

**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, 2016 and 2015

(With Independent Auditor's Report thereon)

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Financial Statements and Supplementary Schedules
June 30, 2016 and 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 years ended June 30, 2016 and 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, 2016 and 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.

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 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 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 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 October 31, 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

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

October 31, 2016
Toms River, New Jersey



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**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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Borough of Highlands (herein referred to as “the Authority”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) 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 Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

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

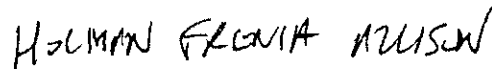
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying comments and recommendation section as item 2016-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey 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

October 31, 2016
Toms River, New Jersey

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
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, 2016. 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 \$2,527,121 (net position) as opposed to \$2,687,655 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority reported ending Unrestricted Net Position of \$159,213, an increase of \$928 from the prior fiscal year.
3. The Authority's cash and cash equivalents balance (including restricted cash) at June 30, 2016 was \$845,245 representing an increase of \$59,514 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$957,607 and Total Operating Expenses (excluding depreciation) of \$937,578 for the year ended June 30, 2016.
5. The Authority's capital outlays for the fiscal year were \$117,004.
6. The Authority's Expenditures of Federal Awards amounted to \$554,448 for the fiscal year.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
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 12 through 15 in this Report.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
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 Financial Data Schedules are presented for purposes of additional analysis and can be found on pages 37-43 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:

	6/30/2015	6/30/2016
Cash and Other Assets	\$ 837,964	\$ 858,848
Capital Assets – Net	2,914,370	2,722,908
Total Assets	3,752,334	3,581,756
Deferred Outflows Related to Pensions	37,692	132,131
Total Assets and Deferred Outflows of Resources	3,790,026	3,713,887

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
UNAUDITED**

C. The Authority as a Whole (continued)

Less: Total Liabilities	1,010,680	1,123,546
Less: Deferred Inflows of Resources	91,691	63,220
Net Position	<u>\$ 2,687,655</u>	<u>\$ 2,527,121</u>
 Net Investment in Capital Assets	 \$ 2,529,370	 \$ 2,367,308
 Unrestricted Net Position	 158,285	 159,213
Net Position	<u>\$ 2,687,655</u>	<u>\$ 2,527,121</u>

Computations of Changes in Net Position are as follows:

<u>Revenues</u>		
Tenant Revenues	\$ 518,680	\$ 508,159
HUD Operating Grants	454,791	437,444
Other Revenues	15,081	12,044
Total Operating Revenues	<u>988,552</u>	<u>957,607</u>
<u>Expenses</u>		
Other Operating Expenses	809,041	937,578
Depreciation Expense	277,341	282,619
Total Operating Expenses	<u>1,086,382</u>	<u>1,220,197</u>
 Operating Income (Loss)	 <u>(97,830)</u>	 <u>(262,590)</u>
 Non-Operating Revenues (Expense):		
Interest Expense	(18,364)	(17,077)
Interest on Investments	1,810	2,129
HUD Capital Grants	60,517	117,004
Total Non-operating Revenues (expenses)	<u>43,963</u>	<u>102,056</u>
 Change in Net Position	 (53,867)	 (160,534)
Net Position, Beginning of Year	3,265,309	2,687,655
Prior Period Adjustment	<u>(523,787)</u>	<u>-</u>
Net Position - Beginning of Year, Restated	<u>2,741,522</u>	<u>2,687,655</u>
 Net Position - End of Year	 <u>\$ 2,687,655</u>	 <u>\$ 2,527,121</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
UNAUDITED**

C. The Authority as a Whole (continued)

- Cash – Unrestricted increased \$59,514 due to an increase in the Authority's unrestricted net position before the GASB 68 adjustment for Net Pension Liability.
- Accounts Receivable-HUD-decreased \$38,500 for a receivable from the Capital Fund as of 6/30/15 was satisfied during the fiscal year ending 6/30/16.
- Net capital assets decreased \$191,462 due to depreciation of \$282,619 for the fiscal year ending 6/30/16 and capital additions of \$91,157.
- Deferred outflows, deferred inflows, and the net pension liability changed as a result of the State of New Jersey's recalculation of the unfunded pension liability to comply with GASB 68.
- Pensions Payable decreased \$23,951 as the amount accrued as of 6/30/15 was paid in the subsequent year.
- Accrued Expenses increased \$5,049 as there were several outstanding utility bills due 6/30/15,
- 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 \$161,462 due to depreciation of \$282,619 offset by capital additions of \$91,157 and the principal debt payment of \$30,000.
- Capital Fund Grants increased \$56,487 as the PHA expended more capital funding in the year ended 6/30/16 than 6/30/15,
- Administrative fringe benefits increased due to the costs associated with GASB 68.
- Utilities decreased \$23,281 due to lower gas costs as a result of a decrease in rates.

D. Budgetary Highlights

For the year ended June 30, 2016, 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, 2016
UNAUDITED**

E. Capital Assets and Debt Administration

1. Capital Assets

As of June 30, 2016, the Authority's investment in capital assets, net of related debt for its Proprietary Fund was \$2,367,908. This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$107,004 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, 2016.

1. The need for Congress to cut-back on HUD subsidies and grants.
2. The use of the Authority's Unrestricted Net Position of \$159,213 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, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 845,245	\$ 785,731
Accounts receivable - HUD and other government	-	38,500
Accounts receivable - tenants, net	12,781	12,946
Total current assets	858,026	837,177
Non-current assets:		
Restricted cash	822	787
Capital assets, net	2,722,908	2,914,370
Total non-current assets	2,723,730	2,915,157
Total assets	3,581,756	3,752,334
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	132,131	37,692
Total deferred outflow of resources	132,131	37,692
Total assets and deferred outflow of resources	\$ 3,713,887	\$ 3,790,026
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 48,474	\$ 46,084
Accrued expenses	6,507	10,291
Accrued compensated absences, current	10,303	9,262
Tenant security deposits	42,333	41,346
Unearned revenues	3,776	1,908
Other current liabilities	57,683	55,853
Pensions payable	-	23,951
Current portion of long-term debt	30,000	30,000
Total current liabilities	199,076	218,695
Non-current liabilities:		
Long-term debt, net of current portion	325,000	355,000
Net pension liability	599,470	436,985
Total non-current liabilities	924,470	791,985
Total liabilities	1,123,546	1,010,680
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	63,220	91,691
Total deferred inflow of resources	63,220	91,691
Total liabilities and deferred inflow of resources	1,186,766	1,102,371
NET POSITION		
Net position:		
Net investment in capital assets	2,367,908	2,529,370
Unrestricted	159,213	158,285
Total net position	2,527,121	2,687,655
Total liabilities, deferred inflow of resources and net position	\$ 3,713,887	\$ 3,790,026

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Tenant revenue	\$ 508,159	\$ 518,680
HUD operating grants	437,444	454,791
Other revenues	<u>12,004</u>	<u>15,081</u>
Total operating revenues	<u>957,607</u>	<u>988,552</u>
Operating expenses:		
Administrative	305,242	267,626
Tenant services	1,371	3,329
Utilities	213,375	236,656
Ordinary repairs and maintenance	342,326	232,264
General expenses	75,264	69,166
Depreciation	<u>282,619</u>	<u>277,341</u>
Total operating expenses	<u>1,220,197</u>	<u>1,086,382</u>
Operating loss	<u>(262,590)</u>	<u>(97,830)</u>
Non-operating revenues (expenses):		
Interest expense	(17,077)	(18,364)
Investment income	<u>2,129</u>	<u>1,810</u>
Net non-operating expenses	<u>(14,948)</u>	<u>(16,554)</u>
Net loss before capital grants	<u>(277,538)</u>	<u>(114,384)</u>
Capital grants	<u>117,004</u>	<u>60,517</u>
Change in net position	(160,534)	(53,867)
Net position, beginning, as restated (see note 16)	<u>2,687,655</u>	<u>2,741,522</u>
Net position, ending	<u>\$ 2,527,121</u>	<u>\$ 2,687,655</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, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from tenants	\$ 522,196	\$ 527,624
Cash received from grantors	475,944	416,291
Cash paid to employees	(187,945)	(161,527)
Cash paid to vendors	(731,545)	(585,487)
Net cash flows from operating activities	78,650	196,901
Cash flows from capital activities:		
Purchases of capital assets	(91,157)	(77,519)
Interest paid on debt	(17,077)	(18,364)
Principal payments on long term debt	(30,000)	(30,000)
Proceeds from capital grants	117,004	60,517
Net cash flows from capital activities	(21,230)	(65,366)
Cash flows from investing activities:		
Interest received on investments	2,129	1,810
Net cash flows from investing activities	2,129	1,810
Net change in cash	59,549	133,345
Cash and cash equivalents, beginning of year	786,518	653,173
Cash and cash equivalents, end of year	\$ 846,067	\$ 786,518
 Reconciliation to Statements of Net Position:		
Cash and cash equivalents	\$ 845,245	\$ 785,731
Restricted cash	822	787
Total cash and cash equivalents	\$ 846,067	\$ 786,518

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, 2016 and 2015

	2016	2015
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (262,590)	\$ (97,830)
Items which did not use cash:		
Depreciation	282,619	277,341
Bad debts	3,882	4,343
Unbudgeted pension expense	15,624	11,375
Working capital changes which (used)/provided cash:		
Accounts receivable - HUD	38,500	(38,500)
Accounts receivable - tenants	(3,717)	(10,773)
Accounts payable	2,390	13,636
Accrued wages and payroll taxes	(3,784)	5,049
Accrued compensated absences	1,041	3,253
Tenant security deposits	987	511
Unearned revenues	1,868	293
Other current liabilities	1,830	28,203
Net cash flows from operating activities	\$ 78,650	\$ 196,901

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, 2016 and 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 years ended June 30, 2016 and 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 years ended June 30, 2016 and 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 years ended June 30, 2016 and 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 years ended June 30, 2016 and 2015, the Authority accrued compensated absences in the amount of \$10,303 and \$9,262, respectively.

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 years ended June 30, 2016 and 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(s) 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 years ended June 30, 2016 and 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.

For the year ended June 30, 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Authority is required to measure certain investments at fair value for financial reporting purposes. In addition, the Authority is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Authority's financial statements.

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the Authority's financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Impact of Recently Issued Accounting Principles (continued)

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. 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. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Subsequent Events

Housing Authority of the Borough of Highlands has evaluated subsequent events occurring after June 30, 2016 through the date of October 31, 2016, which is the date the financial statements were available to be issued. See Note 17 for information regarding a subsequent event.

NOTE 3: CASH AND CASH EQUIVALENTS

At June 30, 2016 and 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, 2016 and 2015, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$846,066 and \$786,518 and the bank balances totaled \$796,246 and \$862,986, respectively.

At June 30, 2016 and 2015, cash and cash equivalents consisted of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted cash	\$ 802,911	\$ 743,985
Tenant security deposits	42,333	41,746
Restricted cash	<u>822</u>	<u>787</u>
Total cash and cash equivalents	<u>\$ 846,066</u>	<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, 2016 and 2015, the Authority had accounts receivable from HUD totaling \$-0- and \$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. At June 30, 2016 and 2015, tenant accounts receivable consisted of the following:

	<u>2016</u>	<u>2015</u>
Tenant receivables	\$ 15,977	\$ 16,183
Allowance for doubtful accounts	<u>(3,196)</u>	<u>(3,237)</u>
Total accounts receivable – tenants, net	<u>\$ 12,781</u>	<u>\$ 12,946</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

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, 2016 and 2015, the carrying amount of the Authority's restricted cash was \$822 and \$787, respectively.

NOTE 7: CAPITAL ASSETS, NET

A summary of the changes in capital assets during 2016 and 2015 is shown below.

<u>Description</u>	June 30, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2016</u>
Non-depreciable:				
Land	\$ 54,433	\$ -	\$ -	\$ 54,433
Construction in progress	<u>64,363</u>	<u>91,157</u>	<u>(44,067)</u>	<u>111,453</u>
Total	<u>118,796</u>	<u>91,157</u>	<u>(44,067)</u>	<u>165,886</u>
Depreciable:				
Buildings	7,677,443	23,438	-	7,700,881
Furniture and equipment	118,547	5,918	-	124,465
Leasehold improvements	<u>1,168,562</u>	<u>14,711</u>	<u>-</u>	<u>1,183,273</u>
Total	<u>8,964,552</u>	<u>44,067</u>	<u>-</u>	<u>9,008,619</u>
Less: accumulated depreciation	<u>(6,168,978)</u>	<u>(282,619)</u>	<u>-</u>	<u>(6,451,597)</u>
Capital assets, net	<u>\$ 2,914,370</u>	<u>\$ (147,395)</u>	<u>\$ (44,067)</u>	<u>\$ 2,722,908</u>
<u>Description</u>	June 30, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <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>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

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, 2016 and 2015, the Authority incurred PILOT expenses in the amount of \$29,479 and \$28,203, respectively.

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 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, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Capital fund revenue bonds	\$ 355,000	\$ 385,000
Less: current portion	<u>(30,000)</u>	<u>(30,000)</u>
Long-term debt, net of current portion	<u>\$ 325,000</u>	<u>\$ 355,000</u>

Future maturities of debt service are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	40,000	9,870	49,870
2022-2025	<u>180,000</u>	<u>21,150</u>	<u>201,150</u>
	<u>\$ 355,000</u>	<u>\$ 86,093</u>	<u>\$ 441,093</u>

During the fiscal years ended June 30, 2016 and 2015 the following changes occurred in liabilities reported in the long-term obligations:

	<u>June 30,</u> <u>2015</u>	<u>Accrued/</u> <u>Increases</u>	<u>Retired/</u> <u>Decreases</u>	<u>June 30,</u> <u>2015</u>	<u>Due Within</u> <u>One Year</u>
Capital fund revenue bond	\$ 385,000	\$ -	\$ (30,000)	\$ 355,000	\$ 30,000
Net pension liability	436,985	162,485	-	599,470	-
Compensated absences	9,262	1,041	-	10,303	-
Total	<u>\$ 831,247</u>	<u>\$ 163,526</u>	<u>\$ (30,000)</u>	<u>\$ 964,773</u>	<u>\$ 30,000</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 9: LONG TERM OBLIGATION ACTIVITY (continued)

	June 30, 2014	Accrued/ Increases	Retired/ Decreases	June 30, 2015	Due Within One Year
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.

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

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

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 10: PENSION OBLIGATIONS (continued)

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

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>
6/30/2016	\$ 22,959	100%	\$ 599,470
6/30/2015	19,241	100%	436,985
6/30/2014	20,650	100%	523,787

Components of Net Pension Liability - At June 30, 2016, the Authority reported a liability of \$599,470 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. 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 July 1, 2014, to the measurement date of June 30, 2015. 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, 2015. The Authority's proportion measured as of June 30, 2015, was 0.00267% percent, which was an increase of 0.00034% from its proportion measured as of June 30, 2014.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 10: PENSION OBLIGATIONS (continued)

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

Collective Balances at June 30, 2016 and June 30, 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarial valuation date (including roll forward)	June 30, 2015	June 30, 2014
Deferred Outflows of Resources	\$ 132,131	\$ 32,982
Deferred Inflows of Resources	\$ 63,220	\$ 91,691
Net Pension Liability	\$ 599,470	\$ 436,985
 Authority's portion of the Plan's total net pension Liability	 0.00267%	 0.00233%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2016, the Authority recognized pension expense of \$15,623. At June 30, 2016, 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>
Changes of assumptions	\$ 64,378	\$ -
Net difference between expected and actual experience	14,301	-
Net difference between projected and actual earnings on pension plan investments	-	9,638
Changes in proportion and differences between Authority contributions and proportionate share of contributions	53,452	53,582
Total	\$ 132,131	\$ 63,220

The \$53,452 reported as deferred outflows of resources related to pensions resulting from authority contributions subsequent to the measurement date (i.e. for the 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:

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 10: PENSION OBLIGATIONS (continued)

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

<u>Year Ended June 30:</u>	<u>PERS</u>
2017	\$ 12,018
2018	12,018
2019	12,018
2020	18,528
2021	14,330
Thereafter	-

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, 2015
Actuarial valuation date	July 1, 2014
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 and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 10: PENSION OBLIGATIONS (continued)

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.21%
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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 as of June 30, 2015, 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 (3.90) or 1-percentage-point higher (5.90%) than the current rate:

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 10: PENSION OBLIGATIONS (continued)

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

	<u>1%</u> <u>Decrease</u> <u>(3.90%)</u>		<u>Current</u> <u>Discount</u> <u>Rate (4.90%)</u>		<u>1%</u> <u>Increase</u> <u>(5.90%)</u>
Authority's proportionate share of the net pension liability	\$	745,068	\$	599,470	\$ 477,402

NOTE 11: POST EMPLOYMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, 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 TPAF and 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 107,314 retirees receiving post-retirement medical benefits, and the state contributed \$1.25 billion on their behalf. 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 benefits changed from a pre-funding 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 employer paid 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

NOTE 12: CONSTRUCTION COMMITMENTS

At June 30, 2016 and 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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
Notes to Financial Statements (continued)
For the years ended June 30, 2016 and 2015

NOTE 14: RISK MANAGEMENT (continued)

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, 2016 and 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>\$ 2,741,522</u>

NOTE 17: SUBSEQUENT EVENT

In August 2015, the Authority was awarded a grant from the Federal Emergency Management Agency (FEMA) in the amount of \$219,000 for the purchase and installation of a generator. On June 28, 2016, the Authority conditionally approved to award a contract to install a generator at a cost of \$262,689. As of the report date, the Authority has applied to FEMA to obtain additional funding for this project. Final award of the project will be dependent on receiving additional funding from FEMA.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
 Budgetary Comparison Schedule
 For the year ended June 30, 2016
 (With comparative totals for the year ended June 30, 2015)

	June 30, 2016			June 30, 2015				
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	VARIANCE
Revenues								
Dwelling rental	\$ 518,300	\$ 518,300	\$ 501,923	\$ (16,377)	\$ 520,950	\$ 510,872	\$ (10,078)	
Excess utilities	8,400	8,400	6,236	(2,164)	8,520	7,808	(712)	
HUD operating grants	419,180	419,180	437,444	18,264	416,125	454,791	38,666	
Interest on investments	1,400	1,400	2,129	729	1,200	1,810	610	
Other operating revenues	25,000	25,000	12,004	(12,996)	18,000	15,081	(2,919)	
Other non-operating revenues	10,000	10,000	117,004	107,004	10,000	60,517	50,517	
	<u>982,280</u>	<u>982,280</u>	<u>1,076,740</u>	<u>94,460</u>	<u>974,795</u>	<u>1,050,879</u>	<u>76,084</u>	
Expenses								
Cost of providing service								
Salaries and wages	82,760	82,760	77,410	5,350	72,450	69,027	3,423	
Fringe benefits	42,100	42,100	43,373	(1,273)	26,183	41,986	(15,803)	
Tenant services	3,100	3,100	1,371	1,729	3,100	3,329	(229)	
Utilities	262,010	262,010	213,375	48,635	250,420	236,656	13,764	
Maintenance and operation	170,000	170,000	214,303	(44,303)	165,000	124,504	40,496	
Insurance	37,000	37,000	34,292	2,708	37,900	33,367	4,533	
Payment in lieu of taxes	26,470	26,470	29,479	(3,009)	27,905	28,203	(298)	
Collection losses	5,000	5,000	3,882	1,118	5,000	4,343	657	
Replacement of non-expendible equipment	5,000	5,000	-	5,000	5,000	-	5,000	
Other cost of providing services	633,440	633,440	624,055	9,385	592,958	541,415	51,543	
Administrative and general expenses								
Salaries and wages	110,970	110,970	107,792	3,178	172,110	100,802	71,308	
Fringe benefits	19,400	19,400	21,982	(2,582)	58,587	6,826	51,761	
Legal	22,000	22,000	12,950	9,050	18,000	16,545	1,455	
Staff training	6,000	6,000	9,165	(3,165)	3,500	9,260	(5,760)	
Travel	6,000	6,000	1,926	4,074	3,500	2,134	1,366	
Accounting fees	17,870	17,870	17,783	87	17,500	17,297	203	
Auditing fees	7,200	7,200	6,638	562	7,000	6,500	500	
Other administrative	90,150	90,150	117,515	(27,365)	84,800	96,887	(12,087)	
	<u>279,590</u>	<u>279,590</u>	<u>297,899</u>	<u>(18,309)</u>	<u>364,997</u>	<u>256,251</u>	<u>108,746</u>	
Non-operating expenses								
Interest paid	18,573	18,573	17,077	1,496	19,727	18,364	1,363	
Total costs funded by operating revenues	<u>931,603</u>	<u>931,603</u>	<u>939,031</u>	<u>(7,428)</u>	<u>977,682</u>	<u>816,030</u>	<u>161,652</u>	
Surplus (deficiency)	<u>\$ 50,677</u>	<u>\$ 50,677</u>	<u>\$ 137,709</u>	<u>\$ 87,032</u>	<u>\$ (2,887)</u>	<u>\$ 234,849</u>	<u>\$ 237,736</u>	
Reconciliation of change in net position to Statements of Revenues, Expenses and Changes in Net Position:								
Less: unbudgeted GASB 68 pension expense			(15,624)			(11,375)		
Less: depreciation expense			(282,619)			(277,341)		
Change in net position per Statements of Revenues, Expenses and Changes in Net Position			<u>\$ (160,534)</u>			<u>\$ (53,867)</u>		

**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>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset)	0.00267%	0.00233%	0.00274%
Authority's proportionate share of the net pension liability (asset)	\$ 599,470	\$ 436,985	\$ 523,787
Authority's covered-employee payroll	\$ 126,674	\$ 120,702	\$ 181,398
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	473.24%	362.04%	288.75%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	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>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 22,959	\$ 19,241	\$ 20,650
Contributions in relation to the contractually required contribution	<u>22,959</u>	<u>19,241</u>	<u>20,650</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 126,674	\$ 120,702	\$ 181,398
Contributions as a percentage of covered-employee payroll	18.12%	15.94%	11.38%

**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, 2016 and 2015

Public Employees' Retirement System (PERS)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. 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.

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 males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Schedule IV

Housing Authority of the Borough of Highlands
Financial Data Schedules
For the Year Ended June 30, 2016

	Total
111 Cash - Unrestricted	\$803,734
112 Cash - Restricted - Modernization and Development	
113 Cash - Other Restricted	
114 Cash - Tenant Security Deposits	\$42,333
115 Cash - Restricted for Payment of Current Liabilities	
100 Total Cash	\$846,067
121 Accounts Receivable - PHA Projects	
122 Accounts Receivable - HUD Other Projects	
124 Accounts Receivable - Other Government	
125 Accounts Receivable - Miscellaneous	
126 Accounts Receivable - Tenants	\$15,977
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,196
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	\$12,781
131 Investments - Unrestricted	
132 Investments - Restricted	
135 Investments - Restricted for Payment of Current Liability	
142 Prepaid Expenses and Other Assets	
143 Inventories	
143.1 Allowance for Obsolete Inventories	
144 Inter Program Due From	
145 Assets Held for Sale	
150 Total Current Assets	\$858,848
161 Land	\$54,433
162 Buildings	\$7,700,881
163 Furniture, Equipment & Machinery - Dwellings	
164 Furniture, Equipment & Machinery - Administration	\$124,464
165 Leasehold Improvements	\$1,183,274
166 Accumulated Depreciation	-\$6,451,597
167 Construction in Progress	\$111,453
168 Infrastructure	
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,722,908

Schedule IV
(continued)

Housing Authority of the Borough of Highlands
Financial Data Schedules
For the Year Ended June 30, 2016

	Total
171 Notes, Loans and Mortgages Receivable - Non-Current	
172 Notes, Loans, & Mortgages Receivable - Non Current Past Due	
173 Grants Receivable - Non Current	
174 Other Assets	
176 Investments in Joint Ventures	
180 Total Non-Current Assets	\$2,722,908
200 Deferred Outflow of Resources	\$132,131
290 Total Assets and Deferred Outflow of Resources	\$3,713,887
311 Bank Overdraft	
312 Accounts Payable <= 90 Days	\$20,846
313 Accounts Payable >90 Days Past Due	
321 Accrued Wage/Payroll Taxes Payable	\$3,788
322 Accrued Compensated Absences - Current Portion	\$10,303
324 Accrued Contingency Liability	
325 Accrued Interest Payable	\$2,719
331 Accounts Payable - HUD PHA Programs	
332 Account Payable - PHA Projects	
333 Accounts Payable - Other Government	\$57,682
341 Tenant Security Deposits	\$42,333
342 Unearned Revenue	\$3,776
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$30,000
344 Current Portion of Long-term Debt - Operating Borrowings	
345 Other Current Liabilities	
346 Accrued Liabilities - Other	\$27,629
347 Inter Program - Due To	
348 Loan Liability - Current	
310 Total Current Liabilities	\$199,076
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$325,000
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	
357 Accrued Pension and OPEB Liabilities	\$599,470
350 Total Non-Current Liabilities	\$924,470
300 Total Liabilities	\$1,123,546

**Schedule IV
(continued)**

**Housing Authority of the Borough of Highlands
Financial Data Schedules
For the Year Ended June 30, 2016**

	Total
400 Deferred Inflow of Resources	\$63,220
508 4 Net Investment in Capital Assets	\$2,367,908
511 4 Restricted Net Position	
512 4 Unrestricted Net Position	\$159,213
513 Total Equity - Net Assets / Position	\$2,527,121
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,713,887

Schedule IV
(continued)

Housing Authority of the Borough of Highlands
Financial Data Schedules
For the Year Ended June 30, 2016

	Total
70300 Net Tenant Rental Revenue	\$501,923
70400 Tenant Revenue - Other	\$6,236
70500 Total Tenant Revenue	\$508,159
70600 HUD PHA Operating Grants	\$437,444
70610 Capital Grants	\$117,004
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	\$2,129
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	\$12,004
71600 Gain or Loss on Sale of Capital Assets	
72000 Investment Income - Restricted	
70000 Total Revenue	\$1,076,740
91100 Administrative Salaries	\$107,792
91200 Auditing Fees	\$6,638
91300 Management Fee	\$42,447
91310 Book-keeping Fee	
91400 Advertising and Marketing	
91500 Employee Benefit contributions - Administrative	\$29,325
91600 Office Expenses	\$75,069
91700 Legal Expense	\$12,950
91800 Travel	\$4,074
91810 Allocated Overhead	
91900 Other	\$26,947
91000 Total Operating - Administrative	\$305,242

Schedule IV
(continued)

Housing Authority of the Borough of Highlands
Financial Data Schedules
For the Year Ended June 30, 2016

	Total
92000 Asset Management Fee	
92100 Tenant Services - Salaries	
92200 Relocation Costs	
92300 Employee Benefit Contributions - Tenant Services	
92400 Tenant Services - Other	\$1,371
92500 Total Tenant Services	\$1,371
93100 Water	\$27,900
93200 Electricity	\$65,620
93300 Gas	\$46,835
93400 Fuel	
93500 Labor	
93600 Sewer	\$71,120
93700 Employee Benefit Contributions - Utilities	
93800 Other Utilities Expense	\$1,900
93000 Total Utilities	\$213,375
94100 Ordinary Maintenance and Operations - Labor	\$77,410
94200 Ordinary Maintenance and Operations - Materials and Other	\$35,213
94300 Ordinary Maintenance and Operations Contracts	\$179,090
94500 Employee Benefit Contributions - Ordinary Maintenance	\$50,613
94000 Total Maintenance	\$342,326
95100 Protective Services - Labor	
95200 Protective Services - Other Contract Costs	\$6,570
95300 Protective Services - Other	
95500 Employee Benefit Contributions - Protective Services	
95000 Total Protective Services	\$6,570
96110 Property Insurance	
96120 Liability Insurance	
96130 Workmen's Compensation	
96140 All Other Insurance	\$34,292
96100 Total insurance Premiums	\$34,292

Schedule IV
(continued)

Housing Authority of the Borough of Highlands
Financial Data Schedules
For the Year Ended June 30, 2016

	Total
96200 Other General Expenses	
96210 Compensated Absences	\$1,041
96300 Payments in Lieu of Taxes	\$29,479
96400 Bad debt - Tenant Rents	\$3,882
96500 Bad debt - Mortgages	
96600 Bad debt - Other	
96800 Severance Expense	
96000 Total Other General Expenses	\$34,402
96710 Interest of Mortgage (or Bonds) Payable	\$17,077
96720 Interest on Notes Payable (Short and Long Term)	
96730 Amortization of Bond Issue Costs	
96700 Total Interest Expense and Amortization Cost	\$17,077
96900 Total Operating Expenses	\$954,655
97000 Excess of Operating Revenue over Operating Expenses	\$122,085
97100 Extraordinary Maintenance	
97200 Casualty Losses - Non-capitalized	
97300 Housing Assistance Payments	
97350 HAP Portability-In	
97400 Depreciation Expense	\$282,619
97500 Fraud Losses	
97600 Capital Outlays - Governmental Funds	
97700 Debt Principal Payment - Governmental Funds	
97800 Dwelling Units Rent Expense	
90000 Total Expenses	\$1,237,274

Schedule IV
(continued)

Housing Authority of the Borough of Highlands
Financial Data Schedules
For the Year Ended June 30, 2016

	Total
10010 Operating Transfer In	\$11,921
10020 Operating transfer Out	-\$11,921
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$160,534
11020 Required Annual Debt Principal Payments	\$30,000
11030 Beginning Equity	\$3,079,005
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$391,350
11050 Changes in Compensated Absence Balance	
11060 Changes in Contingent Liability Balance	
11070 Changes in Unrecognized Pension Transition Liability	
11080 Changes in Special Term/Severance Benefits Liability	
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents	
11100 Changes in Allowance for Doubtful Accounts - Other	
11170 Administrative Fee Equity	
11180 Housing Assistance Payments Equity	
11190 Unit Months Available	1476
11210 Number of Unit Months Leased	1436
11270 Excess Cash	\$584,373
11610 Land Purchases	\$0
11620 Building Purchases	\$91,157
11630 Furniture & Equipment - Dwelling Purchases	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0
11650 Leasehold Improvements Purchases	\$0
11660 Infrastructure Purchases	\$0
13510 CFFP Debt Service Payments	\$48,065
13901 Replacement Housing Factor Funds	\$0