Report On Audit

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

For the Year Ended December 31, 2022

Housing Authority of the Borough of Hightstown
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GIAMPAOLO
& ASSOCIATES

467 Middletown Lincroft Road
Lincroft, NJ 07738
Tel: 732-842-4550

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Borough of Hightstown
131 Rogers Avenue
Hightstown, New Jersey 08520

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, of the Housing Authority of the Borough of Hightstown, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Hightstown basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Housing Authority of the Borough of Hightstown as of December 31, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the Borough of Hightstown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the Borough of Hightstown's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Borough of Hightstown 's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the Borough of Hightstown

- Housing Authority of the Borough of Hightstown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 5 through 16 and pages 53-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 Hightstown's basic financial statements. The accompanying supplemental information on pages 58-65 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements. The Capital Fund cost certification is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Financial Data Schedule, and the Capital Fund cost certification are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards, Financial Data Schedule, and the Capital Fund cost certification, is 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 August 4, 2023, in our consideration of the Housing Authority of the Borough of Hightstown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Housing Authority of the Borough of Hightstown's 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 Hightstown's internal control over financial reporting and compliance.

Giampaolo & Associates
Lincroft, New Jersey
Date: August 4, 2023

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2022

As Management of the Housing Authority of the Borough of Hightstown (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 17 of this report. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $1,686,346, representing an increase in the financial position of $219,124 or 15% as compared to the prior year.

As noted above, the net position of the Authority was $1,686,346 as of December 31, 2022. Of this amount, the unrestricted net position is a negative ($811,670) representing an increase in the deficit of $135,207, or 20% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 17 of the financial statements, which is included in this report.

The net investment in capital assets increased $354,331 or 17% percent for an ending balance of $2,498,016.

The Authority's total cash and cash equivalents on December 31, 2022, is $601,130 representing a decrease of $230,652 or 28% percent from the prior year. Operating cash decreased $230,019 or 29% percent for an ending balance of $558,206. Restricted cash decreased $633 or 1% percent for an ending balance of $42,924. The full detail of this amount can be found in the Statement of Cash Flows on pages 20-21 of this report.

The Authority's total assets and deferred outflows are $3,389,380 of which deferred outflows are in the amount of $261,643, capital assets net book value is $2,498,016, leaving current assets at $629,721.

Total current assets decreased from the previous year by $231,026 or 27% percent. Operating cash decreased $230,019 or 29% percent, restricted deposits and funded reserves decreased $633 or 1% percent, accounts receivables decreased by $1,213 or 19% percent, and prepaid expenses increased by $839 or 4% percent.

Capital assets reported an increase in the net book value of the capital assets in the amount of $354,331 or 17% percent. The major factors that contributed to the increase was the purchase of fixed assets in the amount of $535,805, less the recording of depreciation expense in the amount of $181,474. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of $91,836 for an ending balance of $261,643. The Authority also reported a decrease in the deferred inflow for the pension cost in the amount of $157,748 for an ending balance of $388,773. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at $1,314,261, of which current liabilities are stated at $ $136,131 and noncurrent liabilities are stated at $1,178,130. Total liabilities decreased during the year as compared to the prior year in the amount of $29,907 or 2% percent. Total current liabilities increased during the year by $5,478, leaving non-current liabilities for a decrease of $35,385 as compared to the previous fiscal year.

As previously stated, total current liabilities increased from the previous year by $5,478 or 4% percent. Accounts payable increased by $4,376, accrued liabilities decreased by $89, tenant security deposit payable decreased by $633, and unearned revenue increased by $1,824.

Total noncurrent liabilities decreased by $35,385 or 3% percent. Long-term obligations for compensated absences increased in the amount of $2,488 for an ending balance of $17,903.

Accrued pension and OPEB liabilities decreased $37,873 for an ending balance of $1,160,227. Additional information on GASB #68 and #75 effect and the Authority's accrued pension and OPEB liabilities on December 31, 2022, can be found in Notes 14-15 to the financial statements, which is included in this report.

The Authority had total operating revenue of $1,026,375 as compared to $1,013,344 from the prior year for an increase of $13,031 or 1% percent. The Authority had total operating expenses of $1,071,514 as compared to $1,058,416 from the previous year for an increase of $13,098 or 1% percent, resulting in a deficiency of revenue from operations in the amount of $45,139 for the current year as compared to a deficiency of revenue from operations in the amount of $45,072 for an increase in the deficit of $67 from the previous year. This was after consideration of depreciation expense and the OPEB/Pension liability.

Total capital improvements contributions from HUD were in the amount of $274,991 as compared to $16,671 from the previous year for an increase of $258,320 or 1,550% percent. The Authority had capital outlays in the amount of $535,805. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority's Expenditures of Federal Awards amounted to $627,885 for the year 2022 as compared to $360,884 for the previous year 2021 for an increase of $267,001 or 74% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing Program
2. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

1) Statement of Net Position
2) Statement of Revenue, Expenses, and Changes in Net Position
3) Statement of Cash Flows
4) Notes to the Financial Statements

The Authority's 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 the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 17 through 21.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flows– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 22 through 52.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 58-59 of this report.

1. **Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Schedule of Expenditures of Federal Awards – Continued

2. **Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Borough of Hightstown are those which equal or exceeded $750,000 in expenditures for the year ended December 31, 2022. Type B programs for the Housing Authority of the Borough of Hightstown are those which are less than $750,000 in expenditures for the year ended December 31, 2022.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between December 31, 2022, and December 31, 2021:

	Year Ended		Increase
	December-22	December-21	(Decrease)
Cash	$ 601,130	$ 831,782	$ (230,652)
Other Current Assets	28,591	28,965	(374)
Capital Assets - Net	2,498,016	2,143,685	354,331
Deferred Outflows	261,643	353,479	(91,836)
Total Assets	3,389,380	3,357,911	31,469
Less: Current Liabilities	(136,131)	(130,653)	(5,478)
Less: Non Current Liabilities	(1,178,130)	(1,213,515)	35,385
Less: Deferred Inflows	(388,773)	(546,521)	157,748
Net Position	$ 1,686,346	$ 1,467,222	$ 219,124
Net Investment in Capital Assets	$ 2,498,016	$ 2,143,685	$ 354,331
Unrestricted Net Position	(811,670)	(676,463)	(135,207)
Net Position	$ 1,686,346	$ 1,467,222	$ 219,124

Cash decreased by $230,652 or 28% percent. Net cash provided by operating activities was $144,675, net cash used by capital and related financing activities was $376,450, and net cash provided by investing activities was $1,123. The full detail of this amount can be found in the Statement of Cash Flows on pages 20-21 of this audit report.

Other current assets decreased by $374. Accounts receivable, net of allowances, decreased by $1,213, and prepaid expenses increased by $839.

Capital assets reported an increase in the net book value of the capital assets in the amount of $354,331 or 17% percent. The major factors that contributed to the increase were the purchase of fixed assets in the amount of $535,805, less the recording of depreciation expense in the amount of $181,474.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of $91,836 for an ending balance of $261,643. The Authority also reported a decrease in the deferred inflow for the pension cost in the amount of $157,748 for an ending balance of $388,773. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

Total current liabilities increased from the previous year by $5,478 or 4% percent. Accounts payable increased by $4,376, accrued liabilities decreased by $89, tenant security deposit payable decreased by $633, and unearned revenue increased by $1,824.

Total noncurrent liabilities decreased by $35,385 or 3% percent. Long-term obligations for compensated absences increased in the amount of $2,488 for an ending balance of $17,903.

Accrued pension and OPEB liabilities decreased $37,873 for an ending balance of $1,160,227. Additional information on GASB #68 and #75 effect and the Authority's accrued pension and OPEB liabilities on December 31, 2022, can be found in Notes 14-15 to the financial statements, which is included in this report.

The Authority's reported net position of $1,686,346 is made up of two categories. The net investment in capital assets in the amount of $2,498,016 represents most of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance December 31, 2021	$ 2,143,685
Acquisition in Fixed Assets	535,805
Depreciation Expense	(181,474)
Balance December 31, 2022	$ 2,498,016

The Housing Authority of the Borough of Hightstown operating results for December 31, 2022, reported an increase in the deficit in unrestricted position of $135,207 or 20% percent for an ending balance of negative $(811,670). A full detail of this account can be found in the Notes to the Financial Statements Section Note – 17 Unrestricted Net Position.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between December 31, 2022, and December 31, 2021:

Computation of Changes in Net Position are as follows:

	Year Ended December-22	Year Ended December-21	Increase (Decrease)
Revenues			
Tenant Revenues	$ 641,491	$ 639,430	$ 2,061
HUD Subsidies	352,894	344,213	8,681
Other Revenues	31,990	29,701	2,289
Total Operating Income	1,026,375	1,013,344	13,031
Expenses			
Operating Expenses	890,040	897,851	(7,811)
Depreciation Expense	181,474	160,565	20,909
Total Operating Expenses	1,071,514	1,058,416	13,098
Operating (Loss) Before Capital Grants	(45,139)	(45,072)	(67)
Interest Income	1,123	2,398	(1,275)
Extraordinary Maintenance	(63,421)	-	(63,421)
HUD Capital Grants	274,991	16,671	258,320
Change in Net Position	167,554	(26,003)	193,557
Net Position Prior Year	1,467,222	1,493,225	(26,003)
Prior Period Adjustment	51,570	-	51,570
Total Net Position	$ 1,686,346	$ 1,467,222	$ 219,124

Approximately 63% percent of the Authority's total operating revenue was provided by tenant revenue, while 34% percent resulted from HUD operating subsidy. Charges for various services provided the remaining 3% percent of the total operating income.

Total capital improvements contributions from HUD were in the amount of $274,991 as compared to $16,671 from the previous year for an increase of $258,320 or 1,550% percent. The Authority had capital outlays in the amount of $535,805 for the year. The current year's additions included the complete replacement of the roof at the Authority.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority's operating expenses cover a range of expenses. The largest expense was for administrative expenses, representing 29% percent of total operating expenses. Utilities expense accounted for 21% percent, maintenance expense accounted for 23% percent, other operating expenses accounted for 9% percent, tenant services expense accounted for less than 1% percent and depreciation accounted for the remaining 17% percent of the total operating expenses.

The Authority's operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of $45,139 from operations as compared to excess expenses from operations of $45,072 for the previous year. The key elements for the increase in operating deficit in comparison to the prior year are as follows:

- Tenant Rental Revenue increased $2,061 or less than 1% percent due to increases in tenants' reportable income.
- The Authority experienced an increase in Housing and Urban Development funded Operating Grants in the amount of $8,681 or 3% percent.
- Other revenue increased $2,289 or 8% percent.
- The Authority experienced an increase in the following expenses:
  - Tenant services expense increased $1,217 or 398% percent.
  - Utility expenses increased $6,265 or 3% percent.
  - Maintenance expenses increased $23,779 or 11% percent.
  - Other operating expenses increased $4,884 or 5% percent.
  - Depreciation expense increased $20,909 or 13% percent.
- The Authority experienced a decrease in the following expenses:
  - Administrative expenses decreased $43,956 or 12% percent.

Total net cash provided by operating activities during the year was $144,675 as compared to cash provided in the amount of $109,353 in the prior year. A full detail of these amounts can be found on the Statement of Cash Flows on pages 20-21 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four-year period ending on December 31, 2022:

	Significant Items			
	December-22	December-21	December-20	December-19
Significant Income				
Total Tenant Revenue	$ 641,491	$ 639,430	$ 619,980	$ 631,031
HUD Operating Grants	352,894	344,213	310,859	317,089
HUD Capital Grants	274,991	16,671	317,061	57,065
Investment Income	1,123	2,398	5,760	11,837
Other Income	31,990	29,701	26,982	11,323
Total	$ 1,302,489	$ 1,032,413	$ 1,280,642	$ 1,028,345
Payroll Expense				
Administrative Salaries	$ 193,371	$ 191,185	$ 189,266	$ 179,406
Utilities Labor	14,573	14,573	14,573	14,573
Maintenance Labor	61,503	60,692	54,660	54,284
Employee Benefits Expense	54,991	105,334	102,391	266,351
Total Payroll Expense	$ 324,438	$ 371,784	$ 360,890	$ 514,614
Other Significant Expenses				
Other Administrative Expenses	$ 83,533	$ 82,384	$ 82,316	$ 78,000
Utilities Expense	223,745	196,771	191,871	196,102
Maintenance Materials Cost	41,286	46,626	28,120	30,752
Maintenance Contract Cost	132,224	92,589	65,642	68,067
Insurance Premiums	55,317	53,676	51,658	50,318
Total	$ 536,105	$ 472,046	$ 419,607	$ 423,239
Total Operating Expenses	$ 1,071,514	$ 1,058,416	$ 990,735	$ 1,161,710
Total of Federal Awards	$ 627,885	$ 360,884	$ 627,920	$ 374,154

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. 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 were not sufficient to cover all expenses.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN PROGRAMS

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a $50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) Housing Authority of the Borough of Hightstown flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

BUDGETARY HIGHLIGHTS

The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

NEW INITIATIVES

For the fiscal year 2022, the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 48% percent of its revenue from the Department of Housing and Urban Development, (2021 fiscal year was 35% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units. Interactions with the residents are a constant reminder of the need of the services.

NEW INITIATIVES -CONTINUED

The Authority is exploring the RAD conversion of its rental units in the 2023-2024 fiscal years. While this process takes time, the Authority will remain diligent in being proactive with specific regard to maintaining the condition of the buildings.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and assistance to qualified residents of Borough of Hightstown all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2022, was $2,498,016 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increase during the year in the Authority's investment in capital assets was $354,331 or 17% percent. Major capital expenditures of $535,805 were made during the year. Major capital assets events during the fiscal year included the following:

- Roof Replacement Project

	December-22	December-21	Change
Land	$ 336,630	$ 336,630	$ -
Building	8,596,644	8,155,598	441,046
Furniture, Equipment - Dwelling	125,868	125,868	-
Furniture, Equipment - Administration	93,260	93,260	-
Construction in Process	290,491	195,732	94,759
Total Fixed Assets	9,442,893	8,907,088	535,805
Accumulated Depreciation	(6,944,877)	(6,763,403)	(181,474)
Net Book Value	$ 2,498,016	$ 2,143,685	$ 354,331

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 – Debt Administration

The Authority does not have any long-term debt currently.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the Borough of Hightstown is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2023 fiscal year have already been submitted to HUD for approval and no major changes are expected. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2023.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- Converting Low Income Housing Program rental units into RAD subsidy units.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

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 Keith LePrevost, Housing Authority of the Borough of Hightstown, 131 Rogers Avenue, Hightstown, N.J. 08520, or call (609) 448-2268.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
STATEMENT OF NET POSITION -1
AS OF DECEMBER 31, 2022

	2022
Assets	
Current Assets:	
Cash and Cash Equivalents	
Operating	$ 558,206
Restricted	42,924
Total cash and equivalents	601,130
Accounts Receivables, Net of Allowances	5,168
Prepaid Expenses	23,423
Total Current Assets	629,721
Noncurrent Assets	
Capital Assets	
Land	336,630
Building	8,596,644
Furniture, Equipment - Dwelling	125,868
Furniture, Equipment - Administration	93,260
Construction in Process	290,491
Total Capital Assets	9,442,893
Less: Accumulated Depreciation	(6,944,877)
Net Book Value	2,498,016
Total Assets	3,127,737
Deferred Outflow of Resources	
State of New Jersey Pension and OPEB	261,643
Total Assets and Deferred Outflow of Resources	$ 3,389,380

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
STATEMENT OF NET POSITION -2
AS OF DECEMBER 31, 2022

	2022
Liabilities	
Current Liabilities:	
Accounts Payable	$ 83,330
Accrued Liabilities	2,433
Tenant Security Deposit Payable	42,924
Unearned Revenue	7,444
Total Current Liabilities	136,131
Noncurrent Liabilities	
Accrued Compensated Absences - Long-Term	17,903
Accrued Pension and OPEB Liabilities	1,160,227
Total Noncurrent Liabilities	1,178,130
Total Liabilities	1,314,261
Deferred Inflow of Resources	
State of New Jersey Pension and OPEB	388,773
Net Position:	
Net Investment in Capital Assets	2,498,016
Unrestricted	(811,670)
Total Net Position	1,686,346
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 3,389,380

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

	2022
Revenue:	
Tenant Rental Revenue	$ 641,491
HUD PHA Operating Grants	352,894
Other Revenue	31,990
Total Revenue	1,026,375
Operating Expenses:	
Administrative Expense	316,519
Tenant Services	1,523
Utilities Expense	223,745
Maintenance Expense	247,208
Other Operating Expenses	101,045
Depreciation Expense	181,474
Total Operating Expenses	1,071,514
Excess Expenses From Operations	(45,139)
Non Operating Income and (Expenses):	
Extraordinary Maintenance	(63,421)
Investment Income - Unrestricted	1,123
Capital Grant Contributions	274,991
Total Non Operating Income	212,693
Change in Net Position	167,554
Beginning Net Position	1,467,222
Prior period Adjustment	51,570
Beginning Net Position - Restated	1,518,792
Ending Net Position	$ 1,686,346

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
STATEMENT OF CASH FLOWS -1
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

	2022
Cash Flow From Operating Activities	
Receipts from Tenants	$ 642,762
Receipts from Federal Grants	352,894
Receipts from Misc. Sources	31,990
Payments to Vendors and Suppliers	(350,574)
Payments to Employees	(271,415)
Payment of Employee Benefits	(54,991)
Payments for Utilities	(205,991)
Net Cash Provided by Operating Activities	144,675
Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	274,991
Acquisitions and Construction of Capital Assets	(535,805)
Extraordinary Maintenance	(63,421)
Prior Period Adjustment	51,570
Accrued Pension and OPEB Liabilities	(37,873)
Net Effect of Deferred Outflows and Inflows	(65,912)
Net Cash (Used) by Capital and Related Financing Activities	(376,450)
Cash Flow From Investing Activities	
Interest Income	1,123
Net Cash Provided by Investing Activities	1,123
Net (Decrease) in Cash and Cash Equivalents	(230,652)
Beginning Cash, Cash Equivalents and Restricted Cash	831,782
Ending Cash, Cash Equivalents and Restricted Cash	$ 601,130
Reconciliation of Cash Balances:	
Cash and Cash Equivalents - Unrestricted	$ 558,206
Cash and Cash Equivalents - Restricted	42,924
Total Ending Cash	$ 601,130

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
STATEMENT OF CASH FLOWS -2
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

	2022
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expenses From Operations	$ (45,139)
Adjustments to reconcile excess expenses to net cash provided by operating activities:	
Depreciation Expense	181,474
(Increase) Decrease in:	
Accounts Receivables	1,213
Prepaid Expenses	(839)
Increase (Decrease) in:	
Accounts Payable	4,376
Accrued Expenses	(89)
Unearned Revenue	1,824
Compensated Absences - Long Term	2,488
Tenant Security Deposit Payable	(633)
Net Cash Provided By Operating Activities	$ 144,675

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 40A:12A-1 et al the Housing Authority Act) 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 Hightstown in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low- and moderate-income families residing in the Borough of Hightstown. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of Hightstown and Borough Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from Borough of Hightstown reporting entity.

The Authority's financial statements include the accounts of all the Authority's operations.The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards,* include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.

Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner like private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Basis of Accounting – Continued

Revenue Recognition

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, tenants dwelling rents and various charges to tenants and laundry income. The Authority recognizes short-term rental income from tenants who have signed a lease agreement for less than one year, in accordance with HUD guidelines. The Authority considers both rental income and subsidies to be exempt from compliance with ASC 606 as they are covered under current and future lease standards. Additionally, the Authority also generates revenue from tenant charges and fees, laundry machine income all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a $50 minimum; it cannot exceed the greater of the following amounts:

(a) 30% of the family's adjusted monthly income,
(b) 10% of the family's monthly income, or
(c) Housing Authority of the Borough of Hightstown flat rent amount.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

Report Presentation –
The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows:
1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

Other accounting policies - Continued

8 – The Authority does not have any infrastructure assets for its Enterprise Fund.

9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

10- Advertising cost is charged to expense when incurred.

11- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

12- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

13- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

Other accounting policies - Continued

14 - Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Under federal, state, and local law, the Authority's program is exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority pay the municipality a 10% of its net shelter rent.

15 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*, the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

Other accounting policies - Continued

16 - Operating and non-operating revenues and expenses

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, tenants dwelling rents and various charges to tenants and laundry income.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and relatedfinancing, non-capital and related financing or investing activities.

Non-Operating Revenue and Expenses

Authority's nonoperating revenues relate primarily to capital grants provided by HUD interest income, and extraordinary expenses. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2022.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Budgetary and Policy Control

The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Revenue from Rental Contracts
The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) must be income qualified in accordance with income limitations before allowed to occupy unit.

The lease agreement has similar terms therefore, all lease contract revenue has been aggregated in the caption rental revenue in the statement of income. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the buildings(s). Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be charged a late fee. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

Activities - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
Public Housing			
Public and Indian Housing Program	14.850	NJ-45	100
Public Housing Capital Fund	14.872		

Public and Indian Housing Program:
Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low-income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a $50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the Borough of Hightstown flat rent amount.

Activities - Continued

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

NOTE 2 – ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 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. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

NOTE 3 - PENSION PLAN -CONTINUED

On the web:
http://www.state.nj.us/treasury/pensions/pdf/financial/2022divisioncombined.pdf

Funding Policy

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. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2022 amounted to $39,945

Post-Employment Retirement Benefits

The Authority provides post-employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects due to the adoption of GASB #68 can be found in Note 15 – Accrued Pension Liability.

NOTE 4 – CASH, AND CASH EQUIVALENTS

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment include cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

Concentration of Credit Risk

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/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 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. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Risk Disclosures

Collateral for Deposits

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or 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.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. On December 31, 2022, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies, and instrumentalities.

The Authority's checking accounts and investments are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows:

Depository Accounts	December-22
Insured	$ 250,220
Collateralized held by pledging bank's trust department in the Authority's name	350,910
Total Cash and Cash Equivalents	$ 601,130

Restricted Deposits

The Authority has total restricted cash on December 31, 2022, in the amount of $42,924 which consists of tenant security deposits. These amounts are held as security deposits for the tenants of the Public and Indian Housing Program in an interest-bearing account.

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Investments

The Authority's investments on December 31, 2022, included the following:

Investments	Maturity	Fair Value
Money Market Accounts	Upon Demand	$ 397,704

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on December 31, 2022, consisted of the following:

	December-22
Tenants Accounts Receivable - Present	$ 8,107
Less Allowance for Doubtful Accounts	(3,768)
Net Tenants Accounts Receivable	$ 4,339
Accounts Receivable - HUD	829
Net Accounts Receivable - Other	829
Total Accounts Receivable	$ 5,168

Tenant rents are due on the first day of each month. If a rent payment is not received by the 5th day of the month, it is considered past due and late fees are applied. The Authority records its accounts receivable at cost minus an allowance for doubtful accounts, which is established as needed based on factors such as historical collection experience, the current state of accounts receivable, economic conditions, and other considerations. This process involves assessing the creditworthiness of individual tenants and the portfolio as a whole. The determination of the collectability of amounts due requires the Authority to make judgments about future events and trends. The increase in the allowance for doubtful accounts is mainly due to the economic impact of COVID-19, as reflected in bad debt expenses. Management continually monitors tenant payment patterns, investigates past-due accounts, and stays informed of industry and economic trends to estimate the necessary allowances.

NOTE 6 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off monthly. Prepaid expenses as of December 31, 2022, consisted of prepaid insurance in the amounts of $23,423.

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short-term loans, services provided during operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority on December 31, 2022, are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority. Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding $1,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

Depreciation Expense

Depreciation expense on December 31, 2022, was $181,474. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The Housing Authority of the Borough of Hightstown reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery's reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2022.

NOTE 8 - FIXED ASSETS -CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2022:

	December-21	Additions	Transfers	December-22
Land	$ 336,630	$ -	$ -	$ 336,630
Building	8,155,598	260,814	180,232	8,596,644
Furniture, Equipment - Dwelling	125,868	-	-	125,868
Furniture, Equipment - Administration	93,260	-	-	93,260
Construction in Process	195,732	274,991	(180,232)	290,491
Total Fixed Assets	8,907,088	535,805	-	9,442,893
Accumulated Depreciation	(6,763,403)	(181,474)	-	(6,944,877)
Net Book Value	$ 2,143,685	$ 354,331	$ -	2,498,016

Below is a schedule of the net book value of the fixed assets for the Authority as of December 31, 2022:

Net Book Value of Fixed Assets	December-22
Land	$ 336,630
Building	1,870,895
Furniture, Equipment - Dwelling	-
Furniture, Equipment - Administration	-
Construction in Process	290,491
Net Book Value	$ 2,498,016

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The OPEB and Pension Liability discussed in Note 14 and 15 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience regarding economic and demographic factors, when the actuary calculated the net pension liability and OPEB, is amortized over a five-year closed period for PERS and OPEB, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension and OPEB expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

The Authority's deferred outflows and inflows are as follows:

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	$ 15,308	$ 3,450	$ 18,758
Changes in Assumptions	98,135	1,481	99,616
Net Difference Between Projected and Actual Earning on Pension Plan Investments	326	19,785	20,111
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	102,845	20,313	123,158
Total	$ 216,614	$ 45,029	$ 261,643

Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	$ 142,725	$ 3,043	$ 145,768
Changes in Assumptions	120,585	71,581	192,166
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	50,236	603	50,839
Total	$ 313,546	$ 75,227	$ 388,773

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is $18,758 and $145,768.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is $99,616 and $192,166.

Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments

The difference between the System's expected rate of return of 7.5% and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is $20,111 and $-0-.

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS and OPEB, reflecting the average remaining service life of PERS and OPEB members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are $123,158 and $50,839.

NOTE 10 – ACCOUNTS PAYABLE

Accounts payable is a liability account that represents the amount owed by the Authority to its creditors for goods or services received but not yet paid for. When the Authority receives goods or services on credit, it incurs a liability to pay the vendor or supplier in the future. This liability is recorded as an accounts payable on the Authority's financial statements, specifically on the Statement of Net Position under the category of current liabilities. Accounts payable is an important aspect of a company's financial management, as it represents its short-term obligations to its vendors and suppliers. Accounts payable on December 31, 2022, consist of the following:

	December-22
Accounts Payable Vendors	$ 41,137
Accounts Payable - Other Government	42,193
Total Accounts Payable	$ 83,330

NOTE 11 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

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 Hightstown. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent or the approximate full real property taxes. The total amount of PILOT payable on December 31, 2022, is $42,193.

NOTE 12 – ACCRUED EXPENSES

Accrued expenses are Authority expenses that have been incurred but not yet paid. These expenses are recognized in the financial statements before payment has actually been made, and typically refer to items such as salaries, interest, and taxes. Accrued expenses on December 31, 2022, consisted of the following:

	December-22
Compensated Absences - Current Portion	$ 1,989
Accrued Payroll Taxes	444
Total Accrued Expenses	$ 2,433

NOTE 13 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

An employee may not accumulate vacation leave beyond the end of any calendar year. Employees may be compensated for accumulated sick leave to a maximum of thirty days.

The Authority has determined that the potential liability for accumulated sick time is as follows:

Balance December-21	Additions	Balance December-22	Current Portion
$ 17,128	$ 2,764	$ 19,892	$ 1,989

NOTE 14 – ACCRUED PENSION AND OPEB LIABILITIES

The Authority as of December 31, 2022, reported accrued pension and OPEB liability amounts as follows:

	December-22
Accrued OPEB Liability	$ 682,192
Accrued Pension Liability	478,035
Total OPEB and Pension Liability	$ 1,160,227

These amounts arose due to adoption of GASB #75 (OPEB) in 2018 year as well as GASB #68 (Pension) which was adopted in 2014 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 15 will discuss the effect of GASB #68 pension liability which arose from that.

OPEB Liability

The Authority as of December 31, 2022, reported a net OPEB liability in the amount of $682,192 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2021, the last evaluation date, is as follows:

Employer OPEB Liability	$ 684,097
Plan Net Position	(1,905)
Employer Net OPEB Liability	$ 682,192

The Authority allocation percentage is 0.00379% as of June 30, 2021.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

OPEB Liability – Plan Description and Benefits Provided

Plan Description: The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple- employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

Benefits Provided: The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

OPEB Liability – Plan Description and Benefits Provided -Continued

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who:

1) retired on a disability pension; or

2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or

3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or

4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation's agreement.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended December 31, 2022, were $682,192.

Employees covered by benefits terms: On June 30, 2021 (the census date), the following employees were covered by the benefits terms:

Plan Memebers	4

Net OPEB Liability

The total OPEB liability as of June 30, 2021, latest report, was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions: The total OPEB Liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.16%
Salary Increases
Through 2026 = 2.00% to 6.00%
Thereafter = 3.00% to 7.00%

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale.

Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale.

NOTE 14 – OPEB LIABILITIES - CONTINUED

Net OPEB Liability -Continued

Certain actuarial assumptions used in the June 30, 2021, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2021 and July 1, 2014 to June 30, 2021, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2021, was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current discount rate:

	Discount Rate Sensitivity		
	1% Decrease	Current Rate	1% Increase
	1.16%	2.16%	3.16%
Total OPEB Liability	$ 802,809	$ 682,192	$ 586,600

NOTE 14 – OPEB LIABILITIES - CONTINUED

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	Healthcare Cost Inflation Rate Sensitivity		
	1% Decrease	Current	1% Increase
Total OPEB Liability	$ 569,178	$ 682,192	$ 829,661

Change in Assumptions: Effective June 30, 2021.

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 year for the 2021.

Changes in Net OPEB Liability:

Total OPEB Liability	**2021**
Service Cost	$ 32,066
Interest on Total OPEB liability	15,684
Expected Investment Return	(90)
Administrative Expenses	430
Changes in Benefits Term	77
Current Period Deferred Inflows/Outflows of Resources	26,665
Changes in Assumptions or Other Inputs	(81,798)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	188
Benefit Payments	-
Change in Plan	-
Net Change in Total OPEB Liability	(6,778)
Total OPEB Liability, Beginning	688,970
Total OPEB Liability, Ending	$ 682,192

NOTE 14 – OPEB LIABILITIES - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year Ending June 30, 2022	$ (40,733)
Year Ending June 30, 2023	(40,787)
Year Ending June 30, 2024	(40,836)
Year Ending June 30, 2025	(29,161)
Year Ending June 30, 2026	(4,902)
Therafter	6,878
Total	$ (149,541)

NOTE 15 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of December 31, 2022, reported a net pension liability in the amount of $478,035 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	PERS
Employer Total Pension Liability	$ 1,536,881
Plan Net Position	(1,058,846)
Employer Net Pension Liability	$ 478,035

The Authority allocation percentage is 0.0031676034% as of June 30, 2022.

Plan Description

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. 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.gov/treasury/pensions/financial-reports.shtml.

NOTE 15 – ACCRUED PENSION LIABILITY – CONTINUED

Net Pension Liability Information

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 Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

The following represents the membership tiers for PERS:

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

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.

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

NOTE 15 – ACCRUED PENSION LIABILITY – CONTINUED

Allocation Percentage Methodology

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2022, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2022.

The contribution for PERS is set by NJSA 43:15A 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 include 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 2022 the State's pension contribution was less than the actuarial determined amount.

Actuarial Assumptions

The total pension liability for June 30, 2022, measurement dates were determined by using an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2022.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2022.

NOTE 15 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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. 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, 2022, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	4.00%	4.91%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Investment Grade Credit	7.00%	3.38%
High Yield	4.00%	4.95%
Private Credit	7.00%	8.10%
Real Assets	8.00%	11.19%
Real Estate	3.00%	7.60%
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

NOTE 15 – ACCRUED PENSION LIABILITY – CONTINUED

Discount Rate -Continued

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0% percent) or 1 percentage-point higher (8.0% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's Proprortionate Share of the Net Pension Liability (Asset)	$ 592,995	$ 478,035	$ 413,157

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2023	$ (41,005)
Year Ending June 30, 2024	(20,891)
Year Ending June 30, 2025	(10,188)
Year Ending June 30, 2026	22,226
Year Ending June 30, 2027	(49)
Total	$ (49,907)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

NOTE 15 – ACCRUED PENSION LIABILITY – CONTINUED

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2022, are as follows:

Service Cost	$ 35,860
Interest on the Total Pension Liability	151,143
Benefits Changes	339
Member Contributions	(146,279)
Administrative Expenses	613
Expected Investment Return Net of Investment Expenses	(5,265)
Pension Expense Related to Specific Liabilities of Individual Employers	(493)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:	
Difference Between Expected and Actual Experience	(13,988)
Changes of Assumptions	(7,934)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	13,375
Total	$ 27,370

NOTE 16 – NET INVESTMENT IN CAPITAL ASSETS

This component consists of land, construction in process and depreciable assets, net of accumulation and net of related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of investment in Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Balance December 31, 2021	$ 2,143,685
Acquisition in Fixed Assets	535,805
Depreciation Expense	(181,474)
Balance December 31, 2022	$ 2,498,016

NOTE 17 – UNRESTRICTED

The Authority's Unrestricted Net Position account balance on December 31, 2022, is $(811,670). The detail of the account balance is as follows:

	PIH Program Reserves
Balance December 31, 2021	$ (676,463)
Increase for the Period - Operations	74,037
Capital Assets not Funded by CFP	(260,814)
Prior Period Adjustment	51,570
Balance December 31, 2022	$ (811,670)

NOTE 18 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low-income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD was $627,885 to the Authority which represents approximately 48% percent of the Authority's total revenue for the year December 31, 2022.

NOTE 19 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended December 31, 2022, were $306,121.

NOTE 20 – CONTINGENCIES AND COMMITMENTS

Litigation – On December 31, 2022, the Authority was not involved in any threatened litigation.

Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the years ended December 31, 2022.

Other Insurance

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Construction Commitments

On December 31, 2022, the Authority outstanding construction commitments pertaining to its capital fund were not material. The cost 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 21 – PRIOR PERIOD ADJUSTMENT

For year ending December 31, 2022

As of December 31, 2022, the Authority had a prior period adjustment in the amount of $51,570 while recording the opening OPEB and Pension Liability as of January 1, 2022, for the change in the discount rate from the prior year.

NOTE 20 – SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

The severity of the impact of COVID-19 on the Authority operations will depend on several factors, including, but limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority's tenants, employees and vendors, all of which are uncertain and cannot be predicted. The Authority's future results could be adversely impacted by delays in rent collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial conditions, results of operations or cash flows.

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru August 4, 2023, the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
Required Supplementary Information
December 31, 2022

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

Total OPEB Liability	**2021**	**2020**	**2019**	**2018**
Service Cost	$ 32,066	$ 23,262	$ 23,843	$ 21,731
Interest on Total OPEB liability	15,684	19,097	22,753	17,490
Expected Investment Return	(90)	(293)	(404)	-
Administrative Expenses	430	381	339	-
Changes in Benefits Term	77	40	(1,903,958)	
Current Period Deferred Inflows/Outflows of Resources	26,665	(21,137)	(22,156)	
Changes in Assumptions or Other Inputs	(81,798)	182,903	(28,951)	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	188	174	60	
Benefit Payments	-	-	-	-
Change in Plan	-	-	(49,883)	-
Net Change in Total OPEB Liability	(6,778)	204,427	(1,958,357)	39,221
Total OPEB Liability, Beginning	688,970	484,543	538,942	499,721
Total OPEB Liability, Ending	$ 682,192	$ 688,970	$ (1,419,415)	$ 538,942
Covered, Employee Payroll	$ 267,475	$ 263,129	$ 251,013	$ 245,159
Total OPEB Liability as a percentage of covered employee payroll	255.05%	261.84%	-565.47%	219.83%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
Required Supplementary Information
December 31, 2022

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2022	2021	2020	2019	2018
Housing Authority's proportion of the net pension liability	0.0031676034%	0.0031253089%	0.0031220818%	0.0031284908%	0.003106593%
Housing Authority's proportionate share of the net pension liability	$ 478,035	$ 370,240	$ 509,130	$ 563,707	$ 611,543
Housing Authority's covered employee payroll	$ 271,436	$ 267,475	$ 263,129	$ 251,013	$ 245,159
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	176.11%	138.42%	193.49%	224.57%	249.45%
Plan fiduciary net position as a percentage of the total pension liability	31.10%	41.26%	41.35%	46.41%	53.60%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
Required Supplementary Information
December 31, 2022

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

	2017	2016	2015	2014
Housing Authority's proportion of the net pension liability	0.00256218%	0.00256218%	0.00248042%	0.00277492%
Housing Authority's proportionate share of the net pension liability	$ 610,032	$ 758,843	$ 556,806	$ 519,540
Housing Authority's covered employee payroll	$ 241,813	$ 219,971	$ 222,546	$ 221,180
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	252.27%	344.97%	250.20%	234.89%
Plan fiduciary net position as a percentage of the total pension liability	48.01%	59.86%	52.07%	52.08%

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
Required Supplementary Information
December 31, 2022

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2022	2021	2020	2019	2018
Contractually required contribution	$ 39,945	$ 36,601	$ 34,154	$ 30,431	$ 30,894
Contribution in relation to the contractually required contribution	(39,945)	(36,601)	(34,154)	(30,431)	(30,894)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 271,436	$ 267,475	$ 263,129	$ 251,013	$ 245,159
Contribution as a percentage of covered employee payroll	14.72%	13.68%	12.98%	12.12%	12.60%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
Required Supplementary Information
December 31, 2022

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2017	2016	2015	2014
Contractually required contribution	$ 24,277	$ 22,762	$ 21,325	$ 22,876
Contribution in relation to the contractually required contribution	(24,277)	(22,762)	(21,325)	(22,876)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 241,813	$ 219,971	$ 222,546	$ 221,180
Contribution as a percentage of covered employee payroll	10.04%	10.35%	9.58%	10.34%

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

Programs funded by:
U.S. Department of Housing and Urban Development

	CFDA #'s	Beginning Balance	Revenue Recognized	Fiscal Year Expenditures	Ending Balance
Public and Indian Housing Program					
NJ045	14.850	$ -	$ 306,121	$ 306,121	$ -
Grant Total 14.850		-	306,121	306,121	-
Public Housing Capital Fund Program					
NJ39P045	14.872	-	321,764	321,764	-
Grant Total 14.872		-	321,764	321,764	-
Total Expenditures of Federal Awards		$ -	$ 627,885	$ 627,885	$ -

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

Note 1. Presentation:
The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the Borough of Hightstown is under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the Borough of Hightstown, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the Borough of Hightstown.

Note 2. Summary of Significant Accounting Policies:
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate
The Housing Authority of the Borough of Hightstown has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:
Housing Authority of the Borough of Hightstown had had no loans outstanding at December 31, 2022.

Note 5. Non- Cash Federal Assistance:
The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2022.

Note 6. Sub recipients:
Of the federal expenditures presented in the schedule above, the Housing Authority of the Borough of Hightstown did not provide federal awards to any sub recipients.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF DECEMBER 31, 2022

	NJ39PO45501-21		
	Approved Budget	Actual Cost	Overrun
Management Improvements	$ -	$ -	$ -
Administration	16,904	16,904	-
General Capital Activity	182,000	182,000	-
Total	$ 198,904	$ 198,904	$ -

Funds Advanced	$ 198,904
Funds Expended	198,904
Excess of Funds Advanced	$ -

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.

2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.

3. The Capital Fund Program 501-21 was completed on October 5, 2022

4. There were no budget overruns noted.

Hightstown Housing Authority (NJ045)
HIGHTSTOWN, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2022

	Project Total	Subtotal	Total
111 Cash - Unrestricted	$558,206	$558,206	$558,206
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	$42,924	$42,924	$42,924
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	$601,130	$601,130	$601,130
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	$829	$829	$829
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	$8,107	$8,107	$8,107
126.1 Allowance for Doubtful Accounts -Tenants	-$3,768	-$3,768	-$3,768
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	$5,168	$5,168	$5,168
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	$23,423	$23,423	$23,423
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	$629,721	$629,721	$629,721
161 Land	$336,630	$336,630	$336,630
162 Buildings	$8,596,644	$8,596,644	$8,596,644
163 Furniture, Equipment & Machinery - Dwellings	$125,868	$125,868	$125,868
164 Furniture, Equipment & Machinery - Administration	$93,260	$93,260	$93,260
165 Leasehold Improvements			
166 Accumulated Depreciation	-$6,944,877	-$6,944,877	-$6,944,877
167 Construction in Progress	$290,491	$290,491	$290,491
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	$2,498,016	$2,498,016	$2,498,016
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	$2,498,016	$2,498,016	$2,498,016
200 Deferred Outflow of Resources	$261,643	$261,643	$261,643
290 Total Assets and Deferred Outflow of Resources	$3,389,380	$3,389,380	$3,389,380
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	$41,137	$41,137	$41,137
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	$444	$444	$444
322 Accrued Compensated Absences - Current Portion	$1,989	$1,989	$1,989
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			

Hightstown Housing Authority (NJ045)
HIGHTSTOWN, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2022

	Project Total	Subtotal	Total
333 Accounts Payable - Other Government	$42,193	$42,193	$42,193
341 Tenant Security Deposits	$42,924	$42,924	$42,924
342 Unearned Revenue	$7,444	$7,444	$7,444
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	$136,131	$136,131	$136,131
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current	$17,903	$17,903	$17,903
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities	$1,160,227	$1,160,227	$1,160,227
350 Total Non-Current Liabilities	$1,178,130	$1,178,130	$1,178,130
300 Total Liabilities	$1,314,261	$1,314,261	$1,314,261
400 Deferred Inflow of Resources	$388,773	$388,773	$388,773
508.4 Net Investment in Capital Assets	$2,498,016	$2,498,016	$2,498,016
511.4 Restricted Net Position	$0	$0	$0
512.4 Unrestricted Net Position	-$811,670	-$811,670	-$811,670
513 Total Equity - Net Assets / Position	$1,686,346	$1,686,346	$1,686,346
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$3,389,380	$3,389,380	$3,389,380

Hightstown Housing Authority (NJ045)
HIGHTSTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2022

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	$628,997	$628,997	$628,997
70400 Tenant Revenue - Other	$12,494	$12,494	$12,494
70500 Total Tenant Revenue	$641,491	$641,491	$641,491
70600 HUD PHA Operating Grants	$352,894	$352,894	$352,894
70610 Capital Grants	$274,991	$274,991	$274,991
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	$1,123	$1,123	$1,123
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	$31,990	$31,990	$31,990
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	$1,302,489	$1,302,489	$1,302,489
91100 Administrative Salaries	$193,371	$193,371	$193,371
91200 Auditing Fees	$9,012	$9,012	$9,012
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	$39,615	$39,615	$39,615
91600 Office Expenses	$30,825	$30,825	$30,825
91700 Legal Expense	$9,160	$9,160	$9,160
91800 Travel			
91810 Allocated Overhead			
91900 Other	$34,536	$34,536	$34,536
91000 Total Operating - Administrative	$316,519	$316,519	$316,519
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	$1,523	$1,523	$1,523
92500 Total Tenant Services	$1,523	$1,523	$1,523
93100 Water	$88,264	$88,264	$88,264
93200 Electricity	$71,585	$71,585	$71,585
93300 Gas	$46,142	$46,142	$46,142
93400 Fuel			
93500 Labor	$14,573	$14,573	$14,573
93600 Sewer			
93700 Employee Benefit Contributions - Utilities	$3,181	$3,181	$3,181
93800 Other Utilities Expense			
93000 Total Utilities	$223,745	$223,745	$223,745
94100 Ordinary Maintenance and Operations - Labor	$61,503	$61,503	$61,503
94200 Ordinary Maintenance and Operations - Materials and Other	$41,286	$41,286	$41,286
94300 Ordinary Maintenance and Operations Contracts	$132,224	$132,224	$132,224
94500 Employee Benefit Contributions - Ordinary Maintenance	$12,195	$12,195	$12,195
94000 Total Maintenance	$247,208	$247,208	$247,208

Hightstown Housing Authority (NJ045)
HIGHTSTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2022

	Project Total	Subtotal	Total
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	$0	$0	$0
96110 Property Insurance	$30,059	$30,059	$30,059
96120 Liability Insurance	$10,246	$10,246	$10,246
96130 Workmen's Compensation	$11,898	$11,898	$11,898
96140 All Other Insurance	$3,114	$3,114	$3,114
96100 Total insurance Premiums	$55,317	$55,317	$55,317
96200 Other General Expenses			
96210 Compensated Absences	$2,764	$2,764	$2,764
96300 Payments in Lieu of Taxes	$42,193	$42,193	$42,193
96400 Bad debt - Tenant Rents	$771	$771	$771
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	$45,728	$45,728	$45,728
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	$0	$0	$0
96900 Total Operating Expenses	$890,040	$890,040	$890,040
97000 Excess of Operating Revenue over Operating Expenses	$412,449	$412,449	$412,449
97100 Extraordinary Maintenance	$63,421	$63,421	$63,421
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	$181,474	$181,474	$181,474
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	$1,134,935	$1,134,935	$1,134,935
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			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$167,554	$167,554	$167,554
11020 Required Annual Debt Principal Payments	$0	$0	$0
11030 Beginning Equity	$1,467,222	$1,467,222	$1,467,222

Hightstown Housing Authority (NJ045)
HIGHTSTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2022

	Project Total	Subtotal	Total
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$51,570	$51,570	$51,570
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	1200	1200	1200
11210 Number of Unit Months Leased	1185	1185	1185
11270 Excess Cash	$399,895	$399,895	$399,895
11610 Land Purchases	$0	$0	$0
11620 Building Purchases	$535,804	$535,804	$535,804
11630 Furniture & Equipment - Dwelling Purchases	$0	$0	$0
11640 Furniture & Equipment - Administrative Purchases	$0	$0	$0
11650 Leasehold Improvements Purchases	$0	$0	$0
11660 Infrastructure Purchases	$0	$0	$0
13510 CFFP Debt Service Payments	$0	$0	$0
13901 Replacement Housing Factor Funds	$0	$0	$0

GIAMPAOLO
& ASSOCIATES

467 Middletown Lincroft Road
Lincroft, NJ 07738
Tel: 732-842-4550

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*

Board of Commissioners
Housing Authority of the Borough of Hightstown
131 Rogers Avenue
Hightstown, New Jersey 08520

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Housing Authority of the Borough of Hightstown, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Housing Authority of the Borough of Hightstown's basic financial statements, and have issued our report thereon dated August 4, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the Borough of Hightstown's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the Borough of Hightstown's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the Borough of Hightstown's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the Borough of Hightstown's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Giampaolo & Associates
Lincroft, New Jersey
Date: August 4, 2023

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
Schedule of Findings and Questioned Cost
Year Ended December 31, 2022

Prior Audit Findings
None reported

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statement of the Housing Authority of the Borough of Hightstown.

2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.

3. No instances of noncompliance material to the financial statements of the Housing Authority of the Borough of Hightstown were disclosed during the audit.

4. The threshold used for distinguishing between Type A and B programs was $750,000.

5. Housing Authority of the Borough of Hightstown qualified as a low risk Auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT
None reported

GIAMPAOLO
& ASSOCIATES

467 Middletown Lincroft Road
Lincroft, NJ 07738
Tel: 732-842-4550

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the Borough of Hightstown
131 Rogers Avenue
Hightstown, New Jersey 08520

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the Borough of Hightstown (the PHA) and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. The PHA is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by The PHA as of and for the year ended December 31, 2022, and have issued our report thereon dated August 4, 2023. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated August 4, 2023, was expressed in relation to the basic financial statements of the PHA taken as a whole.

A copy of the reporting package required by Uniform Guidance, which includes the auditor's reports, is available in its entirety from the PHA. We have not performed any additional procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of the PHA and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Giampaolo & Associates
Lincroft, New Jersey
August 4, 2023

Procedure	UFRS Rule Information	Hard Copy Document(s)	Findings
1	Balance Sheet and Revenue Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDAs, if applicable	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental report on FDS	Agrees
4	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Agrees