

**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 years ended June 30, 2014 and 2013

(With Independent Auditors' Report thereon)

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Financial Statements and Supplementary Schedules
June 30, 2014 and 2013

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INDEPENDENT AUDITORS' 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 years ended June 30, 2014 and 2013, 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.

Auditors' 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 entity'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 entity'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, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplementary information on pages 4-9 and 25-26 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 20, 2015 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 Highland's internal control over financial reporting and compliance.

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

January 20, 2015
Toms River, New Jersey

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A. Financial Highlights

1. The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,265,307 (net position) as opposed to \$3,395,288 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority reported ending Unrestricted Net Position of \$545,889 an increase of \$71,447 from the prior fiscal year.
3. The Authority's cash and cash equivalents balance (including restricted cash) at June 30, 2014 was \$653,173 representing an increase of \$59,687 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$1,007,105 and Total Operating Expenses (excluding depreciation) of \$890,081 for the year ended June 30, 2014.
5. The Authority's capital outlays for the fiscal year were \$40,862.
6. The Authority's Expenditures of Federal Awards amounted to \$504,681 for the fiscal year.

B. Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's 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.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

B. Using the Annual Report (continued)

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 and liabilities, with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The 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.

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.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

B. Using the Annual Report (continued)

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 41 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.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

C. The Authority as a Whole (continued)

Computations of Net Position are as follows:

	<u>6/30/2013</u>	<u>6/30/2014</u>
Cash and Other Assets	\$ 599,394	\$ 659,689
Capital Assets – Net	<u>3,365,846</u>	<u>3,134,418</u>
Total Assets	3,965,240	3,794,107
Less: Total Liabilities	<u>569,952</u>	<u>528,800</u>
Net Position	<u>\$ 3,395,288</u>	<u>\$ 3,265,307</u>
Net Investment in Capital Assets	\$ 2,920,846	\$ 2,719,418
Unrestricted Net Position	<u>474,442</u>	<u>545,889</u>
Net Position	<u>\$ 3,395,288</u>	<u>\$ 3,265,307</u>

Computations of Changes in Net Position are as follows:

	<u>Revenues</u>	
Tenant Revenues	\$ 523,327	\$ 526,944
HUD Operating Grants	502,318	463,821
Other Revenues	<u>11,642</u>	<u>16,340</u>
Total Operating Revenues	<u>1,037,287</u>	<u>1,007,105</u>
	<u>Expenses</u>	
Other Operating Expenses	910,269	890,081
Depreciation Expense	<u>272,289</u>	<u>272,290</u>
Total Operating Expenses	<u>1,182,558</u>	<u>1,162,371</u>
Operating Income (Loss)	<u>(145,271)</u>	<u>(155,266)</u>
Non-Operating Revenues (Expense):		
Interest Expense	(20,604)	(19,537)
Interest on Investments	1,337	3,963
HUD Capital Grants	<u>30,585</u>	<u>40,859</u>
Total Non-operating Revenues (expenses)	<u>11,318</u>	<u>25,285</u>
Change in Net Position	(133,953)	(129,981)
Net Position, Beginning of Year	3,529,241	3,395,288
Prior Period Adjustment	-	-
Net Position - Beginning of Year	<u>3,529,241</u>	<u>3,395,288</u>
Net Position - End of Year	<u>\$ 3,395,288</u>	<u>\$ 3,265,307</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

C. The Authority as a Whole (continued)

- Cash – Unrestricted increased \$59,646 due to an increase in the Authority's unrestricted net position of \$71,447.
- Net capital assets decreased \$231,428 due to depreciation of \$272,290 for the fiscal year ending 6/30/14 and capital additions of \$40,862.
- Accounts Payable decreased \$7,781 there were several large contract bills outstanding as of 6/30/13.
- Accrued Expenses decreased \$2,296 as the sewer bill for JPM was paid as of 6/30/14 but was accrued at 6/30/13.
- Unearned revenues increased \$1,615 as the Authority had several tenants pay their July 2014 rent in June.
- 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 \$201,418 due to depreciation of \$272,290 offset by capital additions of \$40,862 and the principal debt payment of \$30,000.
- Unrestricted net position increased \$71,447 mainly due to the Authority's revenue exceeding expenses by \$71,219.
- HUD operating grants decreased \$38,497 due to HUD cuts in the operating fund formula proration.
- Other revenues increased \$4,698 due to FEMA monies received during 6/30/14 for losses as a result of Super storm sandy.
- Capital grants increased \$10,274 as the PHA expended more under the Capital Fund program.
- Administrative expenses decreased \$40,058 due to a staff reduction in 2014 to lower expenses as a result of the HUD cuts in subsidy.
- Utilities increased \$11,008 due to higher gas costs for increased consumption attributable to the extremely cold winter.
- General expenses increased \$10,875 due to higher insurance premiums and more write-offs of tenant's accounts receivable.
- Investment income increased \$2,626 due to higher investment balances created by additional cash generated from the increase in unrestricted net position.

D. Budgetary Highlights

For the year ended June 30, 2014, 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, 2014**

E. Capital Assets and Debt Administration

1. Capital Assets

As of June 30, 2014, the Authority's investment in capital assets, net of related debt for its Proprietary Fund was \$2,719,418. This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$40,862 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, 2014.

1. The need for Congress to cut-back on HUD subsidies and grants.
2. The use of the Authority's Unrestricted Net Position of \$545,889 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
Statements of Net Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 652,331	\$ 592,685
Accounts receivable - tenants, net	6,516	5,908
Total current assets	658,847	598,593
Non-current assets:		
Capital assets, net	3,134,418	3,365,846
Restricted cash	842	801
Total non-current assets	3,135,260	3,366,647
Total assets	3,794,107	3,965,240
LIABILITIES		
Current liabilities:		
Accounts payable	32,448	40,229
Accrued expenses	5,242	7,538
Accrued compensated absences, current	6,009	7,507
Tenant security deposits	40,836	41,601
Unearned revenues	1,615	-
Other current liabilities	27,650	28,077
Current portion of long-term debt	30,000	30,000
Total current liabilities	143,800	154,952
Long-term liabilities:		
Long-term debt, net of current portion	385,000	415,000
Total liabilities	528,800	569,952
NET POSITION		
Net position:		
Net investment in capital assets	2,719,418	2,920,846
Unrestricted	545,889	474,442
Total net position	\$ 3,265,307	\$ 3,395,288

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

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Statements of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Tenant revenue	\$ 526,944	\$ 523,327
HUD operating grants	463,821	502,318
Other revenues	<u>16,340</u>	<u>11,642</u>
Total operating revenues	<u>1,007,105</u>	<u>1,037,287</u>
Operating expenses:		
Administrative	335,395	375,453
Tenant services	32	1,503
Utilities	250,442	239,434
Ordinary repairs and maintenance	224,592	225,134
General expenses	79,620	68,745
Depreciation	<u>272,290</u>	<u>272,289</u>
Total operating expenses	<u>1,162,371</u>	<u>1,182,558</u>
Operating loss	<u>(155,266)</u>	<u>(145,271)</u>
Non-operating revenues (expenses):		
Interest expense	(19,537)	(20,604)
Investment income	<u>3,963</u>	<u>1,337</u>
Net non-operating expenses	<u>(15,574)</u>	<u>(19,267)</u>
Net loss before capital grants	<u>(170,840)</u>	<u>(164,538)</u>
Capital grants	<u>40,859</u>	<u>30,585</u>
Change in net position	(129,981)	(133,953)
Net position, beginning of year	<u>3,395,288</u>	<u>3,529,241</u>
Net position, end of year	<u>\$ 3,265,307</u>	<u>\$ 3,395,288</u>

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

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Statements of Cash Flows
For the years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from tenants	\$ 544,291	\$ 534,941
Cash received from grantors	463,821	538,761
Cash paid to employees	(230,709)	(254,893)
Cash paid to vendors	(672,139)	(658,138)
Net cash flows from operating activities	105,264	160,671
Cash flows from capital activities:		
Purchases of capital assets	(40,862)	(30,585)
Interest paid on debt	(19,537)	(20,604)
Principal payments on long term debt	(30,000)	(25,000)
Proceeds from capital grants	40,859	30,585
Net cash flows from capital activities	(49,540)	(45,604)
Cash flows from investing activities:		
Interest received on investments	3,963	1,337
Net cash flows from investing activities	3,963	1,337
Net change in cash	59,687	116,404
Cash and cash equivalents, beginning of year	593,486	477,082
Cash and cash equivalents, end of year	\$ 653,173	\$ 593,486
Reconciliation to Statements of Net Position:		
Cash and cash equivalents	\$ 652,331	\$ 592,685
Restricted cash	842	801
Total cash and cash equivalents	\$ 653,173	\$ 593,486

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

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Statements of Cash Flows (continued)
For the years ended June 30, 2014 and 2013

	2014	2013
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (155,266)	\$ (145,271)
Items which did not use cash:		
Depreciation	272,290	272,289
Bad debts	8,299	3,667
Working capital changes which (used)/provided cash:		
Accounts receivable - HUD	-	36,443
Accounts receivable - tenants	(8,907)	(2,694)
Accounts payable	(7,781)	(688)
Accrued wages and payroll taxes	(2,296)	(1,971)
Accrued compensated absences	(1,498)	(4,014)
Tenant security deposits	(765)	221
Unearned revenues	1,615	(1,001)
Other current liabilities	(427)	3,690
Net cash flows from operating activities	\$ 105,264	\$ 160,671

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 years ended June 30, 2014 and 2013

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 years ended June 30, 2014 and 2013

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.

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.

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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents (continued)

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.

E. 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.

F. 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.

G. Prepaid Expenses

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

H. 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 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

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

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

I. 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 years ended June 30, 2014 and 2013, the Authority accrued compensated absences in the amount of \$6,009 and \$7,507, respectively.

J. 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.

K. 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.

L. 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.

M. Taxes

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

N. 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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Equity Classifications

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".

O. 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. Subsequent Events

Housing Authority of the Borough of Highlands has evaluated subsequent events occurring after June 30, 2014 through the date of January 20, 2015, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

At June 30, 2014 and 2013, 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 years ended June 30, 2014 and 2013, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$653,173 and \$593,486 and the bank balances totaled \$659,366 and \$606,257, respectively.

At June 30, 2014 and 2013, cash and cash equivalents consisted of the following:

	<u>2014</u>	<u>2013</u>
Unrestricted cash	\$ 611,495	\$ 551,084
Tenant security deposits	40,836	41,601
Restricted cash	842	801
Total cash and cash equivalents	<u>\$ 653,173</u>	<u>\$ 593,486</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2014 and 2013

NOTE 4: 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. As of June 30, 2014 and 2013, tenant accounts receivable consisted of the following:

	<u>2014</u>	<u>2013</u>
Tenant receivables	\$ 12,381	\$ 7,385
Allowance for doubtful accounts	<u>(5,865)</u>	<u>(1,477)</u>
Total accounts receivable – tenants, net	<u>\$ 6,516</u>	<u>\$ 5,908</u>

NOTE 5: ACCOUNTS RECEIVABLE - HUD

Accounts receivable – HUD consists of amounts due as part of the Authority’s low rent public housing program. As of June 30, 2014 and 2013, the Authority had no accounts receivable from HUD.

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, 2014 and 2013, the carrying amount of the Authority’s restricted cash was \$842 and \$801, respectively.

NOTE 7: CAPITAL ASSETS, NET

A summary of the changes in capital assets during 2014 and 2013 is shown on the following page.

<u>Description</u>	<u>June 30,</u> <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2014</u>
Non-depreciable:				
Land	\$ 54,433	\$ -	\$ -	\$ 54,433
Construction in progress	<u>41,235</u>	<u>40,862</u>	<u>-</u>	<u>82,097</u>
Total	<u>95,668</u>	<u>-</u>	<u>-</u>	<u>136,530</u>
Depreciable:				
Buildings	7,629,194	-	-	7,629,194
Furniture and equipment	131,263	-	-	131,263
Leasehold improvements	<u>1,168,562</u>	<u>-</u>	<u>-</u>	<u>1,168,562</u>
Total	<u>8,929,019</u>	<u>-</u>	<u>-</u>	<u>8,929,019</u>
Less: accumulated depreciation	<u>(5,658,841)</u>	<u>(272,290)</u>	<u>-</u>	<u>(5,931,131)</u>
Capital assets, net	<u>\$ 3,365,846</u>	<u>\$ (231,429)</u>	<u>\$ -</u>	<u>\$ 3,134,418</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2014 and 2013

NOTE 7: CAPITAL ASSETS, NET (continued)

<u>Description</u>	<u>June 30,</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2013</u>
Non-depreciable:				
Land	\$ 54,433	\$ -	\$ -	\$ 54,433
Construction in progress	<u>162,875</u>	<u>30,586</u>	<u>(152,226)</u>	<u>41,235</u>
Total	<u>217,308</u>	<u>30,586</u>	<u>(152,226)</u>	<u>95,668</u>
Depreciable:				
Buildings	7,480,969	148,225	-	7,629,194
Furniture and equipment	131,263	-	-	131,263
Leasehold improvements	<u>1,164,562</u>	<u>4,000</u>	-	<u>1,168,562</u>
Total	<u>8,776,794</u>	<u>-</u>	<u>-</u>	<u>8,929,019</u>
Less: accumulated depreciation	<u>(5,386,552)</u>	<u>(272,289)</u>	<u>-</u>	<u>(5,658,841)</u>
Capital assets, net	<u>\$ 3,607,550</u>	<u>\$ (89,478)</u>	<u>\$ -</u>	<u>\$ 3,365,846</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 years ended June 30, 2014 and 2013, the Authority incurred PILOT expenses in the amount of \$27,650 and \$28,077, respectively.

NOTE 9: LONG TERM DEBT

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 1st and November 1st. 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, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Capital fund revenue bonds	\$ 415,000	\$ 445,000
Less: current portion	<u>(30,000)</u>	<u>(30,000)</u>
Long-term debt, net of current portion	<u>\$ 385,000</u>	<u>\$ 415,000</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2014 and 2013

NOTE 9: LONG TERM DEBT (continued)

Future maturities of debt service are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,000	\$ 18,573	\$ 48,573
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
2020-2024	195,000	39,808	234,808
2025-2026	60,000	2,820	62,820
	<u>\$ 415,000</u>	<u>\$ 121,961</u>	<u>\$ 536,961</u>

NOTE 10: PENSION PLAN

A. Plan Description

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement System (PERS) of New Jersey, which is part of the Division of Pensions in the Department of Treasury, State of New Jersey. It provides retirement, disability, annual cost-of-living and death benefits to plan members and beneficiaries. The State administered funds were established by an Act of the State Legislature, which assigns the authority to establish and amend benefit provisions to the plan's board of trustees. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS.

B. Contribution Requirements

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. From July 1, 2011 through September 30, 2011, plan members were required to contribute 5.5% of their annual salaries until the contribution rate increased to 6.5% on October 1, 2011. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The Authority contributed \$21,613 and \$25,281 to PERS for the years ended June 30, 2014 and 2013, respectively.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2014 and 2013

NOTE 11: POST EMPLOYMENT BENEFITS

A. Plan Description

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating entities, including the Authority. The Plans are cost-sharing, multiple employer-defined benefit plans.

As a result of implementing GASB Statement No. 43, Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans ("OPEB"), effective for fiscal year 2007, the State Health Benefits Program ("SHBP") and the Prescription Drug Program ("PDP") and Post-Retirement Medical ("PRM") of the PERS and TPAF are combined and reported as Pension and Other Employee Benefit Trust funds in the State's Comprehensive Annual Financial Report ("CAFR"). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Fund (Health Benefits Program Fund-State). The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as a separate Fund (Health Benefits Program Fund-Local) in the State's CAFR. The health benefits programs had a total of 602,738 enrolled participants for the fiscal year 2013.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues publicly-available financial reports that include the financial statements and required supplementary information of the above trusts. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

B. Funding Status and Progress

P.L. 1987, c.384 and P.L. 1990, c.6 required the PERS to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2013, there were 147,778 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62.

Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994. P.L. 1977, c.136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under 2 provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service.

PERS retirees are excluded from the provisions set forth in P.L. 1977, c.136 since their health benefits coverage is funded through each of their respective pension fund systems via an annual appropriation. Participating local governments made PRM contributions of \$322.3 million for PERS in fiscal year 2013.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2014 and 2013

NOTE 11: POST EMPLOYMENT BENEFITS

B. Funding Status and Progress (continued)

The State will set in fiscal year 2012 the employer contribution rate based on the annual required contribution of the employers ("ARC"), an amount actuarially-determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The Authority's contributions to the State Health Benefits Program Fund for post-retirement benefits for the years ended June 30, 2014 and 2013 were \$42,298 and \$106,850, respectively.

NOTE 12: CONSTRUCTION COMMITMENTS

At June 30, 2014 and 2013, 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.

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, 2014 and 2013, the Authority estimates that no material liabilities will result from such audits.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Detailed Schedules of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2014 and 2013

Schedule I

	2014	2013
Revenues:		
Apartment rentals:		
70300 Net tenant rental revenue	\$ 518,301	\$ 511,761
70400 Tenant revenue - other	8,643	11,566
70600 HUD operating grants	463,821	502,318
Total rental revenue, net	990,765	1,025,645
Financial revenue:		
71100 Investment income - unrestricted	3,963	1,337
Other revenue:		
70610 Capital grants	40,859	30,585
71500 Miscellaneous revenue	16,340	11,642
Total other revenue	57,199	42,227
Total revenue	1,051,927	1,069,209
Expenses:		
Administrative:		
91100 Administrative salaries	161,854	177,500
91200 Audit expense	6,740	6,740
91500 Employee benefits	40,704	73,859
91600 Office expense	85,266	80,939
91700 Legal expense	13,280	14,608
91800 Travel	4,292	711
91900 Miscellaneous administrative expense	23,259	21,096
Total administrative	335,395	375,453
Tenant services:		
92400 Other tenant services	32	1,503
Total tenant services	32	1,503
Utilities:		
93100 Water	26,702	24,208
93200 Electricity	72,973	72,674
93300 Gas	79,647	70,957
93600 Sewer	71,120	71,120
93600 Other utility expense	-	475
Total utilities	250,442	239,434

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Detailed Schedules of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2014 and 2013

Schedule I
(continued)

	2014	2013
Expenses (continued):		
Operating and maintenance:		
94100 Salaries	65,061	71,408
94200 Materials	27,791	29,430
94300 Contracts	87,277	91,305
94500 Employee benefits	44,463	32,991
Total operating and maintenance	224,592	225,134
General expenses:		
96100 Insurance	41,258	36,691
96210 Compensated absences	2,413	310
96300 Payment in lieu of taxes	27,650	28,077
96400 Bad debt - tenant rents	8,299	3,667
96710 Interest expense	19,537	20,604
96710 Amortization of bond issue cost	-	-
Total general expenses	99,157	89,349
Total cost of operations before depreciation	909,618	930,873
Change in net position before depreciation	142,309	138,336
97400 Depreciation expense	272,290	272,289
Change in net position	(129,981)	(133,953)
Net position, beginning of year	3,395,288	3,529,241
Net position, end of year	\$ 3,265,307	\$ 3,395,288

Highlands Housing Authority (NJ041)
 HIGHLANDS, NJ

Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2014

Submission Type: Audited/A-133

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$611,497	\$611,497	\$611,497
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$842	\$842	\$842
114 Cash - Tenant Security Deposits	\$40,836	\$40,836	\$40,836
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$653,175	\$653,175	\$653,175
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$12,381	\$12,381	\$12,381
126.1 Allowance for Doubtful Accounts - Tenants	-\$5,865	-\$5,865	-\$5,865
126.2 Allowance for Doubtful Accounts - Other			
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	\$6,516	\$6,516	\$6,516
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: 06/30/2014

	Project Total	Subtotal	Total
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$659,691	\$659,691	\$659,691
161 Land			
162 Buildings	\$54,433	\$54,433	\$54,433
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$7,629,194	\$7,629,194	\$7,629,194
165 Leasehold Improvements			
166 Accumulated Depreciation	\$131,263	\$131,263	\$131,263
167 Construction in Progress	\$1,168,562	\$1,168,562	\$1,168,562
168 Infrastructure	-\$5,931,131	-\$5,931,131	-\$5,931,131
160 Total Capital Assets, Net of Accumulated Depreciation	\$82,097	\$82,097	\$82,097
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	\$3,134,418	\$3,134,418	\$3,134,418
190 Total Assets	\$3,794,109	\$3,794,109	\$3,794,109
200 Deferred Outflow of Resources			

Highlands Housing Authority (NJ041)
 HIGHLANDS, NJ
 Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133
 Fiscal Year End: 06/30/2014

	Project Total	Subtotal	Total
290 Total Assets and Deferred Outflow of Resources	\$3,794,109	\$3,794,109	\$3,794,109
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$32,448	\$32,448	\$32,448
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$2,098	\$2,098	\$2,098
322 Accrued Compensated Absences - Current Portion	\$6,009	\$6,009	\$6,009
324 Accrued Contingency Liability			
325 Accrued Interest Payable	\$3,144	\$3,144	\$3,144
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$27,650	\$27,650	\$27,650
341 Tenant Security Deposits	\$40,836	\$40,836	\$40,836
342 Unearned Revenue	\$1,615	\$1,615	\$1,615
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			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$143,800	\$143,800	\$143,800
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$385,000	\$385,000	\$385,000
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current			

Highlands Housing Authority (NJ041)
 HIGHLANDS, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	Subtotal	Total
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$385,000	\$385,000	\$385,000
300 Total Liabilities	\$528,800	\$528,800	\$528,800
400 Deferred Inflow of Resources			
508.4 Net Investment in Capital Assets	\$2,719,418	\$2,719,418	\$2,719,418
511.4 Restricted Net Position			
512.4 Unrestricted Net Position	\$545,891	\$545,891	\$545,891
513 Total Equity - Net Assets / Position	\$3,265,309	\$3,265,309	\$3,265,309
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets /	\$3,794,109	\$3,794,109	\$3,794,109

Highlands Housing Authority (NJ041)
 HIGHLANDS, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$518,301	\$518,301	\$518,301
70400 Tenant Revenue - Other	\$8,643	\$8,643	\$8,643
70500 Total Tenant Revenue	\$526,944	\$526,944	\$526,944
70600 HUD PHA Operating Grants	\$433,820	\$433,820	\$433,820
70610 Capital Grants	\$70,860	\$70,860	\$70,860
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	\$3,963	\$3,963	\$3,963
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	\$16,340	\$16,340	\$16,340
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$1,051,927	\$1,051,927	\$1,051,927
91100 Administrative Salaries	\$161,854	\$161,854	\$161,854

Highlands Housing Authority (NJ041)
HIGHLANDS, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	Subtotal	Total
91200 Auditing Fees	\$6,740	\$6,740	\$6,740
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$40,703	\$40,703	\$40,703
91600 Office Expenses	\$85,266	\$85,266	\$85,266
91700 Legal Expense	\$13,280	\$13,280	\$13,280
91800 Travel	\$4,292	\$4,292	\$4,292
91810 Allocated Overhead			
91900 Other	\$23,259	\$23,259	\$23,259
91000 Total Operating - Administrative	\$335,394	\$335,394	\$335,394
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$32	\$32	\$32
92500 Total Tenant Services	\$32	\$32	\$32
93100 Water	\$26,702	\$26,702	\$26,702
93200 Electricity	\$72,973	\$72,973	\$72,973
93300 Gas	\$79,646	\$79,646	\$79,646
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: 06/30/2014

	Project Total	Subtotal	Total
93800 Other Utilities Expense			
93000 Total Utilities	\$250,441	\$250,441	\$250,441
94100 Ordinary Maintenance and Operations - Labor	\$65,081	\$65,081	\$65,081
94200 Ordinary Maintenance and Operations - Materials and	\$27,790	\$27,790	\$27,790
94300 Ordinary Maintenance and Operations Contracts	\$87,278	\$87,278	\$87,278
94500 Employee Benefit Contributions - Ordinary Maintenance	\$44,463	\$44,463	\$44,463
94000 Total Maintenance	\$224,592	\$224,592	\$224,592
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	\$41,258	\$41,258	\$41,258
96100 Total Insurance Premiums	\$41,258	\$41,258	\$41,258
96200 Other General Expenses			
96210 Compensated Absences	\$2,413	\$2,413	\$2,413
96300 Payments in Lieu of Taxes	\$27,650	\$27,650	\$27,650
96400 Bad debt - Tenant Rents	\$8,299	\$8,299	\$8,299
96500 Bad debt - Mortgages			

Highlands Housing Authority (NJ041)
 HIGHLANDS, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	Subtotal	Total
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$38,362	\$38,362	\$38,362
96710 Interest of Mortgage (or Bonds) Payable	\$19,537	\$19,537	\$19,537
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$19,537	\$19,537	\$19,537
96900 Total Operating Expenses	\$909,616	\$909,616	\$909,616
97000 Excess of Operating Revenue over Operating Expenses	\$142,311	\$142,311	\$142,311
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$272,290	\$272,290	\$272,290
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$1,181,906	\$1,181,906	\$1,181,906
10010 Operating Transfer In	\$10,829	\$10,829	\$10,829
10020 Operating transfer Out	-\$10,829	-\$10,829	-\$10,829

Highlands Housing Authority (NJ041)
HIGHLANDS, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2014

	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	-\$129,979	-\$129,979	-\$129,979
11020 Required Annual Debt Principal Payments	\$30,000	\$30,000	\$30,000
11030 Beginning Equity	\$3,395,288	\$3,395,288	\$3,395,288
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0	\$0	\$0
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

Fiscal Year End: 06/30/2014

Submission Type: Audited/A-133

	Project Total	Subtotal	Total
11190 Unit Months Available	1476	1476	1476
11210 Number of Unit-Months Leased	1455	1455	1455
11270 Excess Cash	\$442,100	\$442,100	\$442,100
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$40,860	\$40,860	\$40,860
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$50,612	\$50,612	\$50,612
13901 Replacement Housing Factor Funds	\$0	\$0	\$0



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2014, 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 20, 2015.

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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 20, 2015
Toms River, New Jersey



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INDEPENDENT AUDITORS' 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, 2014. 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.

Auditors' 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 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, 2014.

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
HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

January 20, 2015
Toms River, New Jersey

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2014

<u>Grantor/Program Title</u>	<u>Federal CFDA/ Account Number</u>	<u>Grant Amount</u>	<u>Grant Period</u>	<u>Current Year Expenditures</u>
U.S. Department of Housing and Urban Development:				
Public and Indian Housing	14.850	\$ 388,879	07/01/2013-06/30/2014	\$ 388,879
Public Housing Capital Fund Program	14.872	115,802	07/01/2013-06/30/2014	<u>115,802</u>
				<u>\$ 504,681</u>

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, 2014

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, 2014.

NOTE 6: LOAN GUARANTEES

At June 30, 2014, 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, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 auditors' 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:

CFDA Number

Name of Federal Program

14.850
14.872

Public & Indian Housing
Public Housing Capital Fund

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Schedule of Findings and Questioned Costs (continued)
For the year ended June 30, 2014

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, 2014

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* and U.S. OMB Circular A-133 (section .315 (a)(b)).

No Prior Year Findings