

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**(A Component Unit of the Borough of Highlands, State of New Jersey)**

**Financial Statements and Supplementary Schedules**

**For the year ended June 30, 2015**

**(With Independent Auditor's Report thereon)**

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Financial Statements and Supplementary Schedules**  
**June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the Borough of Highlands, a component unit of the Borough of Highlands, County of Monmouth, State of New Jersey, as of and for fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the Borough of Highlands, County of Monmouth, State of New Jersey, as of June 30, 2015, 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.

### **Emphasis of Matter**

#### ***Adoption of New Accounting Pronouncement***

As discussed in Note 2 to the financial statements, during the fiscal year ended June 30, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27*. Our opinion is not modified with respect to this matter.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents 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 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 Highlands' basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the financial data schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and financial data schedules 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 expenditures of federal awards and financial data schedules are 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 January 11, 2016 on our consideration of the Housing Authority of the Borough of Highlands' 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 Housing Authority of the Borough of Highlands' internal control over financial reporting and compliance.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

January 11, 2016  
Toms River, New Jersey

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
UNAUDITED**

As Management of the Highlands Housing Authority ("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, 2015. 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 \$2,687,655 (net position) as opposed to \$2,741,522 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority reported ending Unrestricted Net Position of \$158,285 a decrease of \$387,605 from the prior fiscal year.
3. The Authority's cash and cash equivalents balance (including restricted cash) at June 30, 2015 was \$786,518 representing an increase of \$133,345 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$9,88,552 and Total Operating Expenses (excluding depreciation) of \$809,041 for the year ended June 30, 2015.
5. The Authority's capital outlays for the fiscal year were \$108,413.
6. The Authority's Expenditures of Federal Awards amounted to \$515,308 for the fiscal year.
7. As described in Note 16 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the District has adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the year ended June 30, 2015. The adoption of this principle resulted in a restatement of the District's opening net position as of July 1, 2014 in the amount of \$523,787 as indicated in Note 16 to the financial statements. Prior year balances reflected in MD&A have been updated, for comparison purposes, to reflect the change where indicated.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
UNAUDITED**

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 basic financial statements. The Authority's basic 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 Proprietary Fund types.

2. Basic Financial Statements

The basic 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 Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows.

The Statements of Net Position present information on all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them 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 Statements 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).

Statements of Cash Flows reports the Authority's cash flows from operating, investing, capital and non-capital activities.

The basic 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 basic financial statements can be found on pages 10 through 13 in this Report.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
UNAUDITED**

B. Using the Annual Report (continued)

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 basic financial statements. The Notes to Financial Statements can be found in this Report after the basic financial statements.

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 47 of this report.

C. The Authority as a Whole

The Authority's net position decreased during the fiscal year as detailed on page 7. The Authority's revenues are primarily subsidies and grants received from HUD and tenant rent. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues and reserves were sufficient to cover all expenses, excluding 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 are available for future use to provide program services.

Computations of Net Position are as follows:

	<u>6/30/2015</u>	<u>6/30/2014</u>
Cash and Other Assets	\$ 837,964	\$ 659,691
Capital Assets – Net	<u>2,914,370</u>	<u>3,134,417</u>
Total Assets	<u>3,752,334</u>	<u>3,794,108</u>
Deferred Outflows Related to Pensions	<u>37,692</u>	<u>20,227</u>
Total Assets and Deferred Outflows of Resources	<u>3,790,026</u>	<u>3,814,335</u>



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
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C. The Authority as a Whole (continued)

Less: Total Liabilities	1,010,680	1,072,813
Less: Deferred Inflows of Resources	91,691	-
Net Position	<u>\$ 2,687,655</u>	<u>\$ 2,741,522</u>
Net Investment in Capital Assets	\$ 2,529,370	\$ 2,719,419
Unrestricted Net Position	158,285	545,890
Net Position	<u>\$ 2,687,655</u>	<u>\$ 3,265,309</u>

Computations of Changes in Net Position are as follows:

<u>Revenues</u>		
Tenant Revenues	\$ 518,680	\$ 526,944
HUD Operating Grants	454,791	463,821
Other Revenues	15,081	16,340
Total Operating Revenues	<u>988,552</u>	<u>1,007,105</u>
<u>Expenses</u>		
Other Operating Expenses	809,041	890,079
Depreciation Expense	277,341	272,290
Total Operating Expenses	<u>1,086,382</u>	<u>1,162,369</u>
Operating Income (Loss)	<u>(97,830)</u>	<u>(155,264)</u>
Non-Operating Revenues (Expense):		
Interest Expense	(18,364)	(19,537)
Interest on Investments	1,810	3,963
HUD Capital Grants	60,517	40,859
Total Non-operating Revenues (expenses)	<u>43,963</u>	<u>25,285</u>
Change in Net Position	(53,867)	(129,979)
Net Position, Beginning of Year	3,265,309	3,395,288
Prior Period Adjustment	<u>(523,787)</u>	<u>-</u>
Net Position - Beginning of Year, Restated (See Note 16)	<u>2,741,522</u>	<u>3,395,288</u>
Net Position - End of Year	<u>\$ 2,687,655</u>	<u>\$ 3,265,309</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
UNAUDITED**

C. The Authority as a Whole (continued)

- Cash – Unrestricted increased \$133,400 due to an increase in the Authority's unrestricted net position of \$136,182, before the GASB 68 restatement for Net Pension Liability.
- Accounts Receivable-HUD-increased \$38,500 for a receivable from the Capital Fund as of 6/30/15.
- Accounts Receivable-tenants-net-increased \$6,430 due to several tenants owing large balances at the fiscal year end.
- Net capital assets decreased \$220,049 due to depreciation of \$277,341 for the fiscal year ending 6/30/15 and capital additions of \$57,292.
- Accounts Payable increased \$13,636 there were several large contract bills outstanding as of 6/30/15.
- Accrued Expenses increased \$5,049 as there were several outstanding utility bills due 6/30/15,
- Other current liabilities increased \$28,203 as the 6/30/14 payment in lieu of taxes was not paid until July 2015.
- Long-term debt decreased \$30,000 as the Authority paid its annual debt service due on the bond leveraging bonds.
- Net investment in capital assets decreased \$190,049 due to depreciation of \$277,341 offset by capital additions of \$57,292 and the principal debt payment of \$30,000.
- Administrative salaries decreased \$61,052 due to a staff reduction in 2014 to lower expenses as a result of the HUD cuts in subsidy.
- Administrative employee benefits decreased \$22,503 due to the staff cuts noted above, and pension expense adjustment due to GASB 68 implementation.
- Utilities decreased \$13,786 due to lower gas costs as a result of a decrease in rates.

D. Budgetary Highlights

For the year ended June 30, 2015, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were required by HUD and primarily used as a management tool and have no legal stature. Also, the Authority adopted a comprehensive annual budget for the general fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
UNAUDITED**

E. Capital Assets and Debt Administration

1. Capital Assets

As of June 30, 2015, the Authority's investment in capital assets, net of related debt for its Proprietary Fund was \$2,529,370. This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$108,413 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Program. These activities are funded by grants from HUD.

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

2. Long Term Debt

During the fiscal year ended June 30, 2005, the Authority entered into a Capital Fund Leveraging Pool. The New Jersey Housing and Mortgage Finance Agency issued the bonds and the funds were distributed to the Housing Authority. In December 2004, the Authority received \$583,608 to be used for capital improvements to its buildings. All funds have been obligated as of December 2008. Further details can be found in the Notes to the Financial Statements.

F. Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2015.

1. The need for Congress to cut-back on HUD subsidies and grants.
2. The use of the Authority's Unrestricted Net Position of \$158,285 to fund any shortfalls rising from a possible economic downturn and reduced subsidies and grants. The Authority's Unrestricted Net Position appears sufficient to cover any shortfall.

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

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**

**Statement of Net Position**

**June 30, 2015**

	<u>2015</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 785,731
Accounts receivable - HUD and other government	38,500
Accounts receivable - tenants, net	12,946
Total current assets	<u>837,177</u>
Non-current assets:	
Restricted cash	787
Capital assets, net	2,914,370
Total non-current assets	<u>2,915,157</u>
Total assets	<u>3,752,334</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	37,692
Total deferred outflow of resources	<u>37,692</u>
Total assets and deferred outflow of resources	<u>\$ 3,790,026</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 46,084
Accrued expenses	10,291
Accrued compensated absences, current	9,262
Tenant security deposits	41,346
Unearned revenues	1,908
Other current liabilities	55,853
Pensions Payable	23,951
Current portion of long-term debt	30,000
Total current liabilities	<u>218,695</u>
Non-current liabilities:	
Long-term debt, net of current portion	355,000
Net pension liability	436,985
Total non-current liabilities	<u>791,985</u>
Total liabilities	<u>1,010,680</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	91,691
Total deferred inflow of resources	<u>91,691</u>
Total liabilities and deferred inflow of resources	<u>1,102,371</u>
<b>NET POSITION</b>	
Net position:	
Net investment in capital assets	2,529,370
Unrestricted	158,285
Total net position	<u>2,687,655</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 3,790,026</u>

The accompanying notes to the financial statements are an integral part of this statement.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**June 30, 2015**

	<b>2015</b>
Operating revenues:	
Tenant revenue	\$ 518,680
HUD operating grants	454,791
Other revenues	15,081
Total operating revenues	988,552
Operating expenses:	
Administrative	267,626
Tenant services	3,329
Utilities	236,656
Ordinary repairs and maintenance	232,264
General expenses	69,166
Depreciation	277,341
Total operating expenses	1,086,382
Operating loss	(97,830)
Non-operating revenues (expenses):	
Interest expense	(18,364)
Investment income	1,810
Net non-operating expenses	(16,554)
Net loss before capital grants	(114,384)
Capital grants	60,517
Change in net position	(53,867)
Net position, beginning, as restated (see note 16)	2,741,522
Net position, ending	\$ 2,687,655

The accompanying notes to the financial statements are an integral part of this statement.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Statement of Cash Flows**  
**June 30, 2015**

	<b>2015</b>
<b>Cash flows from operating activities:</b>	
Cash received from tenants	\$ 527,624
Cash received from grantors	416,291
Cash paid to employees	(161,527)
Cash paid to vendors	(596,862)
Net cash flows from operating activities	185,526
<b>Cash flows from capital activities:</b>	
Purchases of capital assets	(66,144)
Interest paid on debt	(18,364)
Principal payments on long term debt	(30,000)
Proceeds from capital grants	60,517
Net cash flows from capital activities	(53,991)
<b>Cash flows from investing activities:</b>	
Interest received on investments	1,810
Net cash flows from investing activities	1,810
Net change in cash	133,345
Cash and cash equivalents, beginning of year	653,173
Cash and cash equivalents, end of year	\$ 786,518
<b>Reconciliation to Statements of Net Position:</b>	
Cash and cash equivalents	\$ 785,731
Restricted cash	787
Total cash and cash equivalents	\$ 786,518

The accompanying notes to the financial statements are an integral part of this statement.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Statement of Cash Flows (continued)**  
**June 30, 2015**

	<b>2015</b>
<b>Reconciliation of operating loss to net cash flows from operating activities:</b>	
Operating loss	\$ (97,830)
Items which did not use cash:	
Depreciation	277,341
Bad debts	4,343
Working capital changes which (used)/provided cash:	
Accounts receivable - HUD	(38,500)
Accounts receivable - tenants	(10,773)
Accounts payable	13,636
Accrued wages and payroll taxes	5,049
Accrued compensated absences	3,253
Tenant security deposits	511
Unearned revenues	293
Other current liabilities	28,203
Net cash flows from operating activities	\$ 185,526

The accompanying notes to the financial statements are an integral part of this statement.

# HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS

## Notes to Financial Statements For the year ended June 30, 2015

### NOTE 1: ORGANIZATION AND PURPOSE

The Housing Authority of the Borough of Highlands (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 Authority is responsible for operating certain low-rent housing 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 to manage the day-to-day operations of the Authority.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Programs

##### Low Rent Public Housing Program

The public housing program is designed to provide low-cost housing within the Borough of Highlands. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

##### Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

#### B. Reporting Entity

In accordance with Statement No. 39 of the Government Accounting Standards Board (“GASB”), the Authority’s financial statements include those of the Authority and any component units. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

- The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority,
- The Authority has the ability to access a majority of the economic resources held by the separate organization,
- The economic resources referred to above are significant to the Authority.



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Reporting Entity (continued)**

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

**C. Basis of Accounting**

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (“GAAP”) applicable to enterprise funds of state and local governments.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

For the year ended June 30, 2015, the Authority implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

**D. Use of Management Estimates**

The preparation of financial statements in conformity 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 and liabilities, 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, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Cash and Cash Equivalents**

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 of America 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. 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 of America, 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 of America 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.

For the Statements of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less at time of acquisition. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

**F. Accounts Receivable - Tenants**

Rents are due from tenants on the first day of each month. As a result, tenants' receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all 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.

**G. Accounts Receivable - HUD**

The Authority periodically draws down from a preauthorized amount of grant funds available through HUD's Line of Credit Control System (LOCCS). HUD grant funds that are earned by the Authority at year end which have not yet been received are recorded as accounts receivable – HUD. No allowance for doubtful accounts is established, as amounts have been preauthorized by HUD.

**H. Prepaid Expenses**

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

**I. Capital Assets**

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 fixed assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Capital Assets (continued)**

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:

Furniture and equipment	3 – 5 years
Site improvements	15 years
New buildings	40 years

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

**J. Compensated Absences**

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Accumulated leave will be paid up to 50% of an employee's accumulated vacation days, up to \$7,500. For the year ended June 30, 2015, the Authority accrued compensated absences in the amount of \$9,262.

**K. Unearned Revenue**

The Authority's unearned revenue primarily consists of the prepayment of rent by residents and the receipt of HUD and other governmental program funding applicable to future periods.

**L. Inter-Program Receivables and Payables**

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net to zero. In accordance with GASB Statement No. 34, inter-program receivables and payables are eliminated for financial statement purposes, however they are reflected in the accompanying financial data schedule as required by HUD.

**M. 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. 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 as non-operating.

**N. Taxes**

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Equity Classifications**

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

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 net position 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 net position that do not meet the definition of "restricted" or "net investment in capital assets".

**P. Budgets and Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent 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.

**Q. Deferred Outflows 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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**R. Pensions Section**

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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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)**  
**For the year ended June 30, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**S. Impact of Recently Issued Accounting Principles**

Adopted Accounting Pronouncements

For the year ended June 30, 2015, the Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the Authority to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Also included as a deferred outflow is the Authority contributions to the pension system subsequent to the measurement date.

Recently Issued and Adopted Accounting Pronouncements

The Authority has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**T. Subsequent Events**

Housing Authority of the Borough of Highlands has evaluated subsequent events occurring after June 30, 2015 through the date of January 11, 2016, which is the date the financial statements were available to be issued.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**NOTE 3: CASH AND CASH EQUIVALENTS**

At June 30, 2015, the Authority had funds on deposit in checking and escrow accounts. All bank deposits as of the balance sheet date are covered by the Government Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

For the fiscal year ended June 30, 2015, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$786,518 and the bank balances totaled \$796,246.

At June 30, 2015 and 2014, cash and cash equivalents consisted of the following:

	<u><b>2015</b></u>
Unrestricted cash	\$ 743,985
Tenant security deposits	41,746
Restricted cash	<u>787</u>
Total cash and cash equivalents	<u>\$ 786,518</u>

**NOTE 4: ACCOUNTS RECEIVABLE - HUD**

Accounts receivable – HUD consists of amounts due as part of the Authority's low rent public housing program. For the fiscal year ended June 30, 2015 and 2014, the Authority had accounts receivable from HUD totaling \$38,500.

**NOTE 5: ACCOUNTS RECEIVABLE - TENANTS, NET**

Tenant receivables consist of rental money due to the Authority for providing housing, and are shown net of an allowance established by the Authority. June 30, 2015, tenant accounts receivable consisted of the following:

	<u><b>2015</b></u>
Tenant receivables	\$ 16,183
Allowance for doubtful accounts	<u>(3,237)</u>
Total accounts receivable – tenants, net	<u>\$ 12,946</u>

**NOTE 6: RESTRICTED CASH**

Restricted cash consists of Capital Fund Program Revenue Bonds proceeds from the 2004 Series A Capital Fund Program Revenue Bonds and are restricted for certain capital improvements in accordance with the Authority's approved annual plan. As of June 30, 2015, the carrying amount of the Authority's restricted cash was \$787.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**NOTE 7: CAPITAL ASSETS, NET**

A summary of the changes in capital assets during 2015 is shown below and on the following page.

<u>Description</u>	<u>June 30,</u> <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2015</u>
Non-depreciable:				
Land	\$ 54,433	\$ -	\$ -	\$ 54,433
Construction in progress	<u>82,097</u>	<u>-</u>	<u>(17,734)</u>	<u>64,363</u>
Total	<u>136,530</u>	<u>-</u>	<u>(17,734)</u>	<u>118,796</u>
Depreciable:				
Buildings	7,629,194	48,249	-	7,677,443
Furniture and equipment	131,263	26,778	(39,494)	118,547
Leasehold improvements	<u>1,168,562</u>	<u>-</u>	<u>-</u>	<u>1,168,562</u>
Total	<u>8,929,019</u>	<u>75,027</u>	<u>(39,494)</u>	<u>8,964,552</u>
Less: accumulated depreciation	<u>(5,931,131)</u>	<u>(277,341)</u>	<u>39,494</u>	<u>(6,168,978)</u>
Capital assets, net	<u>\$ 3,134,418</u>	<u>\$ (202,314)</u>	<u>\$ (17,734)</u>	<u>\$ 2,914,370</u>

**NOTE 8: OTHER CURRENT LIABILITIES**

Other current liabilities consist of a payment 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 payment in lieu of taxes ("PILOT") for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Borough of Highlands. 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. For the year ended June 30, 2015, the Authority incurred PILOT expenses in the amount of \$28,203.

**NOTE 9: LONG TERM OBLIGATION ACTIVITY**

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A, on December 23, 2004. The Authority's share of funds from the bond issue pool amounted to \$600,000. Interest accrues at 4.418% and is payable semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>. Repayment of the funds shall be paid solely from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development.

The Authority's long-term debt at June 30, 2015 consisted of the following:

Capital fund revenue bonds	<u>2015</u> \$ 385,000
Less: current portion	<u>(30,000)</u>
Long-term debt, net of current portion	<u>\$ 355,000</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**NOTE 9: LONG TERM OBLIGATION ACTIVITY (continued)**

Future maturities of debt service are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 30,000	\$ 17,272	\$ 47,272
2017	30,000	15,983	45,983
2018	40,000	14,561	54,561
2019	30,000	12,921	42,921
2020	35,000	11,608	46,608
2021-2025	200,000	30,550	230,550
2026	<u>20,000</u>	<u>470</u>	<u>20,470</u>
	<u>\$ 385,000</u>	<u>\$ 103,365</u>	<u>\$ 488,365</u>

During the fiscal year ended June 30, 2015 the following changes occurred in liabilities reported in the long-term obligations:

	<b>June 30, 2014</b>	<b>Accrued/ Increases</b>	<b>Retired/ Decreases</b>	<b>June 30, 2015</b>	<b>Due Within One Year</b>
Capital fund revenue bond	\$ 415,000	\$ -	\$ (30,000)	\$ 385,000	\$ 30,000
Net Pension Liability	523,787	-	(86,802)	436,985	-
Compensated Absences	6,009	3,253	-	9,262	-
Total	<u>\$ 944,796</u>	<u>\$ 3,253</u>	<u>\$ (116,802)</u>	<u>\$ 831,247</u>	<u>\$ 30,000</u>

**Note 10: PENSION OBLIGATIONS**

**A. Public Employees' Retirement System (PERS)**

**Plan Description** - 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.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
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



**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**Note 10: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

Service retirement benefits of 1/5 5th 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 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years 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 that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members 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.

**Basis of Presentation** - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 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 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. For fiscal year 2014 and 2013, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Three-Year Trend Information for PERS**

<u>Year</u>	<u>Pension</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Cost (APC)</u>	<u>of APC</u>	<u>Pension</u>
		<u>Contributed</u>	<u>Obligation</u>
6/30/2015	\$ 20,227	100%	\$ 436,985
6/30/2014	21,613	100%	523,787
6/30/2013	25,281	100%	-

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**Note 10: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**Components of Net Pension Liability** - At June 30, 2015, the Authority reported a liability of \$436,985 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The Authority's proportion measured as of June 30, 2014, was .00233%, which was a decrease of .00041% from its proportion measured as of June 30, 2013.

Collective Balances at June 30, 2015 and June 30, 2014

	<u>6/30/2015</u>	<u>6/30/2014</u>
Actuarial valuation date	July 1, 2014	July 1, 2013
Deferred Outflows of Resources	\$ 37,692	\$ 20,227
Deferred Inflows of Resources	\$ 91,691	N/A
Net Pension Liability	\$ 436,985	\$ 523,787
Authority's portion of the Plan's total net pension Liability	0.00233%	0.00274%

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended June 30, 2015, the Authority recognized pension expense of \$8,852. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	13,741	-
Net difference between projected and actual earnings on pension plan investments	-	26,042
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	65,649
Authority contributions subsequent to the measurement date	23,951	-
Total	<u>\$ 37,692</u>	<u>\$ 91,691</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**Note 10: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

\$23,951 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date (i.e. for the fiscal year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. 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 Ended	
<u>June 30:</u>	<u>PERS</u>
2016	\$ (16,204)
2017	(16,204)
2018	(16,204)
2019	(16,204)
2020	(16,204)
Thereafter	3,071

**Actuarial Assumptions** - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>PERS</u>
Measurement date	June 30, 2014
Actuarial valuation date	July 1, 2013
Interest rate	7.90%
Salary scale	2012-2021 - 2.15-4.40% Based on Age Thereafter - 3.15-5.40% Based on Age
Inflation rate	3.01%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**Note 10: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate - Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
Total	100.00%	

**Discount Rate** - The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% as of June 30, 2014, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**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 as disclosed above, 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 (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**Note 10: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

	<u>1%</u> <u>Decrease</u>		<u>Current</u> <u>Discount</u>	<u>1%</u> <u>Increase</u>
	<u>4.39%</u>		<u>Rate (5.39%)</u>	<u>6.39%</u>
Authority's proportionate share of the net pension liability	\$ 548,804	\$	436,240	\$ 341,714

**NOTE 11: POST EMPLOYMENT BENEFITS**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 requires the Public Employees' Retirement System (PERS) to fund post-retirement medical benefits for those State Employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 100,134 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2014.

**NOTE 12: CONSTRUCTION COMMITMENTS**

At June 30, 2015, the Authority retained outstanding construction commitments pertaining to its capital fund. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

**NOTE 13: ECONOMIC DEPENDENCY**

The Low Rent Public Housing programs are economically dependent on annual subsidies from HUD.

**NOTE 14: RISK MANAGEMENT**

The Authority is exposed to various risks related to lawsuits, torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. Significant losses are covered by commercial insurance for all major programs; there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the past three years.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Financial Statements (continued)**  
**For the year ended June 30, 2015**

**NOTE 15: CONTINGENT LIABILITIES**

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, 2015, the Authority estimates that no material liabilities will result from such audits.

**NOTE 16: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION**

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

	<u>Governmental Activities</u>
Net Position as previously reported at June 30, 2014	\$ 3,265,309
Prior period adjustment - Implementation of GASB 68:	
Net Pension Liability (measurement date as of June 30, 2013)	(523,787)
PERS Pension Payable (2015 Authority PERS Pension Contribution)	(20,227)
Deferred Outflows - district contributions made during fiscal year 2015	<u>20,227</u>
Total prior period adjustment	<u>(523,787)</u>
Net Position as restated, July 1, 2014	<u><u>\$ 2,741,522</u></u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Detailed Schedule of Revenues, Expenses, and Changes in Net Position**  
**June 30, 2015**

	<b>2015</b>
Revenues:	
Apartment rentals:	
70300 Net tenant rental revenue	\$ 510,872
70400 Tenant revenue - other	7,808
70600 HUD operating grants	454,791
Total rental revenue, net	973,471
Financial revenue:	
71100 Investment income - unrestricted	1,810
Other revenue:	
70610 Capital grants	60,517
71500 Miscellaneous revenue	15,081
Total other revenue	75,598
Total revenue	1,050,879
Expenses:	
Administrative:	
91100 Administrative salaries	100,802
91200 Audit expense	6,500
91300 Management fee	41,445
91400 Advertising and marketing	3,335
91500 Employee benefits	18,201
91600 Office expense	48,606
91700 Legal expense	16,545
91800 Travel	2,134
91900 Miscellaneous administrative expense	30,058
Total administrative	267,626
Tenant services:	
92400 Other tenant services	3,329
Total tenant services	3,329
Utilities:	
93100 Water	27,706
93200 Electricity	70,415
93300 Gas	65,515
93600 Sewer	71,120
93600 Other utility expense	1,900
Total utilities	236,656

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Detailed Schedule of Revenues, Expenses, and Changes in Net Position**  
**June 30, 2015**

	<b>2015</b>
Expenses (continued):	
Operating and maintenance:	
94100 Salaries	69,027
94200 Materials	37,128
94300 Contracts	87,376
94500 Employee benefits	38,733
Total operating and maintenance	232,264
General expenses:	
96100 Insurance	33,367
96210 Compensated absences	3,253
96300 Payment in lieu of taxes	28,203
96400 Bad debt - tenant rents	4,343
96710 Interest expense	18,364
Total general expenses	87,530
Total cost of operations before depreciation	827,405
Change in net position before depreciation	223,474
97400 Depreciation expense	277,341
Change in net position	(53,867)
Net position, beginning, as restated, see Note 16	2,741,522
Net position, ending	\$ 2,687,655



Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$744,773	\$744,773	\$744,773
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	\$41,745	\$41,745	\$41,745
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$786,518	\$786,518	\$786,518
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	\$38,500	\$38,500	\$38,500
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$16,183	\$16,183	\$16,183
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,237	-\$3,237	-\$3,237
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$51,446	\$51,446	\$51,446
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets			
143 Inventories			

Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$837,964	\$837,964	\$837,964
161 Land	\$54,433	\$54,433	\$54,433
162 Buildings	\$7,677,443	\$7,677,443	\$7,677,443
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$118,546	\$118,546	\$118,546
165 Leasehold Improvements	\$1,168,562	\$1,168,562	\$1,168,562
166 Accumulated Depreciation	-\$6,168,978	-\$6,168,978	-\$6,168,978
167 Construction in Progress	\$64,364	\$64,364	\$64,364
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,914,370	\$2,914,370	\$2,914,370
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$2,914,370	\$2,914,370	\$2,914,370
200 Deferred Outflow of Resources	\$37,692	\$37,692	\$37,692
290 Total Assets and Deferred Outflow of Resources	\$3,790,026	\$3,790,026	\$3,790,026

Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$17,879	\$17,879	\$17,879
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$7,354	\$7,354	\$7,354
322 Accrued Compensated Absences - Current Portion	\$9,262	\$9,262	\$9,262
324 Accrued Contingency Liability			
325 Accrued Interest Payable	\$2,937	\$2,937	\$2,937
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$55,853	\$55,853	\$55,853
341 Tenant Security Deposits	\$41,345	\$41,345	\$41,345
342 Unearned Revenue	\$1,908	\$1,908	\$1,908
343 Current Portion of Long-term Debt - Capital	\$30,000	\$30,000	\$30,000
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities	\$23,951	\$23,951	\$23,951
346 Accrued Liabilities - Other	\$28,206	\$28,206	\$28,206
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$218,695	\$218,695	\$218,695
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$355,000	\$355,000	\$355,000
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current			
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			

Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
357 Accrued Pension and OPEB Liabilities	\$436,985	\$436,985	\$436,985
350 Total Non-Current Liabilities	\$791,985	\$791,985	\$791,985
300 Total Liabilities	\$1,010,680	\$1,010,680	\$1,010,680
400 Deferred Inflow of Resources	\$91,691	\$91,691	\$91,691
508.4 Net Investment in Capital Assets	\$2,529,370	\$2,529,370	\$2,529,370
511.4 Restricted Net Position			
512.4 Unrestricted Net Position	\$158,285	\$158,285	\$158,285
513 Total Equity - Net Assets / Position	\$2,687,655	\$2,687,655	\$2,687,655
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$3,790,026	\$3,790,026	\$3,790,026

Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$510,872	\$510,872	\$510,872
70400 Tenant Revenue - Other	\$7,808	\$7,808	\$7,808
70500 Total Tenant Revenue	\$518,680	\$518,680	\$518,680
70600 HUD PHA Operating Grants	\$454,791	\$454,791	\$454,791
70610 Capital Grants	\$60,517	\$60,517	\$60,517
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$1,810	\$1,810	\$1,810
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery			
71500 Other Revenue	\$15,081	\$15,081	\$15,081
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$1,050,879	\$1,050,879	\$1,050,879
91100 Administrative Salaries	\$100,802	\$100,802	\$100,802

Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
91200 Auditing Fees	\$6,500	\$6,500	\$6,500
91300 Management Fee	\$41,445	\$41,445	\$41,445
91310 Book-keeping Fee			
91400 Advertising and Marketing	\$3,335	\$3,335	\$3,335
91500 Employee Benefit contributions - Administrative	\$18,201	\$18,201	\$18,201
91600 Office Expenses	\$48,606	\$48,606	\$48,606
91700 Legal Expense	\$16,545	\$16,545	\$16,545
91800 Travel	\$2,134	\$2,134	\$2,134
91810 Allocated Overhead			
91900 Other	\$30,058	\$30,058	\$30,058
91000 Total Operating - Administrative	\$267,626	\$267,626	\$267,626
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$3,329	\$3,329	\$3,329
92500 Total Tenant Services	\$3,329	\$3,329	\$3,329
93100 Water	\$27,706	\$27,706	\$27,706
93200 Electricity	\$70,415	\$70,415	\$70,415
93300 Gas	\$65,515	\$65,515	\$65,515
93400 Fuel			
93500 Labor			
93600 Sewer	\$71,120	\$71,120	\$71,120
93700 Employee Benefit Contributions - Utilities			

Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
93800 Other Utilities Expense	\$1,900	\$1,900	\$1,900
93000 Total Utilities	\$236,656	\$236,656	\$236,656
94100 Ordinary Maintenance and Operations - Labor	\$69,027	\$69,027	\$69,027
94200 Ordinary Maintenance and Operations - Materials and	\$37,128	\$37,128	\$37,128
94300 Ordinary Maintenance and Operations Contracts	\$87,376	\$87,376	\$87,376
94500 Employee Benefit Contributions - Ordinary Maintenance	\$38,733	\$38,733	\$38,733
94000 Total Maintenance	\$232,264	\$232,264	\$232,264
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
96110 Property Insurance			
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance	\$33,367	\$33,367	\$33,367
96100 Total insurance Premiums	\$33,367	\$33,367	\$33,367
96200 Other General Expenses			
96210 Compensated Absences	\$3,253	\$3,253	\$3,253
96300 Payments in Lieu of Taxes	\$28,203	\$28,203	\$28,203
96400 Bad debt - Tenant Rents	\$4,343	\$4,343	\$4,343
96500 Bad debt - Mortgages			

Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$35,799	\$35,799	\$35,799
96710 Interest of Mortgage (or Bonds) Payable	\$18,364	\$18,364	\$18,364
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$18,364	\$18,364	\$18,364
96900 Total Operating Expenses	\$827,405	\$827,405	\$827,405
97000 Excess of Operating Revenue over Operating Expenses	\$223,474	\$223,474	\$223,474
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$277,341	\$277,341	\$277,341
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$1,104,746	\$1,104,746	\$1,104,746
10010 Operating Transfer In	\$15,000	\$15,000	\$15,000
10020 Operating transfer Out	-\$15,000	-\$15,000	-\$15,000



Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$53,867	-\$53,867	-\$53,867
11020 Required Annual Debt Principal Payments	\$30,000	\$30,000	\$30,000
11030 Beginning Equity	\$3,265,309	\$3,265,309	\$3,265,309
11040 Prior Period Adjustments, Equity Transfers and Correction	-\$523,787	-\$523,787	-\$523,787
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			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity			
11180 Housing Assistance Payments Equity			

Highlands Housing Authority (NJ041)  
HIGHLANDS, NJ

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Subtotal	Total
11190 Unit Months Available	1476	1476	1476
11210 Number of Unit Months Leased	1454	1454	1454
11270 Excess Cash	\$553,061	\$553,061	\$553,061
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$20,220	\$20,220	\$20,220
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$26,777	\$26,777	\$26,777
11650 Leasehold Improvements Purchases	\$10,296	\$10,296	\$10,296
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$47,524	\$47,524	\$47,524
13901 Replacement Housing Factor Funds	\$0	\$0	\$0

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset)	0.00233%	0.00274%
Authority's proportionate share of the net pension liability (asset)	\$ 436,985	\$ 523,787
Authority's covered-employee payroll	\$ 120,702	\$ 181,398
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	362.04%	288.75%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	48.72%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS  
SCHEDULE OF AUTHORITY CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 23,951	\$ 20,227
Contributions in relation to the contractually required contribution	<u>23,951</u>	<u>20,227</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 120,702	\$ 181,398
Contributions as a percentage of covered- employee payroll	19.84%	11.15%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**

**Public Employees' Retirement System (PERS)**

**Changes of benefit terms.** 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.

**Changes of assumptions.** Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.



**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***

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, the financial statements of the Housing Authority of the Borough of Highlands, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Highlands' basic financial statements, and have issued our report thereon dated January 11, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the Borough of Highlands' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Borough of Highlands' internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the Borough of Highlands' 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 Housing Authority of the Borough of Highlands' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

January 11, 2016  
Toms River, New Jersey



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the Borough of Highlands’ compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Housing Authority of the Borough of Highlands’ major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

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

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



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

In our opinion, Housing Authority of the Borough of Highlands complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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

Management of Housing Authority of the Borough of Highlands is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the Borough of Highlands' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the Borough of Highlands' internal control over compliance.

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

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

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

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

January 11, 2016  
Toms River, New Jersey

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2015**

Grantor/Program Title	Federal CFDA Number	Award Amount	Grant Period	Balance at June 30, 2014	Cash Received	Current Year Expenditures	(Accounts Receivable) At June 30, 2015	Due to Grantor At June 30, 2015
U.S. Department of Housing and Urban Development:								
Public and Indian Housing	* 14.850	\$ 454,791	07/1/2014-06/30/2015	\$ -	\$ 416,291	\$ 454,791	\$ (38,500)	\$ -
Public Housing Capital Fund Program	14.872	60,517	07/1/2014-06/30/2015	-	60,517	60,517	-	-
<b>Total Federal Financial Assistance</b>				\$ -	\$ 476,808	\$ 515,308	\$ (38,500)	\$ -

\* Denotes major program

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2015**

**NOTE 1: GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Housing Authority of the Borough of Highlands. The Authority is defined in Note 1 of the general purpose financial statements.

**NOTE 2: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 3: RELATIONSHIP TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's general-purpose financial statements.

**NOTE 4: RELATIONSHIP TO THE FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with amounts reported in the related Federal financial reports.

**NOTE 5: NON-CASH FEDERAL ASSISTANCE**

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2015.

**NOTE 6: LOAN GUARANTEES**

At June 30, 2015, the Authority is not the guarantor of any loans outstanding.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2015**

*Section I - Summary of Auditor's Results*

**Financial Statements**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness identified?	None noted
2) Deficiencies in internal control identified that are not considered to be material weaknesses?	None noted
Noncompliance material to general purpose financial statements noted?	None noted

**Federal Awards**

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	Yes
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness identified?	None noted
2) Deficiencies in internal control identified that are not considered to be material weaknesses?	None noted
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133?	None noted

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Public & Indian Housing

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the year ended June 30, 2015**

*Section II – Financial Statement Findings*

This section identifies the reportable conditions, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5 of *Government Auditing Standards*.

No Current Year Findings.

*Section III – Federal Financial Assistance Findings & Questioned Costs*

This section identifies the reportable conditions, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required by OMB Circular A-133.

No Current Year Findings.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS**  
**Schedule of Prior Year Findings and Questioned Costs**  
**For the year ended June 30, 2015**

This section identifies the status of prior-year findings related to the basic financial statements and Federal awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, OMB Circular A-133.

No Prior Year Findings