

ARLINGTON GARDENS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

ARLINGTON GARDENS
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FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

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Polcari & Co.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Arlington Gardens
Jersey City, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Arlington Gardens (the "Project"), which comprise the Statements of Net Position as of March 31, 2022 and 2021, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Project's 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 net position of the Project as of March 31, 2022 and 2021, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Arlington Gardens 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 Project'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 Project'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 Project'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

Management has omitted the Management's Discussion and Analysis report that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not part of the financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by the missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Computation of Payment in Lieu of Taxes for the fiscal years ended March 31, 2022 and 2021 presented on page 23 is presented for the purpose of additional analysis. Such information is the responsibility of management and was derived from and directly relates to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2024 on our consideration of the Project'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 Arlington Gardens' 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 the Project's internal control over financial reporting and compliance.

Polcari & Company
POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
August 30, 2024

ARLINGTON GARDENS
STATEMENT OF NET POSITION
AS OF MARCH 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and Cash Equivalents	\$ 21,025	\$ 54,322
Tenant Security Deposits	50,205	49,080
Accounts Receivable - Tenants, Net	6,584	48,621
Accounts Receivable - Other	4,460	1,931
Prepaid Expenses	-	30,860
Prepaid PILOT	27,283	20,279
Inventory	57,246	14,433
Total Current Assets	<u>166,803</u>	<u>219,526</u>
Non-Current Assets:		
Restricted Deposits	406,549	366,689
Capital Assets, Net	2,139,311	2,332,634
Total Non-Current Assets	<u>2,545,860</u>	<u>2,699,323</u>
Total Assets	<u>2,712,663</u>	<u>2,918,849</u>
DEFERRED OUTFLOWS OF RESOURCES		
State of New Jersey P.E.R.S.	22,026	63,044
State of New Jersey OPEB	314,560	68,852
Total Deferred Outflows of Resources	<u>336,586</u>	<u>131,896</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,049,249</u>	<u>\$ 3,050,745</u>

See accompanying notes to the financial statements.

ARLINGTON GARDENS
STATEMENTS OF NET POSITION (Continued)
AS OF MARCH 31, 2022 AND 2021

LIABILITIES

	<u>2022</u>	<u>2021</u>
Accounts Payable	\$ 29,831	\$ 27,539
Accrued Expenses	18,728	15,783
Accrued Compensated Absences, Current Portion	4,366	4,815
Mortgage Payable, Current Portion	63,681	59,372
Tenant Security Deposits	50,205	49,080
Total Current Liabilities	166,811	156,589
Non-Current Liabilities:		
Mortgages Payable, Excluding Current Portion	1,046,547	1,112,440
Accrued Compensated Absences, Net of Current Portion	39,292	43,336
Due to JCHA	3,127,232	2,179,453
Net Pension Liability	358,562	440,695
Net OPEB Liability	1,122,026	1,092,787
Total Non-Current Liabilities	5,693,659	4,868,711
Total Liabilities	5,860,470	5,025,300

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	207,607	188,202
State of New Jersey OPEB	603,608	771,923
Total Deferred Inflows of Resources	811,215	960,125

NET POSITION

Net Position		
Net Investment in Capital Assets	2,139,311	2,332,634
Restricted	406,549	366,689
Unrestricted	(6,168,296)	(5,634,003)
Total Net Position	(3,622,436)	(2,934,680)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 3,049,249	\$ 3,050,745

See accompanying notes to the financial statements.

ARLINGTON GARDENS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Rental Income	\$ 857,531	\$ 876,468
Tenant Revenue - Other	5,907	7,049
Total Operating Revenues	<u>863,438</u>	<u>883,517</u>
Operating Expenses		
Administrative	238,470	117,671
Tenant Services	6,454	828
Maintenance and Repairs	749,157	866,108
Payments In Lieu of Taxes	50,261	53,401
Utilities Expense	317,413	201,768
Insurance and General	26,147	30,461
Depreciation	193,323	163,116
Total Operating Expenses	<u>1,581,225</u>	<u>1,433,353</u>
Operating Loss	<u>(717,787)</u>	<u>(549,836)</u>
Non-Operating Revenues (Expenses)		
Interest Expense	(38,370)	(51,175)
Decrease in Accrued Pension and OPEB Liabilities	68,295	-
Investment Income	106	68
Net Loss	<u>(687,756)</u>	<u>(600,943)</u>
Net Position, Beginning of Year	<u>(2,934,680)</u>	<u>(2,333,737)</u>
Net Position, End of Year	<u><u>\$ (3,622,436)</u></u>	<u><u>\$ (2,934,680)</u></u>

See accompanying notes to the financial statements.

ARLINGTON GARDENS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash Received from and on behalf of Tenants	\$ 903,118	\$ 831,787
Cash Paid to Vendors	(1,566,328)	(1,099,157)
Cash paid to Employees	(177,033)	(202,783)
Net Cash Used In Operating Activities	(840,243)	(470,153)
Cash Flows from Noncapital Financing Activities:		
Net borrowings from JCHA	947,779	668,753
Net Cash Provided by Noncapital Financing Activities	947,779	668,753
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	-	(50,678)
Principal Paid on Capital Debt	(61,584)	(57,141)
Interest Paid on Capital Debt	(38,370)	(51,175)
Net Cash Used in Capital and Related Financing Activities:	(99,954)	(158,994)
Cash Flows from Investing Activities:		
Interest Received on Investments	106	68
Net Cash Flows from Investing Activities	106	68
Net Decrease in Cash and Cash Equivalents	7,688	39,674
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	470,091	430,417
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 477,779	\$ 470,091
 <u>Reconciliation of Cash, Cash Equivalents and Restricted Cash to Statement of Net Position</u>		
Cash and Cash Equivalents	\$ 21,025	\$ 54,322
Tenant Security Deposits	50,205	49,080
Restricted Deposits	406,549	366,689
	\$ 477,779	\$ 470,091

See accompanying notes to the financial statements.

ARLINGTON GARDENS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities:		
Operating Loss	\$ (717,787)	\$ (549,836)
Adjustments to Reconcile Operating Loss to Net Cash		
Used in Operating Activities		
Depreciation	193,323	163,116
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Outflows of Resources		
Accounts Receivable - Tenant Rents	39,508	(47,874)
Prepaid Expenses	30,860	11,669
Prepaid PILOT	(7,004)	(38,293)
Inventory	(42,813)	23,444
Accounts Payable	2,292	26,478
Accrued Expenses	2,945	(4,947)
Accrued Compensated Absences	(4,493)	(1,248)
Tenant Security Deposits	1,125	(3,856)
Deferred Outflows of Resources	(204,690)	32,758
Deferred Inflows of Resources	(148,910)	(61,814)
Net Pension Liability	(13,838)	(190,544)
Net OPEB Liability	29,239	150,399
	\$ (840,243)	\$ (490,548)

See accompanying notes to the financial statements.

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 1 - Summary of Significant Accounting Policies

A. Organization

The Jersey City Housing Authority (the "Authority" or "JCHA") is a governmental, public corporation under federal and state housing laws 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 City of Jersey City (the "City"). The Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by an appointed board of commissioners who serve several year terms. The governing board is essentially autonomous but responsible to HUD and the State of New Jersey, Division of Local Government Services. An executive director is appointed by the Authority's board to manage the day-to-day operations of the authority.

Arlington Gardens (the "Project") is a ninety (90) unit affordable housing site operated by the Authority to provide low-rent housing for qualified individuals. The project is owned by the Authority and is governed by the board of commissioners of the Authority. The accompanying financial statements present the financial activity of the project and not the Authority as a whole.

The project maintains its accounting records by program. The following program is operated by the Authority within the Project:

Public and Indian Housing - The Public and Indian Housing Program is designed to provide low-cost housing. Under this program, HUD provides funding via an annual contributions contract. These funds, combines with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. Basis of Accounting/Preparation of Financial Statements

The Project's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (statements and Interpretations). All transactions are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Project's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, Accounting and Financial Reporting for Non-exchange Transactions, grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Project has complied with the grant and subsidy requirements.

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, the Authority's basic financial statements include those of the Project and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

D. Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted cash balances and highly liquid investments with a maturity of three months or less at the date of purchase.

Restricted deposits and funded reserves which are required under the terms of the financing are not considered cash and cash equivalents. The Project places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the FDIC insurance limits.

E. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, tenants' accounts receivable balances primarily consist of rents past due and vacated tenants. Also included in accounts receivable are those amounts that tenants owe the Project as payment for committing fraud or misrepresentation. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

F. Allowance for Doubtful Accounts

The Project periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Project prepares an analysis of such accounts and records an appropriate allowance against such amounts.

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Prepaid Expenses

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

H. Inventory

Inventory is valued at cost using the First in First out (FIFO) method. If inventory falls below cost due to damage, deterioration, or obsolescence, the Project establishes an allowance for obsolete inventory. The Project uses the consumption method for expense recognition and relies upon its periodic (annual) inventory for financial reporting purposes. The balance is shown net of an allowance for obsolete inventories of \$15,303 and \$14,607 at March 31, 2022 and March 31, 2021, respectively.

I. Capital Assets, Net

Capital assets net are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

Buildings	27.5-40 Years
Building and Land Improvements	15 Years
Infrastructure	15 Years
Furniture and Equipment	3-7Years

The Project has established a capitalization threshold of \$5,000.

J. Impairment of Long Lived Assets

The Project evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Project determines that a capital asset is impaired, and that the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Project's financial statements. During the year ended March 31, 2022, there were no impairment losses incurred.

K. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with GASB Standards. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Project and its employees, is

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the

Project and its employees are accounted for in the period in which such services are rendered or in which such events take place.

L. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Other Post Employment Benefits

For purposes of measuring the net other post-employment benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to the net OPEB, and OPEB expense, and information about the fiduciary net position of the State Health Benefits Plan ("SHBP") and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

O. Equity Classifications

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

Net investment in capital assets.- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

P. Revenue Recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other income includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned. Advance receipts of revenue are deferred and classified as liabilities until earned.

Q. Income Taxes

The Project, as part of a unit of local government is exempt from real estate, sales and income taxes.

R. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment and contingencies. Actual results could differ significantly from these estimates.

S. Economic Dependency

The Project is economically dependent on operating advances from JCHA. The Project operates at a cash flow deficit prior to receiving such advances.

Note 2 - Cash and Cash Equivalents

At March 31, 2022, the Project had funds on deposit in checking accounts. All bank deposits are entirely insured or collateralized by a collateral pool maintained by public depositories as required by New Jersey law.

As of March 31, 2022, the carrying amount of the Project's cash (including restricted deposits) was \$477,020 and the bank balances approximated \$477,020. Of the bank balances, \$320,471

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 2 - Cash and Cash Equivalents (Continued)

was covered by federal depository insurance and the remaining \$156,549 was collateralized with the pledging financial institutions as of March 31, 2022.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Project does not have a formal policy for custodial credit risk. As of March 31, 2021, the Project's bank balances were not exposed to custodial credit risk.

Note 3 - Accounts Receivable, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The balances are shown net of an allowance for doubtful accounts of \$25,888 and \$6,477 at March 31, 2022 and March 31, 2021, respectively.

Note 4 - Restricted Deposits

The mortgage loan agreement requires that the Project fund various reserve accounts which are held in escrow with the Community Preservation Corp. As of March 31, 2022 and 2021, restricted deposits consisted of the following:

	<u>2022</u>	<u>2021</u>
Tenant Security Deposits	\$ 50,205	\$ 49,080
Replacement Reserve	357,738	335,734
Real Estate Tax and Insurance Escrow	48,811	30,955
	<u>\$ 456,754</u>	<u>\$ 415,769</u>

Tenant security deposits represent amounts held by the Project on behalf of tenants. Upon move-out, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

Replacement reserve fund represents the future cost of major repairs and improvements and annual debt service. During the years ended March 31, 2022 and 2021, the Project contributed \$1,831 per month to this fund. Moneys in this fund may be drawn upon by the Project for capital improvements at the sole discretion of the mortgagee.

Real estate tax and insurance escrow represents the cost of the property's payment in lieu of taxes payment with the City and annual premiums for insurance. During the year ended March 31, 2022 and March 31, 2021, the Project contributed \$7,404 and \$8,212, respectively, per month to this fund.

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 5 - Capital Assets, Net

The following is a summary of the changes in capital assets for the years ended March 31, 2022 and 2021:

	Balance at			Balance at		
	March 31, 2021	Additions	Dispositions	March 31, 2022		
Land	\$ 931,098	\$ -	\$ -	\$ 931,098		
Buildings, Furniture and Fixtures	5,348,857	-	-	5,348,857		
Total Capital Assets	6,279,955	-	-	6,279,955		
Accumulated Depreciation	(3,947,321)	(193,323)	-	(4,140,644)		
Total Capital Assets, Net	\$ 2,332,634	\$(193,323)	\$ -	\$ 2,139,311		

	Balance at			Balance at		
	March 31, 2020	Additions	Dispositions	March 31, 2021		
Land	\$ 931,098	\$ -	\$ -	\$ 931,098		
Buildings, Furniture and Fixtures	5,298,179	50,678	-	5,348,857		
Total Capital Assets	6,229,277	50,678	-	6,279,955		
Accumulated Depreciation	(3,784,205)	(163,116)	-	(3,947,321)		
Total Capital Assets, Net	\$ 2,445,072	\$(112,438)	\$ -	\$ 2,332,634		

Depreciation expense for the fiscal year ended March 31, 2022 and 20211 amounted to \$193,323 and \$163,116, respectively

Note 6 - Related Party Transactions

The Project is owned and operated by the Jersey City Housing Authority (JCHA). JCHA allocates certain general and administrative expenses, including salaries, fringe benefits (pension, compensated absences and health insurance), maintenance, insurance and legal, to the Project. Costs are reimbursed periodically. As of March 31, 2022 and 2021, the Project owed JCHA \$2,179,453 for unreimbursed costs. The advances are interest free and due from available cash.

Note 7 - Payment in Lieu of Taxes

The Project is required to pay to the City a payment in lieu of taxes ("PILOT") as an annual charge for services. For the years ended March 31, 2022 and 2021, PILOT expense amounted to \$30,003 and 33,006, respectively.

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 8 - Mortgage Payable

Mortgage payable consisted of the following at March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Mortgage loan payable to the Community Preservation Corp. in connection with the acquisition and rehabilitation of the Project. The loan with the original amount of \$1,750,000 carries an annual interest rate of 3.836%, requires monthly principal and interest payments of \$8,607, matures in March, 2036 and is secured by a first mortgage on the property.	\$ 1,110,228	\$ 1,171,812
Less: current portion	63,681	59,372
Mortgage payable, excluding current portion	\$ 1,046,547	\$ 1,112,440

Annual debt service for principal and interest over the next five years and in five-year increments thereafter are as follows:

		Principal	Interest	Total
2023	\$	63,681	\$ 39,605	\$ 103,286
2024		65,851	37,435	103,286
2025		68,093	35,193	103,286
2026		70,414	32,872	103,286
2027		72,813	30,473	103,286
2028-2032		403,005	113,425	516,430
2033-2036		366,371	38,163	404,534
	\$	1,110,228	\$ 327,168	\$ 1,437,396

Note 9 – Non-Current Liabilities

Activity for non-current liabilities the year ended March 31, 2022 and 2021 consisted of the following:

	March 31, 2021	Increases	Decreases	March 31, 2022	Current Portion
Mortgage Payable	\$ 1,171,812	\$ -	\$ (61,584)	\$ 1,110,228	\$ 63,681
Net Pension Liability	440,695	-	(82,133)	358,562	-
Net OPEB Liability	1,092,787	29,239	-	1,122,026	-
Compensated Absences	48,151	-	(4,493)	43,658	4,366
	\$ 2,753,445	\$ 29,239	\$ (148,210)	\$ 2,634,474	\$ 68,047

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 9 – Non-Current Liabilities (Continued)

	March 31, 2020	Increases	Decreases	March 31, 2021	Current Portion
Mortgage Payable	\$ 1,228,953	\$ -	\$ (57,141)	\$ 1,171,812	\$ 59,372
Net Pension Liability	631,239	-	(190,544)	440,695	-
Net OPEB Liability	942,388	150,399	-	1,092,787	-
Compensated Absences	49,399	-	(1,248)	48,151	4,815
	<u>\$ 2,851,979</u>	<u>\$ 150,399</u>	<u>\$ (248,933)</u>	<u>\$ 2,753,445</u>	<u>\$ 64,187</u>

Note 10 – Pension Plan

The Authority participates in the State of New Jersey, Public Employees Retirement System (PERS), which is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

It is the Authority's policy to allocate pension liabilities, deferred inflows of resources and deferred outflows of resources to projects based on actual time spent by Authority personnel in the various projects and programs of the Authority.

The Project's share of the Authority's net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense has been allocated as follows:

	Authority Share	Project Share
Net Pension Liability	\$ 15,368,321	\$ 358,562
Deferred Inflow of Resources	\$ 3,105,638	\$ 207,607
Deferred Outflow of Resources	\$ 1,085,066	\$ 22,026
Pension Benefit	\$ 1,845,034	\$ 68,295

For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report, which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Note 11 – OPEB Plan

The Authority participates in the State of New Jersey, State Health Benefit Local Government Retired Employees Plan ("SHBP"), which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Division. It covers employees of local government employers that have adopted a resolution to participate in the SHBP.

It is the Authority's policy to allocate OPEB liabilities, deferred inflows of resources and deferred outflows of resources to projects based on actual time spent by Authority personnel in the various projects and programs of the Authority.

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 11 – OPEB Plan (Continued)

The Project's share of the Authority's net OPEB liability, deferred inflows of resources, deferred outflows of resources and OPEB expense has been allocated as follows:

	Authority Share	Project Share
Net OPEB Liability	\$ 48,091,096	\$ 1,122,026
Deferred Inflow of Resources	\$ 24,542,504	\$ 603,608
Deferred Outflow of Resources	\$ 13,341,348	\$ 314,560
OPEB (Benefit) Expense	\$ 526,378	

For additional information about SHBP, please refer to the Division's CAFR, which can be found at <https://www.state.nj.us/treasury/pension/financial-reports.shtml>.

Note 12 – Restricted Net Position

Restricted net position consists of the following as of March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Replacement Reserve Fund	\$ 357,738	\$ 335,734
Real Estate Tax and Insurance Fund	48,811	30,955
	<u>\$ 406,549</u>	<u>\$ 366,689</u>

Replacement reserve fund represents the future cost of major repairs and improvements and annual debt service.

Real estate tax and insurance escrow represents the cost of the property's payment in lieu of taxes payment with the City and annual premiums for insurance.

Note 13 - Risk Management

The Project is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions; and natural disasters. The Project maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, crime coverage, personal property and general liability. Settlement amounts have not exceeded insurance coverage for the last three years.

Note 14 – Concentration of Risk

The Project's major asset is real estate. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies. 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.

ARLINGTON GARDENS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

Note 15 – Subsequent Events

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Subsequent events have been evaluated through August 30, 2024, which is the date the financial statements were available to be issued, 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.



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

Board of Commissioners
Arlington Gardens
Jersey City, New Jersey

We have audited, 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 Controller General of the United States, the financial statements of Arlington Gardens (the "Project") as of and for the year ended March 31, 2022, and have issued our report thereon dated August 30, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

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 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 the internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weakness may exist that have not been identified.

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

(Continued)

Compliance

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 project'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.

Polcari & Company

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
August 30, 2024

ARLINGTON GARDENS
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2022

Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Schedule of Prior Year Audit Findings

There were no findings or questioned costs in the prior year.

ARLINGTON GARDENS
COMPUTATION OF PAYMENT IN LIEU OF TAXES
MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
<u>Affordable Units Calculation:</u>		
Number of Units	<u>65</u>	<u>65</u>
Gross Shelter Rent:		
Dwelling Rental Revenue	\$ 857,351	\$ 876,468
Less: Fair Market Rental Units	<u>(268,875)</u>	<u>(268,875)</u>
Total Gross Rents	588,476	607,593
Less: Utilities Expenses Attributable to Affordable Units	<u>(229,243)</u>	<u>(198,350)</u>
Total Gross Shelter Rent	359,233	409,243
Affordable Units PILOT Rate Percentage	<u>6.28%</u>	<u>6.28%</u>
Affordable Units PILOT for the Period	<u>\$ 22,560</u>	<u>\$ 25,700</u>

Market Rate Units Calculation

Number of Units	<u>25</u>	<u>25</u>
Assessed Value of the Property	\$ 4,708,000	\$ 4,708,000
Multiplied by Pro-rata Share of Market Rate Units	<u>27.78%</u>	<u>27.78%</u>
Pro-rata Share of Assessed Value	1,307,882	1,307,778
Applicable Tax Rate	<u>2.118%</u>	<u>2.118%</u>
Market Rate Units PILOT for the period	<u>\$ 27,701</u>	<u>\$ 27,701</u>

Fiscal Year PILOT Reconciliation

PILOT Calendar Year 2020 for Nine Months	\$ 32,696	\$ 40,051
PILOT Calendar Year 2021 for Three Months	<u>17,565</u>	<u>13,350</u>
Total PILOT Expense Calculated for the Years Ended March 31, 2022 and 2021	50,261	53,401
Amount (Prepaid)/Payable at March 31, 2020	(20,279)	(2,380)
Payments Made During the Period	<u>(57,265)</u>	<u>(71,300)</u>
Amount (Prepaid)/Payable at March 31, 2021	<u>\$ (27,283)</u>	<u>\$ (20,279)</u>