$0		\$0		\$0
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$3,212	\$4,390,556	\$2,652	\$4,396,420	-\$4,379,280	\$17,140
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets		\$24,336	\$5,937	\$1,752	\$32,025		\$32,025
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$0	\$1,785,122	\$5,264,938	\$536,987	\$7,587,047	-\$4,379,280	\$3,207,767
161 Land			\$18,106		\$18,106		\$18,106
162 Buildings		\$6,163,204	\$1,276,173		\$7,439,377		\$7,439,377
163 Furniture, Equipment & Machinery - Dwellings		\$24,778	\$116,851		\$141,629		\$141,629
164 Furniture, Equipment & Machinery - Administration			\$63,444	\$22,791	\$86,235		\$86,235

Highland Park Housing Authority (NJ044)
HIGHLAND PARK, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2023

	Project Total	6.1 Component Unit - Discretely	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
165 Leasehold Improvements							
166 Accumulated Depreciation		-\$524,855	-\$1,068,055	-\$12,034	-\$1,604,944		-\$1,604,944
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$5,663,127	\$406,519	\$10,757	\$6,080,403	\$0	\$6,080,403
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		\$2,081,079			\$2,081,079		\$2,081,079
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$0	\$7,744,206	\$406,519	\$10,757	\$8,161,482	\$0	\$8,161,482
200 Deferred Outflow of Resources			\$137,497	\$61,535	\$199,032		\$199,032
290 Total Assets and Deferred Outflow of Resources	\$0	\$9,529,328	\$5,808,954	\$609,279	\$15,947,561	-\$4,379,280	\$11,568,281
311 Bank Overdraft							
312 Accounts Payable <= 90 Days		\$9,342	\$2,010	\$25,810	\$37,162		\$37,162
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable			\$1,492	\$2,025	\$3,517		\$3,517
322 Accrued Compensated Absences - Current Portion			\$1,333	\$158	\$1,491		\$1,491
324 Accrued Contingency Liability							
325 Accrued Interest Payable		\$326,451	\$2,513		\$328,964	-\$326,451	\$2,513
331 Accounts Payable - HUD PHA Programs				\$10,889	\$10,889		\$10,889
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government		\$26,131	\$10,958		\$37,089		\$37,089
341 Tenant Security Deposits		\$43,620	\$12,323		\$55,943		\$55,943
342 Unearned Revenue		\$94	\$46		\$140		\$140
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue							
344 Current Portion of Long-term Debt - Operating Borrowings			\$10,833		\$10,833		\$10,833
345 Other Current Liabilities							
346 Accrued Liabilities - Other		\$10,597	\$2,977		\$13,574		\$13,574

Highland Park Housing Authority (NJ044)
HIGHLAND PARK, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2023

	Project Total	6.1 Component Unit - Discretely	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$0	\$416,235	\$44,485	\$38,882	\$499,602	-\$326,451	\$173,151
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$0		\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings		\$3,232,378	\$418,496		\$3,650,874		\$3,650,874
353 Non-current Liabilities - Other		\$2,273,762	\$412,790		\$2,686,552	-\$1,947,864	\$738,688
354 Accrued Compensated Absences - Non Current			\$11,997	\$1,420	\$13,417		\$13,417
355 Loan Liability - Non Current		\$2,104,965			\$2,104,965	-\$2,104,965	\$0
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities			\$623,134	\$281,209	\$904,343		\$904,343
350 Total Non-Current Liabilities	\$0	\$7,611,105	\$1,466,417	\$282,629	\$9,360,151	-\$4,052,829	\$5,307,322
300 Total Liabilities	\$0	\$8,027,340	\$1,510,902	\$321,511	\$9,859,753	-\$4,379,280	\$5,480,473
400 Deferred Inflow of Resources			\$383,369	\$51,717	\$435,086		\$435,086
508.4 Net Investment in Capital Assets		\$2,430,749	-\$22,810	\$10,757	\$2,418,696		\$2,418,696
511.4 Restricted Net Position		\$943,403	\$192,605	\$62,464	\$1,198,472		\$1,198,472
512.4 Unrestricted Net Position	\$0	-\$1,872,164	\$3,744,888	\$162,830	\$2,035,554		\$2,035,554
513 Total Equity - Net Assets / Position	\$0	\$1,501,988	\$3,914,683	\$236,051	\$5,652,722	\$0	\$5,652,722
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$9,529,328	\$5,808,954	\$609,279	\$15,947,561	-\$4,379,280	\$11,568,281

Highland Park Housing Authority (NJ044)

HIGHLAND PARK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2023

	Project Total	6.1 Component Unit - Discretely	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$1,045,493	\$305,307		\$1,350,800	-\$152,393	\$1,198,407
70400 Tenant Revenue - Other							
70500 Total Tenant Revenue	\$0	\$1,045,493	\$305,307	\$0	\$1,350,800	-\$152,393	\$1,198,407
70600 HUD PHA Operating Grants				\$2,429,701	\$2,429,701		\$2,429,701
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		\$3,766	\$4,204	\$3,208	\$11,178		\$11,178
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery				\$8,308	\$8,308		\$8,308
71500 Other Revenue		\$6,665	\$937		\$7,602		\$7,602
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$0	\$1,055,924	\$310,448	\$2,441,217	\$3,807,589	-\$152,393	\$3,655,196
91100 Administrative Salaries		\$31,144	\$5,666	\$26,039	\$62,849		\$62,849
91200 Auditing Fees		\$19,650	\$4,545	\$5,175	\$29,370		\$29,370
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative		\$15,398	\$5,752	\$8,216	\$29,366		\$29,366
91600 Office Expenses		\$88,550	\$54,732	\$148,080	\$291,362		\$291,362
91700 Legal Expense		\$10,559	\$3,144	\$7,614	\$21,317		\$21,317
91800 Travel							
91810 Allocated Overhead							
91900 Other							

Highland Park Housing Authority (NJ044)

HIGHLAND PARK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2023

	Project Total	6.1 Component Unit - Discretely	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
91000 Total Operating - Administrative	\$0	\$165,301	\$73,839	\$195,124	\$434,264	\$0	\$434,264
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other			\$39		\$39		\$39
92500 Total Tenant Services	\$0	\$0	\$39	\$0	\$39	\$0	\$39
93100 Water		\$21,181	\$6,300		\$27,481		\$27,481
93200 Electricity		\$150,328	\$17,037		\$167,365		\$167,365
93300 Gas		\$12,304	\$15,197		\$27,501		\$27,501
93400 Fuel							
93500 Labor							
93600 Sewer		\$16,196	\$4,805		\$21,001		\$21,001
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$0	\$200,009	\$43,339	\$0	\$243,348	\$0	\$243,348
94100 Ordinary Maintenance and Operations - Labor		\$81,627	\$16,339		\$97,966		\$97,966
94200 Ordinary Maintenance and Operations - Materials and Other		\$24,035	\$2,977		\$27,012		\$27,012
94300 Ordinary Maintenance and Operations Contracts		\$82,293	\$28,046		\$110,339		\$110,339
94500 Employee Benefit Contributions - Ordinary Maintenance		\$39,595	\$13,670		\$53,265		\$53,265
94000 Total Maintenance	\$0	\$227,550	\$61,032	\$0	\$288,582	\$0	\$288,582
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance		\$55,230	\$12,000		\$67,230		\$67,230
96120 Liability Insurance		\$27,615	\$6,000		\$33,615		\$33,615

Highland Park Housing Authority (NJ044)

HIGHLAND PARK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2023

	Project Total	6.1 Component Unit - Discretely	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
96130 Workmen's Compensation		\$27,615	\$6,000	\$8,333	\$41,948		\$41,948
96140 All Other Insurance							
96100 Total insurance Premiums	\$0	\$110,460	\$24,000	\$8,333	\$142,793	\$0	\$142,793
96200 Other General Expenses		\$8,195		\$10,155	\$18,350		\$18,350
96210 Compensated Absences							
96300 Payments in Lieu of Taxes		\$26,133	\$10,958		\$37,091		\$37,091
96400 Bad debt - Tenant Rents			\$8,460		\$8,460		\$8,460
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$0	\$34,328	\$19,418	\$10,155	\$63,901	\$0	\$63,901
96710 Interest of Mortgage (or Bonds) Payable			\$27,261		\$27,261		\$27,261
96720 Interest on Notes Payable (Short and Long Term)		\$112,338			\$112,338		\$112,338
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$112,338	\$27,261	\$0	\$139,599	\$0	\$139,599
96900 Total Operating Expenses	\$0	\$849,986	\$248,928	\$213,612	\$1,312,526	\$0	\$1,312,526
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$205,938	\$61,520	\$2,227,605	\$2,495,063	-\$152,393	\$2,342,670
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments				\$2,091,996	\$2,091,996	-\$152,393	\$1,939,603
97350 HAP Portability-In							
97400 Depreciation Expense		\$182,331	\$109,164	\$4,558	\$296,053		\$296,053
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$0	\$1,032,317	\$358,092	\$2,310,166	\$3,700,575	-\$152,393	\$3,548,182
10010 Operating Transfer In							

Highland Park Housing Authority (NJ044)

HIGHLAND PARK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2023

	Project Total	6.1 Component Unit - Discretely	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
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)	\$0	\$23,607	-\$47,644	\$131,051	\$107,014	\$0	\$107,014
Total Expenses							
11020 Required Annual Debt Principal Payments	\$0	\$0	\$11,112	\$0	\$11,112		\$11,112
11030 Beginning Equity	\$0	\$1,559,103	\$3,911,470	\$105,000	\$5,575,573		\$5,575,573
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-\$80,722	\$50,857		-\$29,865		-\$29,865
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				\$173,587	\$173,587		\$173,587
11180 Housing Assistance Payments Equity				\$62,464	\$62,464		\$62,464
11190 Unit Months Available	0	1200	288	3228	4716		4716
11210 Number of Unit Months Leased	0	1193	279	2858	4330		4330
11270 Excess Cash	\$0				\$0		\$0
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$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: 03/31/2023

	Project Total	6.1 Component Unit - Discretely	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
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

**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 GOVERNMENT
AUDITING STANDARDS**

Board of Commissioners
Housing Authority of the Borough of Highland Park
242 South 6th 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 governmental activities, business activities and the aggregate discretely present component unit of Housing Authority of the Borough of Highland Park, as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise Housing Authority of the Borough of Highland Park's basic financial statements, and have issued our report thereon dated October 20, 2023.

Report on 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's internal control over financial reporting (internal control) as a basis for designing 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 the Housing Authority of the Borough of Highland Park's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the Borough of Highland Park's financial statements are free 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 financial statements. 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.

Giampaolo & Associates

Lincroft, New Jersey

Date: October 20, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Authority of the Borough of Highland Park's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the Borough of Highland Park's major federal program for the year ended March 31, 2023. Housing Authority of the Borough of Highland Park's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 program for the year ended March 31, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Housing Authority of the Borough of Highland Park and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Housing Authority of the Borough of Highland Park's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Housing Authority of the Borough of Highland Park's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing Authority of the Borough of Highland Park's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Housing Authority of the Borough of Highland Park's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the Borough of Highland Park's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Authority of the Borough of Highland Park's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Housing Authority of the Borough of Highland Park's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Giampaolo & Associates

Lincroft, New Jersey

Date: October 20, 2023

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLAND PARK

Schedule of Findings and Questioned Cost Year Ended March 31, 2023

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with section Title 2 U.S. Code of Federal Regulation
Part 200, Uniform Administrative Requirements, _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Voucher Program	\$ 2,429,701

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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

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

We were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by The PHA as of and for the year ended March 31, 2023, and have issued our report thereon dated October 20, 2023. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated October 20, 2023, was expressed in relation to the basic financial statements of the PHA taken as a whole.

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

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

Giampaolo & Associates

Lincroft, New Jersey

October 20, 2023

Procedure	UFRS Rule Information	Hard Copy Document(s)	Findings
1	Balance Sheet and Revenue Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's, if applicable	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental report on FDS	Agrees
4	Audit findings narrative (data element G5200-010)	Schedule of findings and Questioned Costs	Agrees
5	General information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Agrees
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Agrees
9	Basic financial statements and auditor reports required to be submitted electronically	Basic Financial Statements (inclusive of auditor reports)	Agrees