

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA

YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Borough of Highlands
Highlands, New Jersey 07732

Report on the Financial Statements

I have audited the accompanying financial statements of Housing Authority of the Borough of Highlands, NJ , as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Highland's basic financial statements as listed in the table of contents.

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

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits 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. Those standards require that I 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my modified audit opinion.

Basis for Modified Opinion

The Authority's financial statements do not report or disclose other post employment retirement benefits. In my opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United states of America.

Modified Opinion

In my opinion, except for the omission of the information discussed in the basis for Modified Opinion paragraph, the financial statement referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Borough of Highland, NJ, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Housing Authority of the Borough of Highlands as of June 30, 2017, were audited by other auditors whose report dated October 30, 2017, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, Schedule of the authority's contributions 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying financial information, the combining statements of net position, activities and changes in net position and Financial Data Schedule as listed in other supplementary Information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The combining statement of net position, activities and changes in net position, Financial Data Schedule 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 my opinion, the combining statements of net position, activities and changes in net position, financial data schedule 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*, I have also issued my report March 15, 2019 on my consideration of the Housing Authority of the Borough of Highland's internal control over financial reporting and on my 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 my 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 Highlands Housing Authority's internal control over financial reporting and compliance.

Francis McConnell

Francis J. McConnell
Certified Public Accountant

March 15, 2019

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
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, 2018. 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 \$2,554,193 (net position) as opposed to \$2,578,407 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority reported ending Unrestricted Net Position of \$382,027 an increase of \$181,841 from the prior fiscal year.
3. The Authority's cash and cash equivalents balance (including restricted cash) at June 30, 2018 was \$1,389,529 representing an increase of \$746,214 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$1,110,370 and Total Operating Expenses (excluding depreciation) of \$985,452 for the year ended June 30, 2018.
5. The Authority's capital outlays for the fiscal year were \$157,420.
6. The Authority's Expenditures of Federal Awards amounted to \$ 738,985 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.

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

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
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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 7 through 10 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.

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Since the HHA expended less than \$750,000 there is no Schedule of Expenditures of Federal Awards in this report.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
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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:

	6/30/2017	6/30/2018
Cash and Other Assets	\$ 871,361	\$ 1,609,772
Capital Assets – Net	2,703,221	2,457,166
Total Assets	3,574,582	4,066,938
Deferred Outflows Related to Pensions	182,378	157,165
Total Assets and Deferred Outflows of Resources	3,756,960	4,224,103

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
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C. The Authority as a Whole (continued)

Less: Total Liabilities	994,302	1,442,010
Less: Deferred Inflows of Resources	184,251	227,900
Net Position	<u>\$ 2,578,407</u>	<u>\$ 2,554,193</u>
Net Investment in Capital Assets	\$ 2,378,221	\$ 2,172,166
Unrestricted Net Position	208,186	382,027
Net Position	<u>\$ 2,578,407</u>	<u>\$ 2,554,193</u>

Computations of Changes in Net Position are as follows:

<u>Revenues</u>		
Tenant Revenues	\$ 493,217	\$ 523,908
HUD Operating Grants	512,323	528,590
Other government grants	209,557	52,975
Other Revenues	15,330	4,897
Total Operating Revenues	<u>1,230,427</u>	<u>1,110,370</u>
<u>Expenses</u>		
Other Operating Expenses	961,583	985,452
Depreciation Expense	281,822	299,031
Total Operating Expenses	<u>1,243,405</u>	<u>1,284,483</u>
Operating Income (Loss)	<u>(12,978)</u>	<u>(174,113)</u>
Non-Operating Revenues (Expense):		
Interest Expense	(15,764)	(15,374)
Interest on Investments	3,080	7,853
HUD Capital Grants	52,210	157,420
Total Non-operating Revenues (expenses)	<u>39,526</u>	<u>149,899</u>
Change in Net Position	26,548	(24,214)
Net Position, Beginning of Year	2,527,121	2,578,407
Prior Period Adjustment	<u>24,738</u>	<u>-</u>
Net Position - Beginning of Year, Restated	<u>2,551,859</u>	<u>2,578,407</u>
Net Position - End of Year	<u>\$ 2,578,407</u>	<u>\$ 2,554,193</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
UNAUDITED

C. The Authority as a Whole (continued)

- Cash and cash equivalents increased \$390,495 mainly due to the HHA's conversion to RAD as of 7/1/18 that included a loan from Investor's bank in the amount of \$500,000. These monies will be used to perform the capital improvements required to be undertaken for the RAD conversion.
- Restricted cash-increased \$355,719 as the HHA set aside monies to pay off its debt leveraging balance as part of the RAD conversion. Debt was paid off subsequent to 6/30/18.
- Net capital assets decreased \$246,055 due to depreciation of \$299,031 for the fiscal year ending 6/30/18 offset by capital additions of \$52,976.
- 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.
- Accounts Payable increased \$62,610 all attributable to RAD expenses incurred as of 6/30/18 but not paid until July 2018.
- Short term and Long-term debt increased \$460,000 as the Authority paid its annual debt service due on the bond leveraging bonds and in addition took out a loan of \$500,000 to complete repairs under its RAD conversion.
- Net investment in capital assets decreased \$206,055 due to depreciation of \$299,031 offset by capital additions of \$52,376 and the principal debt payment of \$40,000.
- Unrestricted Net Position increased \$181,841 due to the Authority's transfer from its capital fund to help subsidize its RAD conversion.
- Tenant revenue increased \$30,691 as the HHA saw a decrease in its vacancy rate for the fiscal year ending 6/30/18.
- Other government grants decreased \$156,582 as the HHA received the majority of a grant from FEMA for the installation of a new generator during the fiscal year ending 6/30/17.
- Other income decreased \$10,433 as the HHA charged less to tenants for late charges and sales/services.
- Administrative expenses increased \$64,937 due to the costs associated with the HHA's conversion to HUD's Rental Assistance Demonstration program. "RAD"
- Utilities decreased \$85,977 due to less usage of gas and electric and a reduction in gas rates.
- Maintenance increased \$18,135 due to additional work completed in preparation of the HHA's RAD conversion.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
UNAUDITED**

D. Budgetary Highlights

For the year ended June 30, 2018, 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.

E. Capital Assets and Debt Administration

1. Capital Assets

As of June 30, 2018, the Authority's investment in capital assets, net of related debt for its Proprietary Fund was \$2,172,166. This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$157,420 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 June 2008. In anticipation of the HHA's RAD conversion this debt will be paid off. The HHA set aside funds as of 6/30/18 to satisfy the balance of the debt which was paid off subsequent to 6/30/18.

In order to complete rehab work required for the HHA's RAD conversion a mortgage loan of \$500,000 was solicited from Investors Bank. Proceeds from the loan were received as of 6/30/18 and will be used in the next fiscal year to meet all the HHA's requirement for the RAD conversion.

Further details can be found in the Notes to the Financial Statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
UNAUDITED**

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, 2018.

1. The need for Congress to cut-back on HUD subsidies and grants.
2. The use of the Authority's Unrestricted Net Position of \$382,027 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.
3. The HHA converted its entire portfolio of 125 units to RAD on 7/1/18. The HHA chose to convert under HUD's Project-Based Rental Assistance Program (PBRA) and will now be under the guidelines of HUD's Multifamily Division. HHA will receive contract rents agreed to under its conversion and will request monies each month from HUD to support its monthly budget.

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.

FINANCIAL SECTION

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS, NEW JERSEY
STATEMENTS OF NET POSITION
JUNE 30, 2018 and 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,032,972	\$ 642,477
Restricted cash and cash equivalents	356,557	838
Accounts receivable, net	220,243	228,046
Total Current Assets	1,609,772	871,361
Noncurrent assets		
Capital assets, net of depreciation	2,457,166	2,703,221
Total Noncurrent Assets	2,457,166	2,703,221
Deferred Outflow of Resources		
Deferred outflows related to pensions	157,165	182,378
Total deferred outflows of resources	157,165	182,378
Total Assets and Deferred Outflow of Resources	4,224,103	3,756,960

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

LIABILITIES:

Current Liabilities		
Accounts Payable	121,041	58,431
Accrued Liabilities	5,727	2,500
Compensated Absences	13,130	9,791
Trusts and deposits	50,323	37,877
Deferred credits and other liabilities	33,608	29,193
Current portion of long-term debt	307,129	40,000
Total Current Liabilities	530,958	177,792
Noncurrent liabilities		
Long-term debt, net of current portion	477,871	285,000
Accrued Pension	433,181	531,510
Total Noncurrent Liabilities	911,052	816,510
Total Liabilities	1,442,010	994,302
Deferred Inflow of Resources		
Deferred inflows related to pensions	227,900	184,251
Total Deferred Inflow of Resources	227,900	184,251
NET POSITION		
Net Investments in capital assets	2,172,166	2,378,221
Unrestricted net assets (Deficit)	382,027	200,186
Total net position	2,554,193	2,578,407
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 4,224,103	\$ 3,756,960

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS, NEW JERSEY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Tenant Revenue	\$ 523,908	\$ 493,217
HUD Operating grants	528,590	512,323
Other government grants	52,975	209,557
Other Income	4,897	15,330
Total operating revenues	1,110,370	1,230,427
OPERATING EXPENSES		
Administrative	408,479	343,542
Tenant services	2,783	2,345
Utilities	201,555	242,914
Maintenance	305,667	287,532
General	66,968	85,250
Depreciation Expense	299,031	281,822
Total Operating Expenses	1,284,483	1,243,405
NET OPERATING INCOME (LOSS)	(174,113)	(12,978)
NONOPERATING REVENUES (EXPENSES)		
Interest Expense	(15,374)	(15,764)
Investment Income	7,853	3,080
Total nonoperating revenues	(7,521)	(12,684)
Income (loss) before capital grants	(181,634)	(25,662)
Capital Grants	157,420	52,210
Change in net position	(24,214)	26,548
Total net position - beginning	2,578,407	2,527,121
Prior Period Adjustments	-	24,738
Total net position - ending	\$ 2,554,193	\$ 2,578,407

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS, NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 and 2017

	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
hud operating grants	\$ 534,313	\$ 512,325
Receipts from residents and others	581,071	515,594
Payments to suppliers	(709,305)	(807,926)
Payments to and on behalf of employees	(230,046)	(194,874)
Net cash provided by (used) in operating activities	176,033	25,119
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital grants received	157,420	52,210
Acquisition of capital assets	(52,976)	(237,397)
Interest paid on debt	(14,562)	(15,764)
Gross proceeds from debt	500,000	-
Trust deposits	12,446	-
Principal payments on long term debt	(40,000)	(30,000)
Net cash (used) in capital and related financing activities	562,328	(230,951)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment Income	7,853	3,080
Net cash provided by investing activities	7,853	3,080
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	746,214	(202,752)
<u>CASH AND CASH EQUIVALENTS, JULY 1</u>	643,315	846,067
<u>CASH AND CASH EQUIVALENTS, JUNE 30</u>	\$ 1,389,529	\$ 643,315
SEPTEMBER 30, CASH AND CASH EQUIVALENTS		
Unrestricted	\$ 1,032,972	\$ 642,477
Restricted	356,557	838
Total Unrestricted and Restricted	\$ 1,389,529	\$ 643,315

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS, NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 and 2017

	2018	2017
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Net Operating Loss	\$ (174,113)	\$ (12,978)
Add back non-cash Items:		
Depreciation expense	299,031	281,822
Bad Debts	1,915	4,544
Pension Credit	(29,467)	2,824
Decrease (Increase) in Assets/Deferred outflows/inflows		
Accounts Receivable	5,888	(219,809)
	103,254	56,403
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	65,025	5,438
other Liabilities and deferred credits	7,754	(36,722)
	72,779	(31,284)
Net Cash provided by operating activities	\$ 176,033	\$ 25,119

The accompanying notes are an integral part of this statement

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Program Description

The Housing Authority of the Borough of Highlands, New Jersey was organized under the laws of the State of New Jersey and operates under an Annual Contributions Contract (ACC) with the United States Department of Housing and Urban Development (HUD) to provide low-income housing to eligible participants under the United States Housing Act of 1937, as amended. The formation and operation of the Housing Authority is governed by the Act, and administered by HUD under the Annual Contributions Contracts.

The Authority is governed by a Board of Directors appointed locally. An Executive Director is appointed by the housing authority's Board to manage the day to day operations of the Authority.

Low Rent Housing Program

This program provides low-rent housing to qualified residents of the Borough of Highlands, New Jersey. All units are owned and operated by the Housing Authority. The operations of the program are subsidized by HUD through an Annual Contributions Contract. Operating subsidy contributions for the years ended June 30, 2018 and 2017 were \$414,596 and \$512,323 respectively, and are included in operating subsidies in the combined statement of revenues, expenses and changes in net position.

Capital Fund Program Grants

Capital fund grants are recognized as revenues in the combined statement of revenues, expenses and changes in net assets in accordance with GASB Statement No. 34. Capital grants support the development, modernization and operation of public housing developments.

B Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is made by applying the criteria set forth by GASB. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financial accountable. Based on these criteria, There are no additional agencies which should be included in the financial statements of Highlands Housing Authority.

C Change in Accounting Policy

During FY 2016, CHA adopted the accounting standard under Government Accounting Standards Board (GASB) No. 68 "*Accounting and Financial Reporting for Pensions*" and, accordingly, changed its accounting policy for its defined benefit pension plan, which was previously accounted for on a cash basis. Under GASB No. 68, CHA is required to include in its financial statements the net pension liability and any related unrecognized experience gain and loss as deferred inflows and deferred outflows, respectively (see also Note 10). There was no restatement of the prior period.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017

D - Basis of Accounting

HHA accounts for its operations in a single enterprise fund. Enterprise funds account for those operations financed and operated in a manner similar to a private business or where HHA has decided that determination of revenue earned, costs incurred and net revenue over expense is necessary for management accountability.

Enterprise funds are proprietary funds used to account for business activities of special purpose governments for which a housing authority qualifies under GASB No. 34, "*Basic Financial Statements – Management’s Discussion and Analysis—for State and Local Governments.*" Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred regardless of the timing of the related cash flows. All assets and deferred outflows and liabilities and deferred inflows associated with the operation of the Authority are included in the statements of net position. The statements of revenues, expenses and changes in net position present increases (revenue and capital contributions) and decreases (expenses) in total net position.

Budgeting and Budgetary Accounting

The Authority prepares an annual operating and capital budget for all programs in accordance with HUD requirements. The budget is formally adopted by resolution of the Authority’s Board of Directors. Once adopted, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses. The budget is prepared on a detailed line item basis.

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued GASB No. 73, *Accounting and Financial Reporting for Pensions and related assets that are not within the Scope of GASB No. 68, and Amendments to Certain Provisions of GASB No. 67 and 68.* The objective of this statement is to improve the usefulness of information about pensions included in the general purpose financial reports of state and local governments for making decisions and assessing accountability. The requirements of this standard for pension plans that are within the scope of GASB NO. 67 or 68 are effective for fiscal years beginning after June 15, 2015. The adoption of this standard did not have a significant impact on the Authority’s financial statements.

In June 2015, the GASB issued GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this standard is to identify the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This standard establishes the hierarchy of GAAP for state and local governmental entities. This standard is effective for financial statements for fiscal years beginning after June 15, 2015. The adoption of this standard did not have a significant impact on the Authority’s financial statements.

In June 2015, the GASB issued GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* The objective of the standard is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The standard establishes standards recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. This statement replaces GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This standard is effective for financial statements for fiscal years beginning after June 15, 2017. The authority’s adoption of the standard will not have a significant impact on its financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017

E – Cash and Cash Equivalents

The Authority considers all securities, including certificates of deposits and short term investments , with maturities of three months or less to be cash equivalents.

F – Accounts Receivable

Rents are due from tenants on the first day of each month. An allowance for doubtful accounts is established to provide for accounts which may not be collected in the future for any reason. The authority recognizes receivables from HUD and other governmental agencies for amounts earned and billed but not received and for amounts earned but unbilled, as of year end.

G – Capital Assets

Capital assets include land, structures and equipment recorded at cost and is comprised of property betterments and additions, and modernization program costs. Charges for maintenance and repairs are expensed when incurred. The authority depreciates these assets over their estimated useful lives using the straight-line method of depreciation..

<u>Category</u>	<u>Useful lives (in Years)</u>
Buildings	40 years
Building Improvements	15 years
Furniture and Equipment	3 - 5 years
Machinery	3 - 5 years

Long-lived assets are reviewed annually for impairment under the provisions and in accordance with GASB No. 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*”

H – Accrued Compensated absences

Accumulated unpaid leave time is accrued at the estimated amounts of future benefits attributable to services already rendered.

I – Equity Classifications

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

Net Investment in Capital Assets – consists of any capital assets, net of accumulated depreciation and reduced by any outstanding balances of loans, notes or mortgages

Restricted Net Position -_consists of the net amount of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – all other net amounts of assets that do not meet the definition of “restricted” or “net investment in capital assets”.

J – Use of Restricted Assets

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as needed.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017**

K - Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, and in the management of Authority assets. Its operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies other revenues and expenses as non-operating.

L - Income Taxes

HHA is a New Jersey municipal authority and, as such, is exempt from income taxes and other state and local taxes. HHA believes it has not engaged in any activities for which its tax-exempt status would not be sustained under Internal Revenue Service examination or that would require filing of an income tax return for unrelated business income taxes.

M- Use of 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 the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

N – Economic Dependency

The Low Rent Housing Program of the Authority is economically dependent on operating grants and subsidies from HUD.

NOTE 2 – CASH AND INVESTMENTS

HUD requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security deposits. Obligations furnished as security must be held by the authority or with an unaffiliated bank or trust company for the account of the authority.

It is the Authority’s policy to maintain collateralization in accordance with the requirements of HUD. Authority cash and investment balances are covered by the Federal Deposit Insurance Corporation up to \$250,000 with the balance being covered by the Governmental Unit Deposit Protection act of the State of New Jersey.

As of June 30, 2018 and 2017, cash and investment balances consist of the following:

	2018	2017
Unrestricted cash	\$ 1,032,972	\$ 597,599
Tenant Security Deposits	49,585	44,878
Restricted Cash	306,972	838
Total Cash and cash equivalents	<u>\$ 1,389,529</u>	<u>\$ 643,315</u>
bank balances	\$ 1,448,300	\$ 647,810

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017

NOTE 3 – RECEIVABLES

Accounts Receivable as of June 30, 2018 and 2017

	2018	2017
Tenant accounts receivable	4,753	7,103
Due from Hud	216,202	-
Other	-	221,925
Total accounts receivable	220,955	229,028
Less: allowance for doubtful accounts	(712)	(982)
	220,243	228,046

NOTE 4 – CAPITALASSETS

Changes in capital assets for 2018 consisted of:

	2017	additions	disposals	transfers	2018
Non-depreciable capital assets:					
Land	54,433	-	-		54,433
Construction in Progress	286,442	52,977		(339,419)	-
	340,875	52,977		(339,419)	54,433
Depreciable capital assets:					
Buildings and Improvements	8,971,300	-	-	339,419	9,310,719
Equipment - Admin & Dwelling	124,465	-	-		124,465
Totals	9,095,765	-	-	339,419	9,435,184
Total capital assets	9,436,640	52,977			9,489,617
Accumulated Depreciation:	(6,733,419)	(299,031)	-		(7,032,450)
Net Capital Assets	2,703,221	(246,054)	-	-	2,457,167

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017

NOTE 4 – CAPITAL ASSETS – continued

Changes in capital assets for 2017 consisted of:

	2016	additions	disposals	transfers	2017
<u>Non-depreciable capital assets:</u>					
Land	54,433	-	-		54,433
Construction in progress	111,453	262,135		(87,146)	286,442
	165,886	262,135		(87,146)	340,875
<u>Depreciable capital assets:</u>					
Buildings and Improvements	8,884,154	-	-	87,146	8,971,300
Equipment - Admin & Dwelling	124,465	-	-		124,465
Totals	9,008,619	-	-	87,146	9,095,765
Total capital assets	9,174,505	374,324	-	87,146	9,436,640
Accumulated Depreciation:	(6,451,597)	(182,775)	-		(6,733,419)
Net Capital Assets	2,722,908	191,549			2,703,221

NOTE 5 – RISK MANAGEMENT

The Authority is exposed to various risks of potential liabilities, such as theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to deal with these potential liabilities, the Authority's risk management program consisted of various insurance policies covering each of these risks. The Authority believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

NOTE 6 – PAYABLE TO OTHER GOVERNMENT AGENCIES – (PILOT)

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 Collingswood, New Jersey. Under the cooperation agreements, the Authority must pay the lesser of 10% of its net shelter rent or the appropriate full real property taxes. During the fiscal years ended June 30, 2018 and 2017, PILOT expense was accrued in the amounts of \$ 32,234 and \$25,030, respectively. Shown on statement of net position as other liabilities..

NOTE 7 – COMPENSATED ABSENCES

Accrued compensated absences represent the amount of accumulated leave for which employees are entitled to receive payment in accordance with the authority's personnel policy. 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, 2018 and 2017, the Authority accrued compensated absences in the amount of \$13,130 and \$9,791, respectively.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

Note 8 - Long-Term Debt						
Long-Term Debt is summarized as follows:						
		Balance				Balance
		June 30, 2017	Additions	Repayments		June 30, 2018
capital RevenueBonds		\$ 325,000		40,000		\$ 285,000
Investors Mortgage		\$ -	500,000			\$ 500,000
		\$ 325,000	500,000	40,000		785,000
Less: Current portion		40,000				307,129
Net Long Term Debt		<u>285,000</u>				<u>477,871</u>
		Balance				Balance
		June 30, 2016	Additions	Repayments		June 30, 2017
capital RevenueBonds		\$ 355,000		30,000		\$ 325,000
		\$ 355,000	-	30,000		325,000
Less: Current portion		30,000				40,000
Net Long Term Debt		<u>325,000</u>				<u>285,000</u>
<u>Description</u>				<u>2018</u>		<u>2017</u>
Capital Fund Revenue Bond, 2004 series A, interest accries at 4.418% and is payable semi-annually on May 1st and November 1st				285,000		325,000
Mortgage Loan with Investors Bank, at the rate of 5.410% with a maturity date of July 1, 2033. Loan is secured by property at 215 Shore Drive and 125 Waterwitch Avenue both in Highlands, Nj, Monmouth County.				500,000		-
				<u>785,000</u>		<u>325,000</u>
The amortization schedule for the long term debt of HHA is as follows:						
Year Ending						
June 30			Principal	Interest		Total
2019			305,195	28,029		333,224
2020			23,184	25,811		48,995
2021			24,558	24,437		48,995
2022			25,942	23,053		48,995
2023			27,399	21,596		48,995
Thereafter			378,722	115,319		494,041
			<u>785,000</u>	<u>238,245</u>		<u>1,023,245</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017

NOTE 9 – Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charges to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources until that time. These inflows consist of unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NOTE 10 – PENSION PLAN

Description of Plan

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. It is a cost-sharing, multiple-employer defined benefit pension plan. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system. Membership is mandatory for such employees.

Vesting and Benefit Provisions

The vesting and benefit provisions for the PERS are set by N.J. S.A. 43:15A and 43:3B. All benefits vest after ten years of services, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined.

Funding Requirements - PERS

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers contributions are actuarially determined annually by the

The Authority’s total contributions to PERS for the year ended were \$ 17,239.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017

NOTE 10 – PENSION PLAN - continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – at June 30, 2018, the Authority reported a liability of \$ 433,181 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net pension liability was based on the authority’s share of contributions to the pension plan relative to the contributions of all PERS participating employers. At June 30, 2017, the authority’s collective proportion percentage was .00186%.

For the year ended the authority recognized pension expense of \$ 1,904. At June 30, 2018, the authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experiences	\$ 10,200	\$ -
Changes in assumptions	87,271	86,951
Net difference between projected and actual earnings on pension plan investments	2,950	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	42,614	140,949
Authority contributions subsequent to the measurement date	14,130	
Total	\$ 157,165	\$ 227,900

\$ 14,130 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended June ., 30	Total
2019	\$ (16,973)
2020	(16,973)
2021	(16,973)
2022	(16,973)
2023	(16,973)
	<u>\$ (84,865)</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017

NOTE 10 – PENSION PLAN - continued

Actuarial assumptions – the total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation :	2.25%
Rates of salary increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality tables, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension 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 are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major class included in PERS’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-US developed markets equity	11.50%	9.00%
Emerging Markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017**

NOTE 10 – PENSION PLAN – continued

Discount Rate - the discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Pension Plan Fiduciary Net Position – detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report which is available on the PERS website.

Sensitivity of the Authority’s Proportionate Share of Net Pension Liability to changes in the Discount Rate – the following represents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 4.90 percent, as well as what the authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.90 percent) or 1-percentage point higher (5.90 percent) than the current rate,

	4.00%	5.00%	6.00%
Authority's proportionate share of the net pension liability	537,191	433,181	346,362

Note 11 - POST EMPLOYMENT RETIREMENT BENEFITS

The Authority participates in the New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple employer plan in accordance with GASB statement 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits other Than Pensions”(“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

A -Contribution Requirements - SHBP

Contributions to pay for the health premiums for participating employees in the SHBP – Local are collected from the State of New Jersey, participating local employers, active members, and retired members.

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 SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, division of Pensions and Benefits, P.O., Box 295, Trenton, New Jersey 08625.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis.

Under the new GASB, “GASB 75”, the state of New Jersey is requiring employers to report their share of the OPEB liability and expense. Because the audit of the State of New Jersey post employment benefits plan has not been completed we are unable to disclose fully our allocated liability and expense as of the year end.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 and 2017

NOTE 12 – RAD PROGRAM EXPENSES

The Highlands Housing Authority “HHA” has been in the process of converting its entire public housing portfolio of 123 units to HUD’s Rental Assistance Demonstration Program. “RAD” the RAD program allows PHA’s to change from its current Section 9 funding platform to Section 8 Project Based Assistance. The HHA has chosen to move to Section 8 Project Based Rental Assistance. “PBRA” The RAD program releases the HUD declaration of trust on the properties and allows the HHA to use its properties as collateral to finance capital improvements throughout the Authority.

The HHA performed a physical condition assessment to identify what the capital needs of the Authority are over the next 20 years. Based on that assessment the HHA has prepared a plan to finance the program. The HHA in June 2018 obtained a conventional mortgage from Investors Bank in the amount of \$500,000. The HHA will also contribute to a reserve for replacement reserve each year to cover the needs over the remaining 18 years.. In order to help in the conversion, the HHA has contracted with various firms to help in this endeavor.

NOTE 13 – SUBSEQUENT EVENTS

In preparing the financial statements, the Housing Authority has evaluated events and transactions for potential recognition or disclosure through March 15, 2019 the date the financial statements were available to be issued. No transactions were found for recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportions of the net pension liability (asset)	0.00186%	0.00179%	0.00267%	0.00233%	0.00274%
Authority's proportionate share of the net pension liability	\$ 433,181	\$ 531,510	\$ 599,470	\$ 436,985	\$ 523,787
Authority's covered-employee payroll	\$ 137,256	134,475	\$ 126,674	\$ 120,702	\$ 181,398
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	315.60%	395.25%	473.24%	362.04%	288.75%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%	47.93%	52.08%	48.72%

Note: GASB Statement NO 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Authority will present information for those years for which information is available.

See accompanying independent auditor's report

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contributions	17,239	15,943	22,959	19,241	20,650
Contributions in relation to the statutorily required contributions	17,239	15,943	22,959	19,241	20,650
Contributions deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Authority's covered-employee payroll	137,256	134,475	126,674	120,702	181,398
Contributions as a percntage of covered-employee payroll	12.56%	11.86%	18.12%	15.94%	11.38%

OTHER SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS, NEW JERSEY
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	Low Rent Housing	Capital fund Program	Disaster Housing Grant	Totals
Current Assets				
Cash	1,032,972	-	-	1,032,972
Restricted cash and investments	356,557	-	-	356,557
Receivables, net	220,243	-	-	220,243
Total Current assets	1,609,772	-	-	1,609,772
NONCURRENT ASSETS				
Capital assets, net of depreciation	2,457,166	-	-	2,457,166
Total noncurrent assets	2,457,166	-	-	2,457,166
Deferred Outflows of Resources	157,165		-	157,165
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	4,224,103	-	-	4,224,103
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	121,041	-	-	121,041
Accrued Liabilities	5,727	-	-	5,727
Accounts Payable - other government	32,234	-	-	32,234
Compensated absences	13,130	-	-	13,130
Tenant security deposits	50,323	-	-	50,323
Deferred credits and other liabilities	1,374	-	-	1,374
Current portion of long term debt	307,129	-	-	307,129
Total current liabilities	530,958	-	-	530,958
NONCURRENT LIABILITIES				
Long Term Debt	477,871	-	-	477,871
Accrued pension	433,181	-	-	433,181
Total noncurrent liabilities	911,052	-	-	911,052
TOTAL LIABILITIES	1,442,010	-	-	1,442,010
Deferred Inflows of Resources	227,900		-	227,900
NET POSITION				
Net Investment in capital assets	2,172,166	-	-	2,172,166
Unrestricted net position (deficit)	382,027	-	-	382,027
TOTAL NET POSITION	2,554,193	-	-	2,554,193
TOTAL LIABILITIES AND NET POSITION	4,224,103	-	-	4,224,103

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS, NEW JERSEY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Low Rent Housing	Capital Fund Program	Disaster Housing Grant	Totals
Operating revenue				
Total Tenant Revenue	523,908	-	-	523,908
HUD Operating subsidies	414,596	113,994	-	528,590
Other Government Grants			52,975	52,975
other revenue	4,897	-	-	4,897
Total operating revenue	<u>943,401</u>	<u>113,994</u>	<u>52,975</u>	<u>1,110,370</u>
Operating Expenses				
Administrative expenses	407,829	650	-	408,479
Tenant services	2,783	-	-	2,783
Utilities	201,555	-	-	201,555
Maintenance	305,667	-	-	305,667
Protective services	-	-	-	-
General	37,488	-	-	37,488
Insurance Expense	29,480	-	-	29,480
Depreciation expense	299,031	-	-	299,031
Total operating expenses	<u>1,283,833</u>	<u>650</u>	<u>-</u>	<u>1,284,483</u>
Operating income (loss)	<u>(340,432)</u>	<u>113,344</u>	<u>52,975</u>	<u>(174,113)</u>
Nonoperating revenue (expenses)				
Investment Income	7,853	-	-	7,853
Interest Expense	(812)	(14,562)	-	(15,374)
Net nonoperating revenue	<u>7,041</u>	<u>(14,562)</u>	<u>-</u>	<u>(7,521)</u>
Income (Loss) before capital subsidies	<u>(333,391)</u>	<u>98,782</u>	<u>52,975</u>	<u>(181,634)</u>
Capital subsidies	-	157,420	-	157,420
Change in net assets	<u>(333,391)</u>	<u>256,202</u>	<u>52,975</u>	<u>(24,214)</u>
Total net assets at beginning of year	2,578,407	-	-	2,578,407
Capital contributions/transfers	309,177	(256,202)	(52,975)	-
	-	-	-	-
Total net position at end of year	<u>2,554,193</u>	<u>-</u>	<u>-</u>	<u>2,554,193</u>

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Highlands Housing Authority (NJ041)
HIGHLANDS, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 06/30/2018

	Project Total	97.109 Disaster Housing Assistance Grant	Subtotal	Total
111 Cash - Unrestricted	\$1,032,972		\$1,032,972	\$1,032,972
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$306,972		\$306,972	\$306,972
114 Cash - Tenant Security Deposits	\$49,585		\$49,585	\$49,585
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$1,389,529	\$0	\$1,389,529	\$1,389,529
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$216,202		\$216,202	\$216,202
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$4,753		\$4,753	\$4,753
126.1 Allowance for Doubtful Accounts - Tenants	-\$712		-\$712	-\$712
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$220,243	\$0	\$220,243	\$220,243
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	31			

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

Submission Type: Audited/Non Single Audit Fiscal Year End: 06/30/2018

	Project Total	97.109 Disaster Housing Assistance Grant	Subtotal	Total
145 Assets Held for Sale				
150 Total Current Assets	\$1,609,772	\$0	\$1,609,772	\$1,609,772
161 Land	\$54,433		\$54,433	\$54,433
162 Buildings	\$8,099,846		\$8,099,846	\$8,099,846
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$124,464		\$124,464	\$124,464
165 Leasehold Improvements	\$1,210,873		\$1,210,873	\$1,210,873
166 Accumulated Depreciation	-\$7,032,450		-\$7,032,450	-\$7,032,450
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,457,166	\$0	\$2,457,166	\$2,457,166
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	\$2,457,166	\$0	\$2,457,166	\$2,457,166
200 Deferred Outflow of Resources	\$157,165		\$157,165	\$157,165
290 Total Assets and Deferred Outflow of Resources	\$4,224,103	\$0	\$4,224,103	\$4,224,103
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$121,041		\$121,041	\$121,041
313 Accounts Payable >90 Days Past Due				

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

Submission Type: Audited/Non Single Audit		Fiscal Year End: 06/30/2018	
	Project Total	97.109 Disaster Housing Assistance Grant	Total
321 Accrued Wage/Payroll Taxes Payable	\$2,415		\$2,415
322 Accrued Compensated Absences - Current Portion	\$13,130		\$13,130
324 Accrued Contingency Liability			
325 Accrued Interest Payable	\$3,312		\$3,312
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$32,234		\$32,234
341 Tenant Security Deposits	\$50,323		\$50,323
342 Unearned Revenue	\$1,374		\$1,374
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$285,000		\$285,000
344 Current Portion of Long-term Debt - Operating Borrowings	\$22,129		\$22,129
345 Other Current Liabilities			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$530,958	\$0	\$530,958
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352 Long-term Debt, Net of Current - Operating Borrowings	\$477,871		\$477,871
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	\$433,181		\$433,181
350 Total Non-Current Liabilities	\$911,052	\$0	\$911,052
300 Total Liabilities	\$33	\$0	\$1,442,010

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

Submission Type: Audited/Non Single Audit Fiscal Year End: 06/30/2018

	Project Total	97.109 Disaster Housing Assistance Grant	Subtotal	Total
400 Deferred Inflow of Resources	\$227,900		\$227,900	\$227,900
508.4 Net Investment in Capital Assets	\$2,172,166		\$2,172,166	\$2,172,166
511.4 Restricted Net Position				
512.4 Unrestricted Net Position	\$382,027	\$0	\$382,027	\$382,027
513 Total Equity - Net Assets / Position	\$2,554,193	\$0	\$2,554,193	\$2,554,193
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,224,103	\$0	\$4,224,103	\$4,224,103

Highlands Housing Authority (NJ041)
 HIGHLANDS, NJ
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 06/30/2018

	Project Total	97.109 Disaster Housing Assistance Grant	Subtotal	Total
70300 Net Tenant Rental Revenue	\$520,944		\$520,944	\$520,944
70400 Tenant Revenue - Other	\$2,964		\$2,964	\$2,964
70500 Total Tenant Revenue	\$523,908	\$0	\$523,908	\$523,908
70600 HUD PHA Operating Grants	\$528,590		\$528,590	\$528,590
70610 Capital Grants	\$157,420		\$157,420	\$157,420
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		\$52,975	\$52,975	\$52,975
71100 Investment Income - Unrestricted	\$7,853		\$7,853	\$7,853
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	\$4,897		\$4,897	\$4,897
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$1,222,668	\$52,975	\$1,275,643	\$1,275,643
91100 Administrative Salaries	\$107,191		\$107,191	\$107,191
91200 Auditing Fees	\$9,434		\$9,434	\$9,434
91300 Management Fee	\$44,499		\$44,499	\$44,499

Highlands Housing Authority (NJ041)
HIGHLANDS, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 06/30/2018

	Project Total	97.109 Disaster Housing Assistance Grant	Subtotal	Total
91310 Book-keeping Fee				
91400 Advertising and Marketing	\$678		\$678	\$678
91500 Employee Benefit contributions - Administrative	\$16,048		\$16,048	\$16,048
91600 Office Expenses	\$144,685		\$144,685	\$144,685
91700 Legal Expense	\$58,627		\$58,627	\$58,627
91800 Travel	\$482		\$482	\$482
91810 Allocated Overhead				
91900 Other	\$26,835		\$26,835	\$26,835
91000 Total Operating - Administrative	\$408,479	\$0	\$408,479	\$408,479
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$2,783		\$2,783	\$2,783
92500 Total Tenant Services	\$2,783	\$0	\$2,783	\$2,783
93100 Water	\$24,867		\$24,867	\$24,867
93200 Electricity	\$63,117		\$63,117	\$63,117
93300 Gas	\$58,431		\$58,431	\$58,431
93400 Fuel				
93500 Labor				
93600 Sewer	\$53,340		\$53,340	\$53,340
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense	\$1,800		\$1,800	\$1,800
93000 Total Utilities	\$201,555	\$0	\$201,555	\$201,555

Highlands Housing Authority (NJ041)
 HIGHLANDS, NJ
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 06/30/2018

	Project Total	97.109 Disaster Housing Assistance Grant	Subtotal	Total
94100 Ordinary Maintenance and Operations - Labor	\$87,692		\$87,692	\$87,692
94200 Ordinary Maintenance and Operations - Materials and Other	\$38,353		\$38,353	\$38,353
94300 Ordinary Maintenance and Operations Contracts	\$138,093		\$138,093	\$138,093
94500 Employee Benefit Contributions - Ordinary Maintenance	\$30,429		\$30,429	\$30,429
94000 Total Maintenance	\$294,567	\$0	\$294,567	\$294,567
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance				
96120 Liability Insurance				
96130 Workmen's Compensation				
96140 All Other Insurance	\$29,480		\$29,480	\$29,480
96100 Total Insurance Premiums	\$29,480	\$0	\$29,480	\$29,480
96200 Other General Expenses				
96210 Compensated Absences	\$3,339		\$3,339	\$3,339
96300 Payments in Lieu of Taxes	\$32,234		\$32,234	\$32,234
96400 Bad debt - Tenant Rents	\$1,915		\$1,915	\$1,915
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$37,488	\$0	\$37,488	\$37,488

Highlands Housing Authority (NJ041)
HIGHLANDS, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 06/30/2018

	Project Total	97.109 Disaster Housing Assistance Grant	Subtotal	Total
96710 Interest of Mortgage (or Bonds) Payable	\$15,374		\$15,374	\$15,374
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$15,374	\$0	\$15,374	\$15,374
96900 Total Operating Expenses	\$989,726	\$0	\$989,726	\$989,726
97000 Excess of Operating Revenue over Operating Expenses	\$232,942	\$52,975	\$285,917	\$285,917
97100 Extraordinary Maintenance	\$11,100		\$11,100	\$11,100
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$299,031		\$299,031	\$299,031
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,299,857	\$0	\$1,299,857	\$1,299,857
10010 Operating Transfer In				
10020 Operating transfer Out				
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales	38			
10070 Extraordinary Items, Net Gain/Loss				

Highlands Housing Authority (NJ041)
HIGHLANDS, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 06/30/2018

	Project Total	97.109 Disaster Housing Assistance Grant	Subtotal	Total
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	\$216,202		\$216,202	\$216,202
10094 Transfers between Project and Program - Out	-\$216,202		-\$216,202	-\$216,202
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$77,189	\$52,975	-\$24,214	-\$24,214
11020 Required Annual Debt Principal Payments	\$40,000	\$0	\$40,000	\$40,000
11030 Beginning Equity	\$2,578,407	\$0	\$2,578,407	\$2,578,407
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$52,975	-\$52,975	\$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 Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity				
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	1476		1476	1476
11210 Number of Unit Months Leased	1443		1443	1443
11270 Excess Cash	\$692,320		\$692,320	\$692,320
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	380		\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0

Highlands Housing Authority (NJ041)
 HIGHLANDS, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 06/30/2018

	Project Total	97.109 Disaster Housing Assistance Grant	Subtotal	Total
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	\$55,212		\$55,212	\$55,212
13901 Replacement Housing Factor Funds	\$0		\$0	\$0

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
 SCHEDULE OF ACTUAL MODERNIZATION COST CERTIFICATES
 YEAR ENDED JUNE 30, 2018**

<u>PROGRAM/GRANT</u>	<u>NJ39-PO41-501-17</u>	<u>NJ39-PO41-501-16</u>
BUDGET - ORIGINAL FUNDS APPROVED	<u>\$ 137,726</u>	<u>\$ 131,557</u>
FUNDS DISBURSED	137,726	131,557
	-	-
FUNDS EXPENDED	<u>\$ 137,726</u>	<u>\$ 131,557</u>
	-	-
EXCESS (DEFICIENCY) OF ADVANCES DUE TO (FROM) HUD	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

THE ACTUAL MODERNIZATION COST CERTIFICATES ARE IN AGREEMENT WITH THE RECORDS OF THE HOUSING AUTHORITY OF THE BOROUGH OF COLLINGSWOOD, NEW JERSEY.

OTHER REPORTS

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

Board of Directors
Housing Authority of the Borough of Highlands
Highlands, New Jersey

I 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 basic financial statements of Housing Authority of the Borough of Highlands, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Highlands Housing Authority's basic financial statements, and have issued our report thereon dated March 15, 2019. My report modifies an opinion on such financial statements because of non-reporting and disclosure of post employment retirement benefits.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Housing Authority of the Borough of Highland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the Borough of Highland'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Highlands Housing Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

Francis McConnell

Francis J. McConnell
Certified Public accountant

March 15, 2019

HOUSING AUTHORITY OF THE BOROUGH OF HIGHLANDS
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
June 30, 2018

FINDINGS

NONE

General comments

GASB 75 - Reporting for Other Post Employment Benefits was not reported or disclosed in the footnotes. Because of these omission the opinion on the financial statements was modified.