

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2023

**WITH
REPORT OF INDEPENDENT AUDITORS**

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
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FOR THE YEAR ENDED JUNE 30, 2023**

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners
Housing Authority of the Borough of Highlands:

Opinion

We have audited the accompanying financial statements of the Housing Authority of the Borough of Highlands (the "Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the accompanying table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2023, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Authority'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.

Auditors' 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 auditors' report that includes our opinion. 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 GAAS, *Government Auditing Standards*, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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 GAAS, *Government Auditing Standards*, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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 Authority'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 Authority'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension information and other post employment benefits information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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.

Other Matters (continued)

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of federal awards, findings and responses is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements. The statement of financial position data, statement of activities data, statement of cash flows data, computation of surplus cash and schedule of reserve for replacements, and the schedule of changes in fixed asset accounts ("Supplementary Data Required by HUD") is also presented for the purpose of additional analysis as required by the United States Department of Housing and Urban Development are also not a required part of the financial statements.

The schedule of federal awards, findings and responses and the Supplementary Data Required by HUD are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 federal awards, findings and responses and the Supplementary Data Required by HUD are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The certification of mortgagor and the management agent's certification have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2024 on our consideration of the Authority'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

February 6, 2024
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A - Financial Highlights

- 1 – The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,515,834 (net position) as opposed to \$3,527,196 for the prior fiscal year.
- 2 – As of the close of the current fiscal year, the Authority's proprietary fund reported ending unrestricted net position of \$739,050.
- 3 – The Authority's cash and cash equivalents balance (including tenant security deposits) at June 30, 2023 was \$2,044,247 representing an increase of \$145,877 from the prior fiscal year.
- 4 – The Authority had total operating revenues of \$1,297,392 and total operating expenses of \$1,322,821 for the year ended June 30, 2023.
- 5 – The Authority had capital outlays totaling \$155,509 for the fiscal year.
- 6 – The Authority's expenditures of federal awards amounted to \$609,365 for the fiscal year.

B – Using the Annual Report

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements and Notes to Financial Statements included in the this report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

B – Using the Annual Report (continued)

2 – Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets and deferred outflows and liabilities, with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the Authority's net position changed during the most recent 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 unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g.; depreciation and earned but unused vacation leave).

The Statement of Cash Flows reports the cash flows from operating, investing, capital and related financing activities.

The financial statements report on the Authority's activities. The 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 9 through 13.

3 – Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found in this report after the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

C – The Authority as a Whole

The Authority's net position increased during the fiscal year. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. The Authority's revenues were sufficient to cover all expenses, including depreciation during the fiscal year.

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

D – Budgetary Highlights

For the year ended June 30, 2023, an individual program budget was prepared by the Authority and was approved by the Board of Commissioners. The budget was prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the excess of revenues over expenses, the Authority's net position increased during the fiscal year.

E – Capital Assets and Debt Administration

1 - Capital Assets

As of June 30, 2023, the Authority's net investment in capital assets for its proprietary fund was \$1,911,486 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress less related debt.

The Authority spent \$155,509 on capital assets during the year ended June 30, 2023.

Additional information on the Authority's capital assets can be found in Note 5 to the Financial Statements, which is included in this report.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

E – Capital Assets and Debt Administration (continued)

2 – Long Term Debt

During the fiscal year ended June 30, 2019, the Authority entered into a mortgage loan with Investors Bank in the amount of \$500,000, in order to complete the rehabilitation work related to the Authority's RAD conversion. As of June 30, 2023, \$378,909 remains payable.

Further details can be found in the Note 10 to the Financial Statements.

F – Significant Changes from FYE June 30, 2022 to June 30, 2023

Cash and cash equivalents (including restricted cash) increased by \$145,877 during the year ended June 30, 2023.

Capital assets, net decreased by \$160,593, due to depreciation expense of \$316,102 exceeding purchases of \$155,509 for the year.

Accrued pension liability increased by \$78,448 due to changes in the assumptions and proportions of the State of New Jersey's PERS Report for year ended June 30, 2023.

During the year ended June 30, 2023, the Authority's employees began participating in the State of New Jersey's OPEB Plan, resulting in the Authority recognizing deferred outflows of resources in the amount of \$662,022, an OPEB liability in the amount of \$455,903, and deferred inflows of resources in the amount of 240,096 related to the OPEB Plan.

HUD grants decreased \$25,979, due to a decrease in CARES Act grant income during the year.

Ordinary repairs and maintenance expense decreased \$6,628 from \$310,288 in 2022 to \$303,660 in 2023, primarily due to decreases in maintenance contracts.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

G – Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2024.

- 1 – The state of the economy, particularly in light of current world affairs.
- 2 – The desire for Congress to reduce the national deficit through cutbacks to federal programs.
- 3 – The use of the Authority's unrestricted net position to fund any shortfalls arising from a possible economic downturn and reduced subsidies and grants. The Authority's unrestricted net position appears sufficient to cover any shortfall.

H – 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 the Executive Director, Housing Authority of the Borough of Highlands, 215 Shore Drive, Highlands, NJ 07732, or call (732) 872-2022.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,131,366
Tenant security deposits	47,583
Accounts receivable, net	9,113
Current portion of lease receivable	<u>13,860</u>
Total current assets	<u>1,201,922</u>
Non-current assets:	
Restricted cash	865,298
Lease receivable, net of current portion	600,946
Capital assets, net	<u>2,290,395</u>
Total non-current assets	<u>3,756,639</u>
Total assets	<u>4,958,561</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey OPEB	662,022
State of New Jersey P.E.R.S.	<u>64,903</u>
Total deferred outflows of resources	<u>726,925</u>
Total assets and deferred outflows of resources	<u>\$ 5,685,486</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF NET POSITION (continued)
JUNE 30, 2023

LIABILITIES

Current liabilities:	
Accounts payable	\$ 73,656
Accrued expenses	13,965
Tenant security deposits	47,583
Prepaid rent	1,557
Accrued compensated absences	16,324
Loan payable, current	<u>28,885</u>
Total current liabilities	<u>181,970</u>
Non-current liabilities:	
Accrued OPEB liability	455,903
Accrued pension liability	314,980
Loan payable, non-current	<u>350,024</u>
Total non-current liabilities	<u>1,120,907</u>
Total liabilities	<u>1,302,877</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	49,170
State of New Jersey OPEB	240,096
Leased asset	<u>577,509</u>
Total deferred inflows of resources	<u>866,775</u>

NET POSITION

Net position:	
Net investment in capital assets	1,911,486
Restricted	865,298
Unrestricted	<u>739,050</u>
Total net position	<u>3,515,834</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,685,486</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

Operating revenues:	
Tenant revenue	\$ 652,728
HUD operating grants	609,365
Other revenues	<u>35,299</u>
Total operating revenues	<u>1,297,392</u>
Operating expenses:	
Administrative	277,689
Utilities	244,545
Ordinary repairs and maintenance	303,660
Insurance	117,626
General	63,199
Depreciation	<u>316,102</u>
Total operating expenses	<u>1,322,821</u>
Operating loss	<u>(25,429)</u>
Non-operating revenues (expenses):	
Investment income	35,709
Interest expense	<u>(21,642)</u>
Net non-operating revenues	<u>14,067</u>
Change in net position	(11,362)
Net position, beginning of year	<u>3,527,196</u>
Total net position, end of year	<u>\$ 3,515,834</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 697,120
Cash received from grantors	853,370
Cash paid to employees	(263,700)
Cash paid to vendors and suppliers	<u>(953,460)</u>
Net cash provided by operating activities	<u>333,330</u>
Cash Flows from Capital and Related Financing Activities:	
Principal payments of loan payable	(27,353)
Interest paid on loan payable	(21,642)
Purchase of capital assets	<u>(155,509)</u>
Net cash used in capital and related financing activities	<u>(204,504)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>17,051</u>
Net cash provided by investing activities	<u>17,051</u>
Net increase in cash, cash equivalents, and restricted cash	145,877
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,898,370</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 2,044,247</u>
 Reconciliation of cash, cash equivalents, and restricted cash to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 1,131,366
Tenant security deposits	47,583
Restricted cash	<u>865,298</u>
Cash, cash equivalents, and restricted cash	<u>\$ 2,044,247</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2023**

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (25,429)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	316,102
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable, net	(6,863)
Prepaid expenses	5,990
Lease receivable	13,142
Deferred outflows of resources	(683,067)
Accounts payable	20,839
Accrued expenses	10,557
Tenant security deposits	1,378
Prepaid rent	1,436
Accrued compensated absences	3,837
Accrued pension liability	78,448
Accrued OPEB liability	455,903
Deferred inflows of resources	<u>141,057</u>
Net cash provided by operating activities	<u>\$ 333,330</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Highlands Housing Authority (the "Authority") is a governmental, 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 Highlands (the "Borough"). The Authority is responsible for operating certain low-rent housing programs in the Borough under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous, but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended ("GASB 34"). GASB 34 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 Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting / Financial Statement Presentation (continued)

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*, 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 adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions ("GASB 75")*. GASB 75 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with post employment benefits other than pensions ("OPEB") of State and Local Governments. For defined benefit OPEB, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, GASB 75 details the recognition and disclosure requirements for employers with liabilities to a defined benefit OPEB plan and for employers whose employees are provided with defined contribution OPEB.

During fiscal year 2019, the Authority converted its Public and Indian Housing program to Section 8 Project Based Rental Assistance through HUD's Rental Assistance Demonstration ("RAD") program. As a result of the conversion, the Authority's ninety (90) unit housing complex known as Ptak Towers and thirty (30) unit complex known as Jennie Parker Manor ("the Projects"), now receive project based rental assistance from HUD. Pursuant to the terms and conditions of the Housing Assistance Payment ("HAP") contract, HUD agreed to make housing assistance payments monthly to the Projects, on behalf of each eligible tenant, in the amount equal to the difference between the amount specified in the HAP contract as the rental for the leased unit occupied by said tenant and that portion of such rental which is payable by the tenant in accordance with prescribed formulas, but which shall not exceed 30% of the tenant's adjusted gross income. HUD has notified the Projects that it has reserved its annual commitment for housing assistance payments under the HAP contract and the amount is based upon the initial schedule of approved contract rents. The terms of the HAP contract will provide for increases and decreases in contract rents and subsidies thereto subject to certain conditions.

Effective July 1, 2022, the Authority adopted GASB Statement No.96, *Subscription-Based Information Technology Arrangements ("GASB 96")*. GASB 96 improves financial reporting by establishing a definition for subscription-based information technology arrangements ("SBITA") and providing uniform guidance for accounting and financial reporting for transactions that meet the definition of SBITA. For the year ended June 30, 2023, the adoption of GASB 96 did not have a material effect on the financial statements of the Authority.

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB 14 and 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above criteria, this report does not include any component units.

D. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, and contingencies. Actual results could differ significantly from these estimates.

E. Cash, Cash Equivalents and Restricted Cash

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 the 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.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit, or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC 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. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements. For the Statement of Cash Flows, cash, cash equivalents and restricted cash include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, accounts receivable balances primarily consist of rents past due and vacated units. An allowance for doubtful accounts is established to provide for accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

The Authority also recognizes a receivable from other governmental agencies for amounts earned and billed but not received and for amounts unbilled, but earned as of year end.

G. Allowance for Doubtful Accounts

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

H. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

I. Capital Assets, Net

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

• Buildings	40 Years
• Building Improvements	15 Years
• Furniture and Equipment	3 -5 Years
• Machinery	3 - 5 Years

The Authority has established a capitalization threshold of \$1,000.

J. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. For the year ended June 30, 2023 there were no impairment losses incurred.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Lease Receivable

Lease receivables are recognized at the net present value of the leased assets at a borrowing rate either explicitly described in the lease agreement or implicitly determined by the Authority.

L. Accounts Payable and Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year-end. It also recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

M. Prepaid Rent

The Authority recognizes a liability for prepaid rents, which consists of the prepayment of rent by residents applicable to future periods.

N. Compensated Absences

Compensated absences are those absences for which employees will be paid in accordance with the Authority's Personnel Policy. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such event take place.

O. Regulated Leases

The Authority is a lessor of residential dwelling units under regulated leases as defined by GASB 87 and as such recognizes rental revenue in accordance with the terms of the lease contract. The leases which are twelve months in length are regulated by HUD as to rent, unit size, household composition and tenant income. For the year ended June 30, 2023, rental revenue earned under the aforementioned leases totaled \$652,728.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Other Post Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the net OPEB, and OPEB expense, and information about the fiduciary net position of the State Health Benefits Plan ("SHBP") and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

R. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

S. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets".

T. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. The Authority receives annual operating subsidies from HUD, subject to limitations prescribed by HUD. Operating subsidies from HUD are recorded in accordance with GASB 33 and are accounted for as revenue. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Taxes

The Authority is a unit of local government under the New Jersey law and is exempt from real estate, sales and income taxes by both the federal and state governments. However, the Authority will pay a payment in lieu of taxes to cover municipal services provided by the local government for certain properties owned throughout the Borough.

V. Economic Dependency

The Authority is economically dependent on subsidies from HUD. The Section 8 Project Based Rental Assistance program operates at a loss prior to receiving the grants.

W. Budgets and Budgetary Accounting

The Authority adopts an annual operating budget which is used as a management tool throughout the accounting cycle. All budgets are prepared on a HUD basis, which differs with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

Pursuant to N.J.S.A 40A:5A-10 and N.J.A.C. 5:31, the Authority is also required to submit an authority wide budget for each fiscal year to the Director of the Division of Local Government Services sixty (60) days prior to the end of the fiscal year.

X. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund ("JIF").

The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the past three years.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 2. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As of June 30, 2023, the Authority had funds on deposit in checking, savings, and money market accounts. The carrying amount of the Authority's cash, cash equivalents and restricted cash was \$2,044,247, and the bank balances approximated \$2,044,492.

<u>Cash Category</u>	<u>Amount</u>
Unrestricted	\$ 1,131,366
Tenant security deposits	47,583
Restricted	<u>865,298</u>
 Total cash and cash equivalents	 \$ <u>2,044,247</u>

Of the bank balances, \$256,794 was covered by federal depository insurance and the remaining \$1,787,698 was collateralized by GUDPA as of June 30, 2023.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of June 30, 2023, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at June 30, 2023:

<u>Description</u>	<u>Amount</u>
Accounts receivable - tenants, net	\$ <u>9,113</u>

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The balance is shown net of an allowance for doubtful accounts of \$0.

NOTE 4. RESTRICTED DEPOSITS

As of June 30, 2023, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Amount</u>
Debt service escrows	\$ 2,317
Reserve for replacements escrows	862,981
Tenant security deposits	<u>47,583</u>
 Total restricted deposits	 \$ <u>912,881</u>

Debt service escrows are required to be set aside for future debt payments.

Reserve for replacements escrows are required to be set aside for future project expenditures in accordance with the Authority's RAD Conversion Commitment.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination from the Authority, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 5. CAPITAL ASSETS, NET

The following is a summary of the changes in capital assets for the year ended June 30, 2023:

Description	June 30, 2022	Additions	Dispositions	Transfers	June 30, 2023
Non-depreciable:					
Land	\$ 54,433	\$ -	\$ -	\$ -	\$ 54,433
Depreciable:					
Buildings and improvements	10,467,096	155,509	-	-	10,622,605
Furniture and equipment	124,464	-	-	-	124,464
Subtotal	<u>10,591,560</u>	<u>155,509</u>	<u>-</u>	<u>-</u>	<u>10,747,069</u>
Less: accumulated depreciation	<u>8,195,005</u>	<u>316,102</u>	<u>-</u>	<u>-</u>	<u>8,511,107</u>
Net capital assets	<u>\$ 2,450,988</u>	<u>\$ (160,593)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,290,395</u>

Depreciation expense for the year ended June 30, 2023 amounted to \$316,102.

NOTE 6. LEASE RECEIVABLE

On March 27, 2019, the Authority entered into a lease agreement (the "antenna lease") as a lessor. The term of the antenna lease was for five years, with an option to have five additional five year terms. The commencement date of the antenna lease was March 27, 2019, terminating on March 27, 2049. An initial lease receivable was recorded in the amount of \$640,701. As of June 30, 2023, the value of the lease receivable was \$614,806. At commencement of the antenna lease, base rent in the amount of \$2,650 was due on the first of each month. The implicit interest rate on the antenna lease was 3%. The value of the deferred inflows of resources as of June 30, 2023 was \$577,509. For the year ended June 30, 2023, the Authority recognized lease revenue and interest income on the antenna lease in the amounts of \$22,877 and \$18,658, respectively.

Annual lease payments for principal and interest for the next five years and in five year increments thereafter is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 13,860	\$ 18,258	\$ 32,118
2025	14,930	17,824	32,754
2026	15,384	17,370	32,754
2027	15,852	16,902	32,754
2028	16,334	16,420	32,754
2029- 2033	93,973	74,056	168,029
2034- 2038	114,590	58,479	173,069
2039- 2043	138,702	39,559	178,261
2044- 2048	166,879	16,730	183,609
2049	<u>24,302</u>	<u>274</u>	<u>24,576</u>
	<u>\$ 614,806</u>	<u>\$ 275,872</u>	<u>\$ 890,678</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 7. ACCOUNTS PAYABLE

As of June 30, 2023, accounts payable consisted of the following:

<u>Description</u>	<u>Amount</u>
Accounts payable - vendors	\$ 32,838
Accounts payable - other governments	<u>40,818</u>
 Total accounts payable	 \$ <u>73,656</u>

Accounts Payable - Vendors

Accounts payable - vendors represents the amounts payable to contractors and vendors for materials received or services rendered.

Accounts Payable - Other Governments

Accounts payable - other governments represents amounts due to the Borough for payments in lieu of taxes ("PILOT").

NOTE 8. PAYMENTS IN LIEU OF TAXES

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 PILOT for Authority owned properties in accordance with the provisions of its Cooperation Agreement with the Borough. Under the Cooperation Agreement, the Authority must pay the Borough the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the year ended June 30, 2023, the Authority incurred PILOT expense in the amount of \$40,818.

NOTE 9. NON-CURRENT LIABILITIES

Non-current liabilities activity during the year ended June 30, 2023 consisted of the following:

<u>Description</u>	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Amounts due within one Year</u>
Accrued pension liability	\$ 236,532	\$ 78,448	\$ -	\$ 314,980	\$ -
Accrued OPEB liability	-	455,903	-	455,903	-
Loans payable	<u>406,262</u>	<u>-</u>	<u>(27,353)</u>	<u>378,909</u>	<u>28,885</u>
 Total non-current liabilities	 \$ <u>642,794</u>	 \$ <u>534,351</u>	 \$ <u>(27,353)</u>	 \$ <u>1,149,792</u>	 \$ <u>28,885</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023**

NOTE 10. LOANS PAYABLE

Loans payable as of June 30, 2023 consisted of the following:

<u>Description</u>	<u>Amount</u>
Loan payable to Investors Bank in monthly payments of \$4,174 including interest at 5.41%. The loan matures on July 1, 2033 and is secured by real property owned by the Authority.	\$ 378,909
Less: current portion	<u>28,885</u>
Loans payable, net of current portion	<u>\$ 350,024</u>

Annual debt service for principal and interest over the next five years and in five-year increments thereafter is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 28,885	\$ 19,687	\$ 48,572
2025	30,565	18,430	48,995
2026	32,284	16,711	48,995
2027	34,100	149,895	183,995
2028	35,984	13,011	48,995
2029-2033	<u>217,091</u>	<u>28,433</u>	<u>245,524</u>
	<u>\$ 378,909</u>	<u>\$ 246,167</u>	<u>\$ 625,076</u>

Interest expense for the year ended June 30, 2023 totaled \$21,642.

NOTE 11. PENSION PLAN

A. Plan Description

The 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 the Division's Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

B. Benefits

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 following represents the membership tiers for PERS:

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 11. PENSION PLAN (continued)

B. Benefits (continued)

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

Early retirement benefits are available to tiers one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age at which a member can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by all 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 includes 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.

The local employers' contribution amounts are based on the 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 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 the assets.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 11. PENSION PLAN (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the Authority reported a liability of \$314,980, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, and rolled forward to June 30, 2022.

For the year ended June 30, 2023, the Authority recorded a pension expense in the amount of \$25,180. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 976	\$ 47,165
Changes in Proportion	23,437	-
Differences between expected and actual experience	2,273	2,005
Net differences between actual and projected earnings on pension plan investments	13,037	-
Payment made Subsequent to Measurement Date	<u>25,180</u>	<u>-</u>
Total	<u>\$ 64,903</u>	<u>\$ 49,170</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	<u>Amount</u>
2024	\$ (7,762)
2025	(3,955)
2026	(1,929)
2027	4,207
2028	<u>(8)</u>
	<u>\$ (9,447)</u>

The amounts reported as deferred outflows of resources related to pensions, contributions made after the measurement date of June 30, 2022, should have the effect of reducing net pension liability during the next actuarial measurement period.

E. Actuarial Assumptions

The collective total pension liability at the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following assumptions.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.75 - 6.55% based on years of service
Investment rate of return	7.00%

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023**

NOTE 11. PENSION PLAN (continued)

E. Actuarial Assumptions (continued)

Pre-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-2021.

The actuarial adjustments used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

F. Long-Term Expected Rate of Return

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class, including the PERS's target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
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%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 11. PENSION PLAN (continued)

G. 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 contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for the local employers. 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 to determine the total pension liability.

H. Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ <u>408,084</u>	\$ <u>314,980</u>	\$ <u>240,683</u>

NOTE 12. OTHER POST EMPLOYMENT BENEFITS PLAN

A. Plan Description

The SHBP is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Division. 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) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

B. Benefits

SHBP 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 negotiations agreement.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 12. OTHER POST EMPLOYMENT BENEFITS PLAN (continued)

B. Benefits (continued)

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.

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the Authority reported a liability of \$455,903, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2021, and rolled forward to June 30, 2022.

For the year ended June 30, 2023, the Authority recognized OPEB expense in the amount of \$33,977. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 60,842	\$ 155,591
Changes in Proportion	540,297	-
Differences between projected and actual experience	23,543	84,505
Net differences between projected and actual investment earnings on OPEB plan investments	120	-
Contributions subsequent to the measurement date	<u>37,220</u>	<u>-</u>
Total	<u>\$ 662,022</u>	<u>\$ 240,096</u>

The deferred outflow and deferred inflows of resources, other than the employer contributions noted above, will be recognized in future OPEB expense as follows:

Year ending June 30:	<u>Amount</u>
2024	\$ 102,144
2025	102,234
2026	80,733
2027	36,056
2028	8,084
Thereafter	<u>55,455</u>
	<u>\$ 384,706</u>

The amount reported as deferred outflows of resources related to employer contributions made July 2022 through June 2023, should have the effect of reducing net pension liability during the next actuarial measurement period.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 12. OTHER POST EMPLOYMENT BENEFITS PLAN (continued)

D. Actuarial Assumptions

The total OPEB liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following assumptions:

Mortality	Pub-2010 general classification headcount weighted mortality with fully generational monthly improvement projections from the central year using Scale MP-2021
Salary increases:	2.75% to 6.55% based on years of service

Certain actuarial assumptions used in the July 1, 2021 valuation were based on the results of the pension plans' experience studies prepared for July 1, 2018 to June 30, 2021. 100% of active members are considered to participate in the Plan upon retirement.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.54% as of June 30, 2022. This represents the municipal bond return rate 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.

F. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.54%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current rate.

	1% Decrease (2.54)	Discount Rate (3.54)	1% Increase (4.54)
Authority's proportionate share of the net OPEB liability	\$ <u>528,483</u>	\$ <u>455,903</u>	\$ <u>397,505</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 12. OTHER POST EMPLOYMENT BENEFITS PLAN (continued)

G. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the healthcare trend rate as disclosed above, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net OPEB liability	\$ <u>386,756</u>	\$ <u>455,903</u>	\$ <u>544,461</u>

NOTE 13. RESTRICTED NET POSITION

As of June 30, 2023, restricted net position consisted of the following:

<u>Description</u>	<u>Amount</u>
Debt service escrows	\$ 2,317
Reserve for replacements escrows	<u>862,981</u>
Total restricted net position	<u>\$ 865,298</u>

Debt service escrows are required to be set aside for future debt payments.

Reserve for replacements escrows are required to be set aside for future project expenditures in accordance with the Authority's RAD Conversion Commitment.

NOTE 14. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD.

As of June 30, 2023, the Authority estimates that no material liabilities will result from such audits.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2023

NOTE 15. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through February 6, 2024 (the date the financial statements were available to be issued) 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.

**INDEPENDENT AUDITORS' 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**

To the Board of Commissioners
Housing Authority of the Borough of Highlands:

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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Borough of Highlands (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 6, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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.

Novogradac & Company LLP

February 6, 2024
Toms River, New Jersey

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
SCHEDULE OF FEDERAL AWARDS, FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

I. Federal Awards

For the year ended June 30, 2023, the Authority received federal funding under the following programs:

<u>Federal Grantor / Program Title</u>	<u>Federal AL Number</u>	<u>Pass- through Identifying Number</u>	<u>Grant Expenditures</u>
U.S. Department of Housing and Urban Development:			
Section 8 Project-Based Cluster:			
Section 8 Housing Assistance Payments Program	14.195	N/A	\$ <u>609,365</u>
Total Expenditures of Federal Awards			\$ <u>609,365</u>

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Schedule of Prior Year Audit Findings

There were no findings or questioned costs in the prior year.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
REQUIRED PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS

	June 30, <u>2014</u>	June 30, <u>2015</u>	June 30, <u>2016</u>	June 30, <u>2017</u>	June 30, <u>2018</u>
Contractually required contribution	\$ 20,650	\$ 19,241	\$ 22,959	\$ 15,943	\$ 17,239
Contributions in relation to the contractually required contribution	<u>20,650</u>	<u>19,241</u>	<u>22,959</u>	<u>15,943</u>	<u>17,239</u>
(Over) / under funded	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ <u>181,398</u>	\$ <u>120,702</u>	\$ <u>126,674</u>	\$ <u>134,475</u>	\$ <u>137,256</u>
Contributions as a percentage of covered-employee payroll	<u>11.38 %</u>	<u>15.94 %</u>	<u>18.12 %</u>	<u>11.86 %</u>	<u>12.56 %</u>
	June 30, <u>2019</u>	June 30, <u>2020</u>	June 30, <u>2021</u>	June 30, <u>2022</u>	June 30, <u>2023</u>
Contractually required contribution	\$ 19,060	\$ 18,789	\$ 21,476	\$ 23,383	\$ 22,305
Contributions in relation to the contractually required contribution	<u>19,060</u>	<u>18,789</u>	<u>21,476</u>	<u>23,383</u>	<u>22,305</u>
(Over) / under funded	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ <u>199,202</u>	\$ <u>201,795</u>	\$ <u>213,879</u>	\$ <u>216,889</u>	\$ <u>223,398</u>
Contributions as a percentage of covered-employee payroll	<u>9.57 %</u>	<u>9.31 %</u>	<u>10.04 %</u>	<u>10.78 %</u>	<u>9.98 %</u>

See Report of Independent Auditors.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
REQUIRED PENSION INFORMATION (continued)
FOR THE YEAR ENDED JUNE 30, 2023**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS**

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Authority's proportion of the net pension liability	<u>0.0027 %</u>	<u>0.0023 %</u>	<u>0.0027 %</u>	<u>0.0018 %</u>	<u>0.0019 %</u>
Authority's proportionate share of the net pension liability	\$ <u>523,787</u>	\$ <u>436,985</u>	\$ <u>599,470</u>	\$ <u>531,510</u>	\$ <u>433,181</u>
Authority's covered-employee payroll	\$ <u>181,398</u>	\$ <u>120,702</u>	\$ <u>126,674</u>	\$ <u>134,475</u>	\$ <u>137,256</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>288.75 %</u>	<u>362.04 %</u>	<u>473.24 %</u>	<u>395.25 %</u>	<u>315.60 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.72 %</u>	<u>52.08 %</u>	<u>47.93 %</u>	<u>40.14 %</u>	<u>47.93 %</u>
	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Authority's proportion of the net pension liability	<u>0.0019 %</u>	<u>0.0019 %</u>	<u>0.0020 %</u>	<u>0.0020 %</u>	<u>0.0021 %</u>
Authority's proportionate share of the net pension liability	\$ <u>377,290</u>	\$ <u>348,049</u>	\$ <u>320,140</u>	\$ <u>236,532</u>	\$ <u>314,980</u>
Authority's covered-employee payroll	\$ <u>199,202</u>	\$ <u>201,795</u>	\$ <u>213,879</u>	\$ <u>216,889</u>	\$ <u>223,398</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>189.40 %</u>	<u>172.48 %</u>	<u>149.68 %</u>	<u>109.06 %</u>	<u>140.99 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.10 %</u>	<u>56.30 %</u>	<u>42.51 %</u>	<u>42.18 %</u>	<u>42.18 %</u>

See Report of Independent Auditors.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS***

	June 30, <u>2023</u>
Statutorily required contribution	\$ 33,977
Contributions in relation to the statutorily required contribution	<u>33,977</u>
Contribution deficiency (excess)	\$ <u>-</u>
Authority's covered-employee payroll	\$ <u>223,398</u>
Contributions as a percentage of covered employee payroll	<u>15.21</u> %

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET OPEB LIABILITY
FOR THE LAST TEN FISCAL YEARS*****

	June 30, <u>2023</u>
Authority's proportion of the net OPEB liability	<u>0.0028</u> %
Authority's proportionate share of the net OPEB liability	\$ <u>455,903</u>
Authority's covered-employee payroll	\$ <u>223,398</u>
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	<u>204.08</u> %
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.28</u> %

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

SUPPLEMENTARY DATA REQUIRED BY HUD

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF FINANCIAL POSITION DATA
JUNE 30, 2023

<u>Account Number</u>			
	ASSETS		
	CURRENT ASSETS		
1120	Cash	\$	1,131,366
1130	Tenant accounts receivable		<u>9,113</u>
1100T	Total current assets		<u>1,140,479</u>
1191	Tenant deposits held in trust		<u>47,583</u>
	RESTRICTED DEPOSITS		
1310	Escrow deposits		2,317
1320	Replacement reserve		<u>862,981</u>
1300T	Total deposits		<u>865,298</u>
	PROPERTY AND EQUIPMENT		
1410	Land		54,433
1420	Building		10,622,605
1460	Furnishings		<u>124,464</u>
1400T	Total fixed assets		10,801,502
1495	Accumulated depreciation		<u>(8,511,107)</u>
1400N	Net fixed assets		<u>2,290,395</u>
1590	Miscellaneous other assets		<u>1,341,731</u>
1500T	Total other assets		<u>1,341,731</u>
1000T	Total assets	\$	<u>5,685,486</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF FINANCIAL POSITION DATA (continued)
JUNE 30, 2023

Account
Number

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

2110	Accounts payable - operations	\$	32,838
2120	Accrued wages		30,289
2150	Accrued property taxes		40,818
2160	Loan payable - short term		28,885
2210	Prepaid revenue		<u>1,557</u>
2122T	Total current liabilities		<u>134,387</u>
2191	Tenant deposits held in trust		<u>47,583</u>
2310	Loan payable - long term		350,024
2390	Miscellaneous long term liabilities		<u>1,637,658</u>
2300T	Total long term liabilities		<u>1,987,682</u>
2000T	Total liabilities		<u>2,169,652</u>

NET ASSETS

3131	Net assets without donor restrictions		<u>3,515,834</u>
3130	Total net assets		<u>3,515,834</u>
2033T	Total liabilities and net assets	\$	<u>5,685,486</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF ACTIVITIES DATA
FOR THE YEAR ENDED JUNE 30, 2023**

Account
Number

REVENUES

5120	Rent revenue - gross potential	\$ 652,728
5121	Tenant assistance payments	<u>609,365</u>
5100T	Total rent revenue	<u>1,262,093</u>
5410	Financial revenue - operations	28,870
5440	Revenue from investments - reserve for replacements	<u>6,839</u>
5400T	Total financial revenue	<u>35,709</u>
5910	Laundry and vending revenue	8,991
5920	Tenant charges	1,012
5990	Miscellaneous	<u>25,296</u>
5900T	Total other revenue	<u>35,299</u>
5000T	Total revenue	<u>1,333,101</u>

EXPENSES

6210	Advertising and marketing	1,334
6310	Office salaries	119,960
6311	Office expenses	13,614
6320	Management fee	51,888
6340	Legal expense - project	9,592
6350	Audit expense	11,170
6351	Bookkeeping fee / accounting services	21,792
6390	Miscellaneous administrative expenses	<u>48,339</u>
6263T	Total administrative expenses	<u>277,689</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF ACTIVITIES DATA (continued)
FOR THE YEAR ENDED JUNE 30, 2023

<u>Account Number</u>			
	EXPENSES (continued)		
6450	Electricity	\$	62,028
6451	Water		34,737
6452	Gas		76,660
6453	Sewer		<u>71,120</u>
6400T	Total utilities expense		<u>244,545</u>
6510	Payroll		117,749
6520	Contracts		115,600
6525	Garbage and trash		2,459
6546	Heating repairs and maintenance		26,216
6570	Vehicle and maintenance equipment		306
6590	Miscellaneous operating and maintenance		<u>41,330</u>
6500T	Total operating and maintenance expenses		<u>303,660</u>
6710	Real estate taxes		40,818
6711	Payroll taxes		18,544
6720	Property and liability insurance		28,466
6722	Workmen's compensation		2,354
6723	Health insurance and other benefits		66,391
6790	Miscellaneous, taxes, licenses, permits and insurance		<u>24,252</u>
6700T	Total taxes and insurance		<u>180,825</u>
6840	Interest on notes payable		<u>21,642</u>
6800T	Total financial expenses		<u>21,642</u>
6000T	Total cost of operations before depreciation		<u>1,028,361</u>
5060T	Profit before depreciation		304,740
6600	Depreciation expense		<u>316,102</u>
5060N	Operating loss		<u>(11,362)</u>
3247	Change in net assets without donor restrictions		<u>(11,362)</u>
3250	Change in total net assets from operations	\$	<u>(11,362)</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF ACTIVITIES DATA (continued)
FOR THE YEAR ENDED JUNE 30, 2023

<u>Account Number</u>		
S1000-010	Total loan principal payments required during the year.	\$ <u>27,353</u>
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement.	\$ <u>93,830</u>
S1000-030	Replacement reserve or residual receipts releases, which are included as expense items on this profit and loss statement.	\$ <u>-</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement.	\$ <u>-</u>
S1100-060	Previous year net assets without donor restrictions	\$ 3,527,196
3247	Change in net assets without donor restrictions	<u>(11,362)</u>
3131	Net assets without donor restrictions	\$ <u>3,515,834</u>
S1100-050	Previous year total net assets	\$ 3,527,196
3250	Change in total net assets from operations	<u>(11,362)</u>
3130	Total net assets	\$ <u>3,515,834</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF CASH FLOWS DATA
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Account Number</u>		
	Cash flows from operating activities:	
S1200-010	Rental receipts	\$ 1,260,575
S1200-020	Interest receipts	35,709
S1200-030	Other operating receipts	<u>16,641</u>
S1200-040	Total receipts	<u>1,312,925</u>
S1200-050	Administrative	(83,428)
S1200-070	Management fees	(51,888)
S1200-090	Utilities	(244,545)
S1200-100	Salaries and wages	(227,152)
S1200-110	Operating and maintenance	(185,911)
S1200-120	Real estate taxes	(59,362)
S1200-140	Property insurance	(22,476)
S1200-150	Miscellaneous taxes and insurance	(89,160)
S1200-180	Interest on mortgage	<u>(21,642)</u>
S1200-230	Total disbursements	<u>(985,564)</u>
S1200-240	Net cash provided by operating activities	<u>327,361</u>
	Cash flows from investing activities:	
S1200-245	Net deposits from the mortgage escrow account	(1,469)
S1200-250	Net deposits to the reserve for replacements	(100,669)
S1200-330	Purchases of property and equipment	<u>(155,509)</u>
S1200-350T	Net cash used in investing activities	<u>(257,647)</u>
	Cash flows from financing activities:	
S1200-360	Principal payments - mortgage	<u>(27,353)</u>
S1200-460	Net cash used in financing activities	<u>(27,353)</u>
S1200-470	Net increase in cash and cash equivalents	42,361
S1200-480	Cash - beginning of period	<u>1,089,005</u>
S1200T	Cash - end of period	<u>\$ 1,131,366</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
STATEMENT OF CASH FLOWS DATA (continued)
FOR THE YEAR ENDED JUNE 30, 2023

<u>Account Number</u>			
	Reconciliation of change in net assets to net cash provided by operating activities:		
3250	Change in net assets	\$	(11,362)
	Adjustments used to reconcile the change in net assets to net cash provided by operating activities:		
6600	Depreciation expense		316,102
S1200-500	Account receivable		6,279
S1200-520	Prepaid expenses		5,990
S1200-530	Tenant security deposits		(1,378)
S1200-540	Accounts payable		20,839
S1200-560	Accrued expenses		14,394
	Miscellaneous current liabilities		(26,317)
S1200-580	Decrease in tenant security deposits held in trust		1,378
S1200-590	Deferred rent		<u>1,436</u>
S1200-610	Net cash provided by operating activities	\$	<u>327,361</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
COMPUTATION OF SURPLUS CASH AND
SCHEDULE OF RESERVES FOR REPLACEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Computation of Surplus Cash

S1300-010	Cash	\$ <u>1,178,949</u>
S1300-040	Total cash	<u>1,178,949</u>
	Current obligations:	
S1300-075	Accounts payable due within 30 days	32,838
S1300-100	Accrued expenses	71,107
2210	Prepaid revenue	1,557
2191	Tenant security deposits	<u>47,583</u>
S1300-140	Total current obligations	<u>153,085</u>
S1300-210	Surplus cash	\$ <u>1,025,864</u>

Schedule of Reserves for Replacements

1320P	Balance at the beginning of year	\$ 762,312
1320DT	Total monthly deposits	93,830
1320INT	Interest income	<u>6,839</u>
1320	Balance at end of year	\$ <u>862,981</u>
1320R	Deposits Suspended or Waived Indicator	<u>No</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 54,433	\$ -	\$ -	\$ 54,433
Building	10,467,096	155,509	-	10,622,605
Furnishings	<u>124,464</u>	<u>-</u>	<u>-</u>	<u>124,464</u>
Total	10,645,993	155,509	-	10,801,502
Accumulated depreciation	<u>8,195,005</u>	<u>316,102</u>	<u>-</u>	<u>8,511,107</u>
Net book value	<u>\$ 2,450,988</u>	<u>\$ (160,593)</u>	<u>\$ -</u>	<u>\$ 2,290,395</u>

See Report of Independent Auditors.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
CERTIFICATION OF MORTGAGOR
FOR THE YEAR ENDED JUNE 30, 2023**

I hereby certify that I have examined the accompanying financial statements and supplementary information of the Housing Authority of the Borough of Highlands and, to the best of my knowledge and belief, the same are accurate and complete.

Douglas Dzema, Executive Director
Housing Authority of the Borough of Highlands
February 6, 2024

Tom Furlong
Housing Authority of the Borough of Highlands
February 6, 2024

Federal ID No.: 21-6001673

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT AGENT'S CERTIFICATION
FOR THE YEAR ENDED JUNE 30, 2023**

I hereby certify that I have examined the accompanying financial statements and supplementary information of the Housing Authority of the Borough of Highlands and, to the best of my knowledge and belief, the same are accurate and complete.

Douglas Dzema, Executive Director
Housing Authority of the Borough of Highlands
February 6, 2024

Renee DeMarco, Property Manager
Housing Authority of the Borough of Highlands
February 6, 2024

Federal ID No.: 21-6001673