

**Report On Audit**

**HOUSING AUTHORITY OF THE  
CITY OF SOUTH AMBOY**

**For the Year Ended  
June 30, 2014**

# Housing Authority of the City of South Amboy

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of South Amboy  
250 South Broadway  
South Amboy, New Jersey 08879

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of the City of South Amboy (a governmental public corporation) in South Amboy, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of June 30, 2014 and 2013, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the City of South Amboy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of South Amboy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of South Amboy as of June 30, 2014 and 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and pages 48-49 be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule 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. 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 basic financial statements as a whole.

The other financial and statistical information have not been subjected to the auditing procedures in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued reports dated January 15, 2015 on our consideration of the Housing Authority of the City of South Amboy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: January 15, 2015

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

As Management of the Housing Authority of the City of South Amboy (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. New standards issued by GASB have significantly changed the format of the financial statements. 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**

Net position of the Authority's enterprise fund was \$2,527,644 greater than the liabilities, an increase in the financial position of \$137,345 or 6% percent.

As noted above, the net position of the Authority exceeded its liabilities by \$2,527,644 as of June 30, 2014. Of this amount, the unrestricted net position is \$270,352 representing a decrease of \$41,746 or 13% percent from the previous year. The restricted net position increased \$88,467 from the prior year for and ending balance of \$90,676. The net investment in capital assets increased \$90,624 or 4% percent for an ending balance of \$2,166,616. Additional information on the Authority's restricted and unrestricted net position can be found in Notes 16 and 17 to the financial statements, which is included in this report.

The Authority's unrestricted cash and cash equivalent at June 30, 2014 is \$581,440 representing an increase of \$13,529 or 2% percent from the prior fiscal year. Total restricted cash increased \$86,404 or 181% percent for an ending balance of \$134,208. The full details of these amounts can be found in the Statement of Cash Flow on page 20 of this report.

The Authority's total assets are \$2,960,028 of which capital assets net book value is \$2,166,616, leaving total current assets at \$793,412. Total current assets increased from the previous year by \$74,377 or 10% percent. Unrestricted cash and cash equivalents increased by \$13,529, restricted cash and cash equivalents increased by \$86,404, investments increased by \$44, accounts receivables decreased by \$23,859, and prepaid expenses decreased by \$1,741.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$90,624 or 4% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$156,566, less the recording of depreciation expense in the amount of \$65,942. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority's total liabilities are reported at \$432,384, of which noncurrent liabilities are stated at \$282,779. Total liabilities increased during the year as compared to the prior year in the amount of \$27,656 or 7% percent. Total current liabilities decreased during the year by \$18,493, leaving non-current liabilities for an increase of \$46,149 as compared to the previous fiscal year.

Total current liabilities decreased from the previous year by \$18,493 or 11% percent. Accounts payables decreased by \$3,920, accrued liabilities decreased by \$9,647, tenant security deposit payable decreased by \$2,063, and unearned revenue decreased \$3,043.

Total noncurrent liabilities increased by \$46,149 or 20% percent. The increased was made up of two accounts, accrued compensated absences – long term with no offsetting assets increased \$4,634 from the prior fiscal year for an ending balance of \$58,742, and accrued other post-employment benefits (OPEB) liabilities increased \$41,515 or 23% percent. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. All of the Authority's retirees continue their life insurance and continue to receive health insurance benefits at various percentages of the Authority's cost. Accounting for OPEB under GASB No. 45 will result in the Authorities reporting a significant actuarially-based liability for benefits. The Authority's actuarially-based liability benefits for June 30, 2014 are \$224,037. Additional information on the Authority's accrued other post-employment benefits (OPEB) liabilities at June 30, 2014 can be found in Note 15 to the financial statements, which is included in this report

The Authority had total operating revenue of \$2,931,472 as compared to \$2,787,190 from the prior year for an increase of \$144,282 or 5% percent. The Authority had total operating expenses of \$2,942,586 as compared to \$3,098,387 from the previous year for a decrease of \$155,801 or 5% percent, resulting in a deficiency of revenue from operations in the amount of \$11,114 for the current year as compared to a deficiency of revenue from operations in the amount of \$311,197 for a decrease in deficit of \$300,083 or 96% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$147,194 as compared to \$119,362 from the previous year for an increase of \$27,832 or 23% percent. The Authority's had capital outlays in the amount of \$156,566 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$147,194 and the remainder through management's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$1,824,350 for the fiscal year 2014 as compared to \$1,731,645 for the previous fiscal year 2013 for an increase of \$92,705 or 5% percent.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**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. Low Rent Public Housing
2. Housing Choice Vouchers
3. 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 Flow
- 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 20.

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.

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.



**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED**

Statement of Cash Flow– 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 21 through 46.

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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 47 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, 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.
  
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 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 City of South Amboy are those which equal or exceeded \$300,000 in expenditures for the fiscal year ended June 30, 2014. Type B programs for the Housing Authority of the City of South Amboy are those which are less than \$300,000 in expenditures for the fiscal year ended June 30, 2014.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED**

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program can be found on page 48 the Section Eight Housing Choice Voucher Program on page 49.

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Position between June 30, 2014 and June 30, 2013:

	<u>Year Ended</u>		Increase
	June-14	June-13	(Decrease)
Cash	\$ 715,648	\$ 615,715	\$ 99,933
Other Current Assets	77,764	103,320	(25,556)
Capital Assets - Net	2,166,616	2,075,992	90,624
Total Assets	2,960,028	2,795,027	165,001
Less: Current Liabilities	(149,605)	(168,098)	18,493
Less: Non Current Liabilities	(282,779)	(236,630)	(46,149)
Net Position	<u>\$ 2,527,644</u>	<u>\$ 2,390,299</u>	<u>\$ 137,345</u>
Net Investment in Capital Assets	\$ 2,166,616	\$ 2,075,992	\$ 90,624
Restricted Net Position	90,676	2,209	88,467
Unrestricted Net Position	270,352	312,098	(41,746)
Net Position	<u>\$ 2,527,644</u>	<u>\$ 2,390,299</u>	<u>\$ 137,345</u>

Cash increased by \$99,933 or 16% percent. Net cash provided by operating activities was \$63,998, net cash provided by capital and related financing activities was \$36,777, and net cash used by investing activities was \$842. The full detail of this amount can be found in the Statement of Cash Flow on page 20 of this audit report.

Other current assets decreased \$25,556. Account receivable decreased \$23,859 mainly due to a collection of miscellaneous receivables for management fees, prepaid expenses decreased \$1,741 due to decreases in prepaid insurance expense, and investments increased \$44.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$90,624 or 4% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$156,566, less the recording of depreciation expense in the amount of \$65,942. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Total current liabilities decreased from the previous year by \$18,493 or 11% percent. Accounts payables decreased by \$3,920, accrued liabilities decreased by \$9,647, tenant security deposit payable decreased by \$2,063, and unearned revenue decreased \$3,043.

Total noncurrent liabilities increased by \$46,149 or 20% percent. The increased was made up of two accounts, accrued compensated absences – long term with no offsetting assets increased \$4,634 from the prior fiscal year for an ending balance of \$58,742, and accrued other post-employment benefits (OPEB) liabilities increased \$41,515 or 23% percent.

The Authority's reported net position of \$2,527,644 is made up of three categories. The net investment in capital assets in the amount of \$2,166,616 represents 86% percent 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 June 30, 2013	\$ 2,075,992
Acquisition in Fixed Assets	156,566
Depreciation Expense	<u>(65,942)</u>
Balance June 30, 2014	<u><u>\$ 2,166,616</u></u>

The Authority reported a restricted net position of \$90,676, an increase of \$88,467 from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The account balance consists of the amount of cash that is restricted for the Housing Choice Voucher program. The Authority was able to increase this amount due to an increase in funding for the Housing Choice voucher program during fiscal year 2014 as compared to fiscal year 2013. Additional information on these funds can be found in Note 4 - Cash, Cash Equivalents and Note 16 - Restricted Net Position.

The Housing Authority of the City of South Amboy operating results for June 30, 2014 reported a decrease in unrestricted position of \$41,746 or 13% percent for an ending balance of \$270,352. A full detail of these accounts can be found in the Notes to the Financial Statements section Note 17 - Unrestricted Net Position.

At the end of the current year, the Authority is able to report positive balances in all three categories of net position. The same situation held true for the prior year.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following summarizes the changes in Net Position between June 30, 2014 and June 30, 2013:

	<u>Year Ended</u>		Increase
	June-14	June-13	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 696,958	\$ 682,779	\$ 14,179
HUD Subsidies	1,677,156	1,612,283	64,873
Other Revenues	557,358	492,128	65,230
Total Operating Income	<u>2,931,472</u>	<u>2,787,190</u>	144,282
<u>Expenses</u>			
Operating Expenses	2,876,644	3,000,435	(123,791)
Depreciation Expense	65,942	97,952	(32,010)
Total Operating Expenses	<u>2,942,586</u>	<u>3,098,387</u>	(155,801)
Operating Income before Non Operating Income	(11,114)	(311,197)	300,083
Interest Income	1,265	2,178	(913)
Capital Grants	147,194	119,362	27,832
Change in Net Position	<u>137,345</u>	<u>(189,657)</u>	327,002
Net Position Prior Year	2,390,299	2,615,924	(225,625)
Prior Period Adjustment	-	(35,968)	35,968
Total Net Position	<u>\$ 2,527,644</u>	<u>\$ 2,390,299</u>	<u>\$ 137,345</u>

Approximately 57% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 24% percent resulted from tenant revenue. Charges for various services provided the remaining 19% percent of the total operating income.

The Housing Authority of the City of South Amboy received from the capital fund program \$147,194 in grant money an increase of \$27,832 from the prior fiscal year. The Authority had capital expenditures of \$156,566 which was funded through the capital fund program and management's reserves. The current year additions included replacement of hot water boiler systems, boiler repairs, floor replacements, elevator repairs, a generator, new roofs, and new appliances for the apartments.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 47% percent of total operating expenses. Administrative expenses accounted for 15% percent, utilities expense accounted for 15% percent, maintenance expense accounted for 16% percent, other operating expenses accounted for 4% percent, and depreciation accounted for the remaining 3% percent of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$11,114 from operations as compared to excess expenses from operations of \$311,197 for the previous year. The key elements for the decrease in deficit in comparison to the prior year are as follow:

- Total tenant rental income increased in the amount of \$14,179 or 2%. Other income increased in the amount of \$53,104 or 11% due to increased fees for management of other entities and portability fees.
- The Authority reported an increase in HUD PHA operating grants in the amount of \$64,873 or 4% percent, due to fewer reductions in Federal funding subsidy by HUD in comparison to the past few fiscal years.
- Maintenance expenses decreased \$132,198 mainly due to the prior year having a spike in maintenance activities as well as the Authority making an effort to decrease expenses due to multiple years of decreased Federal funding by HUD.

Total net cash provided by operating activities during the year was \$63,998 as compared to cash used in the amount of \$159,637 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flow on page 20 of this report.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following are financial highlights of significant items for a four year period of time ending on June 30, 2014:

	June-14	June-13	June-12	June-11
<b>Significant Income</b>				
Total Tenant Revenue	\$ 696,958	\$ 682,779	\$ 662,334	\$ 644,752
HUD Operating Grants	1,677,156	1,612,283	1,651,538	1,782,331
HUD Capital Grants	147,194	119,362	139,623	152,715
Investment Income	1,265	2,178	4,931	10,021
Other Income	557,358	492,128	412,429	325,407
<b>Total</b>	<b>\$3,079,931</b>	<b>\$2,908,730</b>	<b>\$2,870,855</b>	<b>\$2,915,226</b>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 155,126	\$ 139,251	\$ 152,388	\$ 173,053
Utilities Labor	71,500	74,027	94,783	78,071
Maintenance Labor	265,597	281,933	240,367	207,622
Employee Benefits Expense	248,979	264,085	191,888	176,594
<b>Total Payroll Expense</b>	<b>\$ 741,202</b>	<b>\$ 759,296</b>	<b>\$ 679,426</b>	<b>\$ 635,340</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 200,518	\$ 171,910	\$ 181,652	\$ 139,315
Utilities Expense	340,180	312,254	302,535	323,410
Maintenance Supplies	42,654	93,315	84,710	59,154
Maintenance Contract Cost	33,767	88,692	111,276	50,878
Insurance Premiums	48,844	56,639	53,298	50,884
OPEB Expense	41,515	43,512	43,512	43,512
Housing Assistance Payments	1,397,367	1,392,009	1,404,877	1,321,336
<b>Total</b>	<b>\$2,104,845</b>	<b>\$2,158,331</b>	<b>\$2,181,860</b>	<b>\$1,988,489</b>
<b>Total Operating Expenses</b>	<b>\$2,924,586</b>	<b>\$3,098,387</b>	<b>\$3,198,338</b>	<b>\$2,938,312</b>
<b>Total of Federal Awards</b>	<b>\$1,824,350</b>	<b>\$1,731,645</b>	<b>\$1,791,161</b>	<b>\$1,935,046</b>

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**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. The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY PROGRAMS**

Public Housing Program:

Under the Public 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 City of South Amboy flat rent amount.

Capital Fund Program:

The public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). 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.

Housing Choice Voucher Program

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**BUDGETARY HIGHLIGHTS**

For the year ended June 30, 2014, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 48 of this report.

The budget for the Housing Choice Voucher Program was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs. The full detail can be found in the Budget comparison to actual results for the Housing Choice Voucher Program on page 49 of this report.

**NEW INITIATIVES**

For the fiscal year 2014 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 59% percent of its revenue from the Department of Housing and Urban Development, (2013 fiscal year was 60% 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 and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

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 housing assistance to qualified residents of the City of South Amboy all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

For calendar year 2013 due to budget cuts once again by Congress, HUD prorated everyone's eligibility for operating funds at 81.86%, after the proration the Authority was only able to receive \$372,713, which is a decrease in funding of \$81,307. For calendar year 2014 due to budget cuts once again by Congress, HUD prorated everyone's eligibility for operating funds at 88.79% which resulted in a reduction of funding in the amount of \$54,283.



**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2014 was \$2,166,616 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increased during the year in the Authority's investment in capital assets was \$90,624 or 4% percent. Major capital expenditures of \$156,566 were made during the year. Major capital assets events during the fiscal year included the following:

- Boiler Repairs
- Hot Water Boiler System Replacement
- New Roofs
- Floor Replacements
- Ranges and Refrigerators

	June-14	June-13	Increase (Decrease)
Land	\$ 137,125	\$ 137,125	\$ -
Building	8,270,944	7,956,294	314,650
Furniture, Equipment - Dwelling	425,477	381,394	44,083
Furniture, Equipment - Administration	246,514	196,943	49,571
Construction in Process	519,383	771,121	(251,738)
Total Fixed Assets	9,599,443	9,442,877	156,566
Accumulated Depreciation	(7,432,827)	(7,366,885)	(65,942)
Net Book Value	<u>\$2,166,616</u>	<u>\$2,075,992</u>	<u>\$ (84,781)</u>

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 – Long Term Debt

The Authority does not have any long-term debt at this time.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority of the City of South Amboy 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. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

The capital budgets for the 2014 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. 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 June 30, 2015.

- 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.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- 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.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- 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 Mr. Mark Noble, Deputy Executive Director, Housing Authority of the City of South Amboy, PO Box 817 South Amboy, N.J. 08879, or call (732) 721-1831.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**  
**STATEMENT OF NET POSITION - 1**  
**AS OF JUNE 30, 2014 AND 2013**

	June 30,	
	2014	2013
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents - Unrestricted	\$ 581,440	\$ 567,911
Cash and Cash Equivalents - Restricted	134,208	47,804
Investments	26,904	26,860
Accounts Receivables, Net of Allowances	24,658	48,517
Prepaid Expenses	26,202	27,943
Total Current Assets	793,412	719,035
<b>Noncurrent Assets</b>		
Capital Assets		
Land	137,125	137,125
Building	8,270,944	7,956,294
Furniture, Equipment - Dwelling	425,477	381,394
Furniture, Equipment - Administration	246,514	196,943
Construction in Process	519,383	771,121
Total Capital Assets	9,599,443	9,442,877
Less: Accumulated Depreciation	(7,432,827)	(7,366,885)
Net Book Value	2,166,616	2,075,992
Total Assets	2,960,028	2,795,027
<b>Deferred Outflow of Resources</b>		
Total Deferred Outflows of Resources	-	-
Total Assets and Deferred Outflow of Resources	\$ 2,960,028	\$ 2,795,027

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**  
**STATEMENT OF NET POSITION - 2**  
**AS OF JUNE 30, 2014 AND 2013**

	<u>June 30,</u>	
	2014	2013
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 54,745	\$ 58,665
Accrued Liabilities	51,282	60,749
Tenant Security Deposit Payable	43,532	45,595
Unearned Revenue	46	3,089
Total Current Liabilities	149,605	168,098
<b>Noncurrent Liabilities</b>		
Accrued Compensated Absences - Long-Term	58,742	54,108
Accrued Other Post-Employment Benefits (OPEB)	224,037	182,522
Total Noncurrent Liabilities	282,779	236,630
Total Liabilities	432,384	404,728
<b>Deferred Inflow of Resources</b>		
Total Deferred Inflow of Resources	-	-
<b>Net Position:</b>		
Net Investment in Capital Assets	2,166,616	2,075,992
Restricted	90,676	2,209
Unrestricted	270,352	312,098
Total Net Position	2,527,644	2,390,299
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 2,960,028	\$ 2,795,027

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2014 AND 2013**

	<u>June 30,</u>	
	2014	2013
<b>Revenue:</b>		
Tenant Rental Revenue	\$ 696,958	\$ 682,779
HUD PHA Operating Grants	1,677,156	1,612,283
Fraud Recovery	16,784	4,658
Other Revenue	540,574	487,470
Total Revenue	<u>2,931,472</u>	<u>2,787,190</u>
<b>Operating Expenses:</b>		
Administrative Expenses	429,359	422,691
Tenant Services	5,265	4,945
Utilities Expense	449,395	425,095
Maintenance Expense	479,567	611,765
Other Operating Expenses	115,691	143,931
Housing Assistance Payments	1,397,367	1,392,009
Depreciation Expense	65,942	97,951
Total Operating Expenses	<u>2,942,586</u>	<u>3,098,387</u>
Excess Expenses Over Revenue From Operations	<u>(11,114)</u>	<u>(311,197)</u>
<b>Nonoperating Revenue (Expenses)</b>		
Investment Income	1,265	2,178
Total Nonoperating Revenue	<u>1,265</u>	<u>2,178</u>
(Deficit) Revenue Before Contributions	(9,849)	(309,019)
Capital Grant Contributions	<u>147,194</u>	<u>119,362</u>
<b>Change in Net Position</b>	<u>137,345</u>	<u>(189,657)</u>
Beginning Net Position	2,390,299	2,615,924
Prior Period Adjustment	-	(35,968)
Beginning Net Position - Restated	<u>2,390,299</u>	<u>2,579,956</u>
Ending Net Position	<u>\$ 2,527,644</u>	<u>\$ 2,390,299</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**  
**STATEMENT OF CASH FLOW**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2014 AND 2013**

	2014	June 30, 2013
<b>Cash Flow From Operating Activities</b>		
Receipts from Tenants	\$ 690,856	\$ 688,980
Receipts from Federal Grants	1,677,156	1,666,047
Receipts from Misc. Sources	557,358	492,128
Payments to Vendors and Suppliers	(382,623)	(543,233)
Payments for Housing Assistance Payments	(1,397,367)	(1,392,009)
Payments to Employees	(492,223)	(495,211)
Payment of Employee Benefits	(248,979)	(264,085)
Payment of Utilities Expenses	(340,180)	(312,254)
Net Cash Provided (Used) by Operating Activities	63,998	(159,637)
<b>Cash Flow From Capital and Related Financing Activities</b>		
Receipts from Capital Grants	147,194	119,362
Acquisitions and Construction of Capital Assets	(156,566)	(147,224)
Change in Long Term Compensated Absences	4,634	4,573
Accrued Other Post-Employment Benefits (OPEB) Liabilities	41,515	43,512
Prior Period Adjustment	-	(35,968)
Net Cash Provided (Used) by and Related Financing Activities	36,777	(15,745)
<b>Cash Flow From Investing Activities</b>		
Interest Income	1,265	2,178
(Payment) Receipts in Tenant Security Deposit	(2,063)	1,264
(Increase) in Investments	(44)	(203)
Net Cash (Used) Provided by Investing Activities	(842)	3,239
Net Increase (Decrease) in Cash and Cash Equivalents	99,933	(172,143)
<b>Beginning Cash</b>	615,715	787,858
<b>Ending Cash</b>	\$ 715,648	\$ 615,715
<u>Reconciliation of Cash Balances:</u>		
Cash and Cash Equivalents - Unrestricted	\$ 581,440	\$ 567,911
HAP Reserve - Restricted	90,676	2,209
Security Deposits	43,532	45,595
Total Ending Cash, Cash Equivalents	\$ 715,648	\$ 615,715
<b>Reconciliation of Operating Income to Net Cash</b>		
(Used) by Operating Activities		
Excess of Expenses Over Revenue	\$ (11,114)	\$ (311,197)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	65,942	97,951
(Increase) Decrease in:		
Accounts Receivables	23,859	13,290
Prepaid Expenses	1,741	1,831
Increase (Decrease) in:		
Accounts Payable	(3,920)	20,366
Accrued Liabilities	(9,467)	18,555
Unearned Revenue	(3,043)	(433)
Net Cash Provided (Used) by Operating Activities	\$ 63,998	\$ (159,637)

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

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

**1. 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. 4A: 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 City of South Amboy 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 City of South Amboy. 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 South Amboy and City 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 the City of South Amboy reporting entity.

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. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The primary government holds the corporate powers of the organization.
- C. The primary government appoints a voting majority of the organization's board.
- D. The primary government is able to impose its will on the organization.
- E. There is calendar dependency by the organization on the primary government.
- F. The organization has potential to impose a financial benefit or burden on the primary government.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **2. 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. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting” addresses the applicability of the various FASB’s, and allows several options in the use of the FASB’s. The Authority has elected to use Alternative 2 of GASB-20 which states that “a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements”. Also, the Authority has elected to not follow FASB-106, FASB-112, and FASB-132, which all deal with pension reporting. Instead, the Authority follows GASB-45-“Accounting for Pensions by State and Local Governmental Employers.”

#### New Accounting Standards Adopted

Statement No. 63 of the Government Accounting Standards Board (“GASB 63”) *Financial Reporting of deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* was issued in June 2011. This Statement results in a change in the presentation of the Authority’s Statement of Net Assets to what is now referred to as the Statements of Net Position and the term “net assets” is changed to “net position” throughout the financial statements.

Statement No. 65 of the Government Accounting Standards Board (“GASB 65”) *Items Previously Reported as Assets and Liabilities* was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.



# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **Basis of Accounting –**

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. All assets, liabilities, net assets, revenue, and expenses are accounting for through a single enterprise fund for the primary government.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other 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 City of South Amboy's flat rent amount.

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 June 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

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.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **Basis of Accounting – Continued**

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets during the year.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Other revenue is income composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non exchange transactions or ancillary activities.

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

In enterprise funds, activity is recorded using the accrual basis of accounting. 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 similar to 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.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **Report Presentation -**

The Authority's basic financial statements are presented on an entity-wide basis consisting of various housing programs. The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

### Net Investment in Capital Assets.

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

### Restricted Net Position

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

### Unrestricted Net Position

The net position consists of net assets that do not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt.

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.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **Other accounting policies are as follows**

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

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.

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

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

10 – 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.

11- 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

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **Other accounting policies - Continued**

11-Continued - 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.

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- 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.

14- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **Budgetary and Policy Control -**

The Authority submits its annual operating and capital budgets to U.S. Department of Housing and Urban Development. 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. Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 48 the Section Eight Housing Choice Voucher Program on page 49.

**Activities** - The only programs or activities administered by the Authority were:

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Low Rent Housing	14.850	NJ35	152
Capital Fund	14.872	NJ35	
<u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ35	111

### **A. Low Rent Public Housing Program**

The low rent public housing program is designed to provide low-cost housing within the Borough of Clementon. Funding is provided by eligible residents who are charged monthly rent based on family size, family income and other determinants, as well as by subsidies provided by HUD.

### **B. Capital Fund Programs**

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. These programs are financed by HUD subsidies. The capital fund programs are now merged into the low rent public housing program.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **Activities - continued**

#### **C. Housing Choice Vouchers Program**

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD.

**Taxes** - Under federal, state, and local law, the Authority's program are 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 must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes.

**Board of Commissioners** - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

## HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

### Notes to Financial Statements

June 30, 2014

#### **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 collectibility 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-employer 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.

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2013divisioncombined.pdf>



# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **NOTE 3 - PENSION PLAN - CONTINUED**

#### 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 2014 and 2013 amounted to \$24,788 and \$33,406.

#### Post Employment Retirement Benefits

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

### **NOTE 4 - CASH, CASH EQUIVALENTS**

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes 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. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

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.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**

Notes to Financial Statements

June 30, 2014

**NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED**

The book balances at June 30, 2014, and 2013 for unrestricted cash were \$581,440 and \$567,911, restricted cash of \$134,208 and \$47,804, and investments of \$26,904 and \$26,860 respectively as discussed below:

	<u>June-14</u>	<u>June-13</u>
Amboy National Bank	\$ 695,151	\$ 593,111
Provident Bank	43,532	45,595
Wells Fargo	3,569	3,569
Petty Cash	<u>300</u>	<u>300</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 742,552</u>	<u>\$ 642,575</u>

The Authority has total restricted cash at June 30, 2014 and 2013 in the amount of \$134,208 and \$47,804, respectively, which consists of the following:

	<u>June-14</u>	<u>June-13</u>
Tenant Security Deposit	\$ 43,532	\$ 45,595
HAP Reserve	<u>90,676</u>	<u>2,209</u>
Total Restricted Cash, Cash Equivalents	<u>\$ 134,208</u>	<u>\$ 47,804</u>

The Authority has restricted cash in the amount of \$90,676 as of June 30, 2014 and \$2,209 as of 2013 which is for the Section 8 Housing Choice Voucher Program HAP Reserve. In accordance with HUD’s PIH Notice 2007-03, started January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP’s that are not utilized are not returned to HUD, but become part of the reserve fund balance and may only be used to assist additional families up to the number of units under contract.

The remaining amount in restricted cash at June 30, 2014 was in the amount of \$43,532 and \$45,595 at June 30, 2013. Both of these amounts were accounted for in cash and cash equivalents. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing accounts.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED**

#### **Risk Disclosures**

##### 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. At June 30, 2014, 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 of 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 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	Bank Balances	
	<u>June-14</u>	<u>June-13</u>
Insured	\$ 297,401	\$ 299,464
Collateralized held by pledging bank's trust department in the Authority's name	<u>445,151</u>	<u>343,111</u>
Total	<u>\$ 742,552</u>	<u>\$ 642,575</u>

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts Receivable at June 30, 2014 and 2013 consisted of the following:

	<u>June-14</u>	<u>June-13</u>
Tenants Accounts Receivable - Present	\$ 7,839	\$ 1,737
Accounts Receivable - Ports	14,146	-
Accounts Receivable - Sprint	2,647	-
Accounts Receivable - Noble Manor	-	46,690
Accrued Interest Receivable	26	90
Total Accounts Receivable	<u>\$ 24,658</u>	<u>\$ 48,517</u>

The Housing Authority of the City of South Amboy carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations.

### **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 on a monthly basis. Prepaid expenses at June 30, 2014 and 2013 consisted of prepaid insurance in the amount of \$26,202 on June 30, 2014 and \$27,943 as of June 30, 2013.

### **NOTE 7 - INTERFUND ACTIVITY**

Interfund activity is reported as short term loans, services provided during the course of 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 at June 30, 2014 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **NOTE 8 - FIXED ASSETS**

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value.

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 \$500 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. 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 City of South Amboy has given consideration to the GASBS #42, Accounting for the Impairment or Disposal of Long-Lived Assets, in the preparation of these financial statements.

The carrying value of long-live assets in accordance with GASBS #42, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at June 30, 2014.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**

Notes to Financial Statements

June 30, 2014

**NOTE 8 - FIXED ASSETS – CONTINUED**

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2014 and 2013:

	June-13	Additions	Transfer	June-14
Land	\$ 137,125	\$ -	\$ -	\$ 137,125
Building	7,956,294	-	314,650	8,270,944
Furniture, Equipment - Dwelling	381,394	9,372	34,711	425,477
Furniture, Equipment - Administration	196,943	-	49,571	246,514
Construction in Process	771,121	147,194	(398,932)	519,383
Total Fixed Assets	9,442,877	156,566	-	9,599,443
Accumulated Depreciation	(7,366,885)	(65,942)	-	(7,432,827)
Net Book Value	\$ 2,075,992	\$ 90,624	\$ -	\$ 2,166,616

	June-12	Additions	Transfer	June-13
Land	\$ 137,125	\$ -	\$ -	\$ 137,125
Building	7,956,294	-	-	7,956,294
Furniture, Equipment - Dwelling	355,869	25,525	-	381,394
Furniture, Equipment - Administration	194,606	2,337	-	196,943
Construction in Process	651,759	119,362	-	771,121
Total Fixed Assets	9,295,653	147,224	-	9,442,877
Accumulated Depreciation	(7,268,934)	(97,951)	-	(7,366,885)
Net Book Value	\$ 2,026,719	\$ 49,273	\$ -	\$ 2,075,992

**NOTE 9 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its Statement of Net Position as of June 30, 2014 and 2013. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at June 30, 2014 and 2013 consist of the following:

	June-14	June-13
Accounts Payable Vendors	\$ 29,989	\$ 32,897
Accounts Payable - P.I.L.O.T.	24,756	25,768
Total Accounts Payable	\$ 54,745	\$ 58,665

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**

Notes to Financial Statements  
June 30, 2014

**NOTE 10 – 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 City of South Amboy. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended June 30, 2014 and 2013, PILOT expense of \$24,756 and \$25,768, respectively, was accrued. PILOT payable at June 30, 2014 and 2013 consist of the following years:

	<u>June-14</u>	<u>June-13</u>
PILOT Expense for June 30, 2012	-	22,137
PILOT Expense for June 30, 2013	25,768	25,768
PILOT Expense for June 30, 2014	24,756	-
Less Payments Made	(25,768)	(22,137)
Total P.I.L.O.T. Payable	<u>\$ 24,756</u>	<u>\$ 25,768</u>

**NOTE 11 – ACCRUED EXPENSES**

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before June 30, and are payable at some future date. Accrued liabilities at June 30, 2014 and 2013 consist of the following:

	<u>June-14</u>	<u>June-13</u>
Accrued Wages/Payroll Taxes	\$ 11,349	\$ 7,687
Compensated Absences - Current Portion	6,531	13,140
Accrued Liabilities - Management Fee	-	10,000
Accrued Liabilities - Utilities	33,402	29,922
Total Accrued Liabilities	<u>\$ 51,282</u>	<u>\$ 60,749</u>

**NOTE 12 – UNEARNED REVENUE**

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unearned revenue for June 30, 2014 and 2013 is \$46 and \$3,089, respectively, which represented prepaid rents for the month of July 2014 and July 2013.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **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.

Employees may only accumulate vacation leave with the approval of the Executive Director. Unused sick leave may be carried to future periods and used in the event of extended illness. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service based on the current provisions outlined in the union contract.

The Authority has determined that the potential liability for accumulated vacation and sick time at June 30, 2014 and 2013 as follows:

	<u>June-14</u>	<u>June-13</u>
Accumulated Sick Time	\$ 29,876	\$ 30,458
Accumulated Vacation Time	30,757	32,011
FICA Expense	4,640	4,779
Total	<u>65,273</u>	<u>67,248</u>
Compensated Absences - Current Portion	<u>(6,531)</u>	<u>(13,140)</u>
Total Compensated Absences - Noncurrent	<u>\$ 58,742</u>	<u>\$ 54,108</u>

### **NOTE 14 – LONG TERM DEBT**

At June 30, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off. Since HUD is paying the obligations directly, the outstanding Long Term Debt balance at June 30, 2014 and 2013 could not be readily determined.



**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**

Notes to Financial Statements

June 30, 2014

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Authority’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution of employer (“ARC”), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

The following table shows the components of the Authority’s annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority’s net OPEB obligation to the plan:

	<u>June-14</u>	<u>June-13</u>
Total Annual Required Contribution (ARC)	\$ 80,551	\$ 65,743
Adjustment to ARC	(23,098)	-
Annual OPEB cost (expense)	<u>57,453</u>	<u>65,743</u>
Contributions made	<u>(15,938)</u>	<u>(22,231)</u>
Increase in net OPEB obligation	41,515	43,512
Net OPEB Obligation – beginning of year	<u>182,522</u>	<u>139,010</u>
Net OPEB Obligation – end of year	<u><u>\$ 224,037</u></u>	<u><u>\$ 182,522</u></u>

The Authority’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2014 fiscal year and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June-12	\$ 66,817	35%	\$ 43,512
June-13	\$ 65,743	34%	\$ 43,512
June-14	\$ 57,453	28%	\$ 41,515

**FUNDED STATUS AND FUNDING PROGRESS**

As of July 1, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$718,296, and the actuarial value of assets was \$-0-, resulting in an unfunded accrued liability (UAL) of \$718,296.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### EFFECT OF CHANGE IN DISCOUNT RATE

For this evaluation the actuary used a discount rate of 5% percent, which is consistent with current market rates and the prior valuation report. Increasing the discount rate by 1% percent would lower the Unfunded Accrued Liability by approximately 15.1% percent. Conversely, lowering the discount rate by 1% percent would increase the UAL by approximately 19.2%.

#### EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event of that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$11,912,713 or by 19.6% and the corresponding Normal Cost would increase to \$239,923 or by 33.5%.

#### EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event of that healthcare trend rates were 1% percent higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$875,618 or by 21.9% percent and the corresponding Normal Cost would increase to \$58,295 or by 31.8 % percent.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**

Notes to Financial Statements  
June 30, 2014

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- Actuarial Cost Method Projected Unit Credit
- Discount Rate 5.00% per annum
- Healthcare Cost Inflation Assumptions:

	<u>Year</u>	<u>Pre-65</u>	<u>Post-65</u>
Year 1 Trend	January 1, 2015	9.0%	9.0%
Ultimate Trend	January 1, 2019 & Later	5.0%	5.0%
Grading Per Year		0.5%	0.5%

- Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
- Remaining Amortization Period: 26 years at July 1, 2013

Reconciliation of Plan Participants (As of July 1, 2013) Active and Retired Employees:

	<u>7/1/2013</u>
Number of Active Employees	7
Average Age - Actives	44.6
Average Years of Service - Actives	7.6
Actives Eeligible for Benefits	0
Average Age - Retirees (2)	71.5

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**

Notes to Financial Statements

June 30, 2014

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED**

**SUMMARY OF CHANGES TO UNFUNDED ACCRUED LIABILITY**

Below is a schedule the items that caused the increase in the UAL from the prior actuarial valuation of the unfunded accrued liability as of July 1, 2013:

Prior Valuation UAL	\$ 839,918
Increase in UAL since Valuation as of July 1, 2009	224,842
Impact due to implementation of the Chapter 78 contribution formula	(112,737)
Impact due to the incremental fees and costs of healthcare reform	66,069
Impact due to decreases in employee headcounts	(294,449)
Impact due to changes in demographics, health plan costs, other assumptions	(5,347)
Total UAL as of July 1, 2013	<u>\$ 718,296</u>

**NOTE 16 – RESTRICTED NET POSITION**

The Authority restricted net position account balance at June 30, 2014 is \$90,676. The balance pertains to the HAP reserve. The detail of the restricted reserve account balances is as follows:

	HCV
	<u>Reserve</u>
Balance June 31, 2012	\$ 9,764
Decrease During the Year	<u>(7,555)</u>
Balance June 31, 2013	2,209
Increase During the Year	<u>88,467</u>
Balance June 31, 2014	<u>\$ 90,676</u>

**Housing Choice Voucher Program - Reserves**

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net position.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **NOTE 17 – UNRESTRICTED NET POSITION**

The Authority's unrestricted net position account balance at June 30, 2014 is \$270,352. The detail of the account balance is as follows:

	Low Rent PH Reserve	HCV Reserve	Total
Balance June 31, 2012	\$ 386,049	\$ 193,392	\$ 579,441
Decrease During the Year	(239,871)	(27,472)	(267,343)
Balance June 31, 2013	146,178	165,920	312,098
Decrease During the Year	(22,216)	(19,530)	(41,746)
Balance June 31, 2014	\$ 123,962	\$ 146,390	\$ 270,352

The HCV Administrative Reserve fee is all Post-2003 in the amount of \$146,390.

### **NOTE 18 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended June 30, 2014, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its buildings for the purpose of determining potential liability issues.

The Authority participates in the New Jersey Public housing Authority Joint Insurance Fund (NJPHA –JIF), which was established in 1998 by several Housing Authority's as a means of reducing the cost of general liability insurance. The NJ-PHA JIF is a public entity risk pool currently operating as a common risk management and insurance program for the member Authority's. The main purpose of the Consortium is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit.

In 2000 NJPHA –JIF added statutory worker's compensation coverage. For the fiscal year ended June 30, 2014 and 2013 the Authority paid \$52,404 and \$55,886 respectively, to NJPHA –JIF for property, general liability, public employee bond, public officials bond, auto coverage, excess liability, commercial package, and worker's compensation protection. Since the Consortium requests initial payments to cover substantially any losses to be incurred for that policy year, the Authority anticipates no future liabilities for incurred losses.

## HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

### Notes to Financial Statements

June 30, 2014

#### **NOTE 19 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended June 30, 2014 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended June 30, 2014 and 2013 were \$399,336 and \$415,552, respectively.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for June 30, 2014 and 2013 were \$1,222,651 and \$1,183,017, respectively.

#### **NOTE 20 - 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.

Governmental Accounting Standards Boards Statements (GASBS) requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was \$1,824,350 to the Authority which represents approximately 59% percent of the Authority's total revenue for the fiscal year June 30, 2014 and \$1,731,645 which represents approximately 60% percent for 2013.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**

Notes to Financial Statements

June 30, 2014

**NOTE 21 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS - CONTINUED**

Total financial support by HUD for the year ending at June 30, 2014 and 2013, are as follows:

		June 30,	
	CFDA #'s	2014 Expenditures	2013 Expenditures
<u>PHA Owned Housing</u>			
Low Rent Public Housing	14.850	\$ 399,336	\$ 415,552
Public Housing Capital Fund Program	14.872	202,363	133,076
Subtotal		<u>601,699</u>	<u>548,628</u>
 <u>Rental Assistance Housing Programs</u>			
Housing Choice Vouchers	14.871	1,222,651	1,183,017
Subtotal		<u>1,222,651</u>	<u>1,183,017</u>
 Total Awards		<u>\$ 1,824,350</u>	<u>\$ 1,731,645</u>

**NOTE 22 - CONTINGENCIES**

Litigation – At June 30, 2014, the Authority was not involved in any threatening litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority’s management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

**NOTE 23 - PRIOR PERIOD ADJUSTMENT**

For year ending June 30, 2014

The Authority did not have any prior period adjustment for this period.

For year ending June 30, 2013

The Authority’s Public Housing Capital Fund Program experienced a write off in the amount \$35,968 from a HUD accounts receivable which the Authority deemed that the funds were not able to be advanced.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2014

### **NOTE 24 – SUBSEQUENT EVENTS**

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 that 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 January 15, 2015; 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 CITY OF SOUTH AMBOY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

Programs funded by the U.S. Department of Housing  
and Urban Development: Subject to Annual Contribution Contract

	CFDA#	Expenditures
<u>PHA Owned Housing</u>		
Low Rent Public Housing	14.850	\$ 399,336
Public Housing Capital Fund Program	14.872	202,363
Subtotal		601,699
 <u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	1,222,651
Subtotal		1,222,651
Total Awards		\$ 1,824,350

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Housing Authority of the City of South Amboy. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Housing Authority of the City of South Amboy, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the City of South Amboy.

**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 OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or limited as to reimbursement.

**Note 3. Loans Outstanding:**

The Housing Authority of the City of South Amboy has no outstanding loans as of June 30, 2014.

**Note 4. Sub recipients:**

Of the federal expenditures presented in the schedule above, the Housing Authority of the City of South Amboy did not provide federal awards to any sub recipients.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**  
**BUDGETARY COMPARISON SCHEDULE**  
**LOW INCOME HOUSING PROGRAM**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 696,958	\$ 668,670	\$ 28,288
HUD PHA Operating Grants	454,505	430,129	24,376
Fraud Recovery	13,379	-	13,379
Other Revenue	170,167	117,000	53,167
Total Revenue	<u>1,335,009</u>	<u>1,215,799</u>	<u>119,210</u>
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	106,425	103,040	(3,385)
Audit Fee's	5,200	6,000	800
Employee Benefit Contributions	126,611	57,926	(68,685)
Other Operating Administrative Expenses	67,921	67,220	(701)
Total Administrative Expenses	<u>306,157</u>	<u>234,186</u>	<u>(71,971)</u>
Tenant Services:			
Tenant Services - Other	5,265	3,800	(1,465)
Total Tenant Services	<u>5,265</u>	<u>3,800</u>	<u>(1,465)</u>
Utilities:			
Water	60,493	45,960	(14,533)
Electricity	110,339	128,680	18,341
Gas	108,092	100,030	(8,062)
Sewer	61,256	64,210	2,954
Labor	71,500	71,500	-
Employee Benefit Contributions	37,715	22,376	(15,339)
Total Utilities	<u>449,395</u>	<u>432,756</u>	<u>(16,639)</u>
Maintenance:			
Maintenance Labor	265,597	241,999	(23,598)
Materials	42,654	85,000	42,346
Maintenance Contract Cost	33,767	100,000	66,233
Employee Benefit Contributions	137,549	67,718	(69,831)
Total Maintenance	<u>479,567</u>	<u>494,717</u>	<u>15,150</u>
Other Operating Expenses:			
Insurance	47,477	56,250	8,773
Compensated Absences	(1,489)	-	1,489
Severance Expense	37,407	40,001	2,594
Payment in Lieu of Taxes	24,756	25,820	1,064
Bad Debt - Tenant Rents	-	5,000	5,000
Total Other Operating Expenses	<u>108,151</u>	<u>127,071</u>	<u>18,920</u>
Total Operating Expenses	<u>1,348,535</u>	<u>1,292,530</u>	<u>(56,005)</u>
Excess Revenue Over Expenses From Operations	<u>(13,526)</u>	<u>(76,731)</u>	<u>63,205</u>
Other Income and (Expenses):			
Investment Income	682	4,740	(4,058)
Fixed Asset Purchases	(9,372)	(10,000)	628
Total Other Income and (Expenses)	<u>(8,690)</u>	<u>(5,260)</u>	<u>(3,430)</u>
Excess Revenue over Expenses (Loss)	<u>\$ (22,216)</u>	<u>\$ (81,991)</u>	<u>\$ 59,775</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
BUDGETARY COMPARISON SCHEDULE  
HOUSING CHOICE VOUCHER PROGRAM  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue - Annual Contribution Required</b>			
Housing Assistance Payments	\$ 1,130,719	\$ 1,068,780	\$ 61,939
Administrative Fee Earned	91,932	90,000	1,932
Fraud Recovery	3,405	-	3,405
Other Income	370,407	10,000	360,407
Total Revenue	<u>1,596,463</u>	<u>1,168,780</u>	<u>427,683</u>
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	48,701	40,760	(7,941)
Audit Fee's	2,745	4,800	2,055
Employee Benefit Contributions	27,126	30,200	3,074
Other Operating Administrative Expenses	44,630	43,480	(1,150)
Total Administrative Expenses	<u>123,202</u>	<u>119,240</u>	<u>(3,962)</u>
Other Operating Expenses:			
Insurance	1,367	1,500	133
Other General Expense	2,065	-	(2,065)
Severance Expense	4,108	-	(4,108)
Housing Assistance Payments	1,397,367	1,068,780	(328,587)
Total Other Operating Expenses	<u>1,404,907</u>	<u>1,070,280</u>	<u>(334,627)</u>
Total Operating Expenses	<u>1,528,109</u>	<u>1,189,520</u>	<u>(338,589)</u>
Excess Revenue Over Expenses From Operations	<u>68,354</u>	<u>(20,740)</u>	<u>89,094</u>
Other Income and (Expenses):			
Investment Income	583	-	583
Transfer to Restricted Reserves	(88,467)	-	(88,467)
Total Other Income and (Expenses)	<u>(87,884)</u>	<u>-</u>	<u>(87,884)</u>
Excess Revenue over Expenses (Loss)	<u>\$ (19,530)</u>	<u>\$ (20,740)</u>	<u>\$ 1,210</u>

See accompanying notes to the financial statements.

## South Amboy Housing Authority (NJ035)

SOUTH AMBOY, NJ

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$421,325	\$160,115	\$581,440	\$581,440
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$90,676	\$90,676	\$90,676
114 Cash - Tenant Security Deposits	\$43,532		\$43,532	\$43,532
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$464,857	\$250,791	\$715,648	\$715,648
121 Accounts Receivable - PHA Projects		\$14,146	\$14,146	\$14,146
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous	\$2,647		\$2,647	\$2,647
126 Accounts Receivable - Tenants	\$7,839		\$7,839	\$7,839
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable	\$26		\$26	\$26
120 Total Receivables, Net of Allowances for Doubtful	\$10,512	\$14,146	\$24,658	\$24,658
131 Investments - Unrestricted	\$26,904		\$26,904	\$26,904
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$26,202		\$26,202	\$26,202
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$528,475	\$264,937	\$793,412	\$793,412
161 Land	\$137,125		\$137,125	\$137,125
162 Buildings	\$8,270,944		\$8,270,944	\$8,270,944
163 Furniture, Equipment & Machinery - Dwellings	\$425,477		\$425,477	\$425,477
164 Furniture, Equipment & Machinery - Administration	\$246,514		\$246,514	\$246,514
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$7,432,827		-\$7,432,827	-\$7,432,827
167 Construction in Progress	\$519,383		\$519,383	\$519,383
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,166,616	\$0	\$2,166,616	\$2,166,616
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current -				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$2,166,616	\$0	\$2,166,616	\$2,166,616
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$2,695,091	\$264,937	\$2,960,028	\$2,960,028
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$29,989		\$29,989	\$29,989
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$10,219	\$1,130	\$11,349	\$11,349

See accompanying notes to the financial statements

South Amboy Housing Authority (NJ035)

SOUTH AMBOY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14 871 Housing Choice Vouchers	Subtotal	Total
322 Accrued Compensated Absences - Current Portion	\$5,684	\$847	\$6,531	\$6,531
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$24,756		\$24,756	\$24,756
341 Tenant Security Deposits	\$43,532		\$43,532	\$43,532
342 Unearned Revenue	\$46		\$46	\$46
343 Current Portion of Long-term Debt - Capital				
344 Current Portion of Long-term Debt - Operating				
345 Other Current Liabilities				
346 Accrued Liabilities - Other	\$33,402		\$33,402	\$33,402
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$147,628	\$1,977	\$149,605	\$149,605
351 Long-term Debt, Net of Current - Capital				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current	\$51,157	\$7,585	\$58,742	\$58,742
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$205,728	\$18,309	\$224,037	\$224,037
350 Total Non-Current Liabilities	\$256,885	\$25,894	\$282,779	\$282,779
300 Total Liabilities	\$404,513	\$27,871	\$432,384	\$432,384
400 Deferred Inflow of Resources				
508.4 Net Investment in Capital Assets	\$2,166,616		\$2,166,616	\$2,166,616
511.4 Restricted Net Position	\$0	\$90,676	\$90,676	\$90,676
512.4 Unrestricted Net Position	\$123,962	\$146,390	\$270,352	\$270,352
513 Total Equity - Net Assets / Position	\$2,290,578	\$237,066	\$2,527,644	\$2,527,644
600 Total Liabilities, Deferred Inflows of Resources and	\$2,695,091	\$264,937	\$2,960,028	\$2,960,028

South Amboy Housing Authority (NJ035)  
SOUTH AMBOY, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$660,513		\$660,513	\$660,513
70400 Tenant Revenue - Other	\$36,445		\$36,445	\$36,445
70500 Total Tenant Revenue	\$696,958	\$0	\$696,958	\$696,958
70600 HUD PHA Operating Grants	\$454,505	\$1,222,651	\$1,677,156	\$1,677,156
70610 Capital Grants	\$147,194		\$147,194	\$147,194
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	\$682	\$583	\$1,265	\$1,265
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery	\$13,379	\$3,405	\$16,784	\$16,784
71500 Other Revenue	\$170,167	\$370,407	\$540,574	\$540,574
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$1,482,885	\$1,597,046	\$3,079,931	\$3,079,931
91100 Administrative Salaries	\$106,425	\$48,701	\$155,126	\$155,126
91200 Auditing Fees	\$5,200	\$2,745	\$7,945	\$7,945
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$46,589	\$27,126	\$73,715	\$73,715
91600 Office Expenses	\$126,611	\$34,161	\$160,772	\$160,772
91700 Legal Expense	\$15,903	\$6,850	\$22,753	\$22,753
91800 Travel	\$5,429	\$3,619	\$9,048	\$9,048
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$306,157	\$123,202	\$429,359	\$429,359
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$5,265		\$5,265	\$5,265
92500 Total Tenant Services	\$5,265	\$0	\$5,265	\$5,265
93100 Water	\$60,493		\$60,493	\$60,493
93200 Electricity	\$110,339		\$110,339	\$110,339
93300 Gas	\$108,092		\$108,092	\$108,092
93400 Fuel				
93500 Labor	\$71,500		\$71,500	\$71,500
93600 Sewer	\$61,256		\$61,256	\$61,256
93700 Employee Benefit Contributions - Utilities	\$37,715		\$37,715	\$37,715
93800 Other Utilities Expense				
93000 Total Utilities	\$449,395	\$0	\$449,395	\$449,395
94100 Ordinary Maintenance and Operations - Labor	\$265,597		\$265,597	\$265,597

See accompanying notes to the financial statements



## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
94200 Ordinary Maintenance and Operations - Materials and	\$42,654		\$42,654	\$42,654
94300 Ordinary Maintenance and Operations Contracts	\$33,767		\$33,767	\$33,767
94500 Employee Benefit Contributions - Ordinary	\$137,549		\$137,549	\$137,549
94000 Total Maintenance	\$479,567	\$0	\$479,567	\$479,567
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$23,739		\$23,739	\$23,739
96120 Liability Insurance	\$11,869		\$11,869	\$11,869
96130 Workmen's Compensation	\$11,869	\$1,367	\$13,236	\$13,236
96140 All Other Insurance				
96100 Total insurance Premiums	\$47,477	\$1,367	\$48,844	\$48,844
96200 Other General Expenses		\$2,554	\$2,554	\$2,554
96210 Compensated Absences	-\$1,489	-\$489	-\$1,978	-\$1,978
96300 Payments in Lieu of Taxes	\$24,756		\$24,756	\$24,756
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense	\$37,407	\$4,108	\$41,515	\$41,515
96000 Total Other General Expenses	\$60,674	\$6,173	\$66,847	\$66,847
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	\$0
96900 Total Operating Expenses	\$1,348,535	\$130,742	\$1,479,277	\$1,479,277
97000 Excess of Operating Revenue over Operating	\$134,350	\$1,466,304	\$1,600,654	\$1,600,654
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$1,043,954	\$1,043,954	\$1,043,954
97350 HAP Portability-In		\$353,413	\$353,413	\$353,413
97400 Depreciation Expense	\$65,942		\$65,942	\$65,942
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,414,477	\$1,528,109	\$2,942,586	\$2,942,586
10010 Operating Transfer In	\$29,739		\$29,739	\$29,739
10020 Operating transfer Out	-\$29,739		-\$29,739	-\$29,739
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				

See accompanying notes to the financial statements

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$68,408	\$68,937	\$137,345	\$137,345
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,222,170	\$168,129	\$2,390,299	\$2,390,299
11040 Prior Period Adjustments, Equity Transfers and	\$0		\$0	\$0
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts -				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$146,390	\$146,390	\$146,390
11180 Housing Assistance Payments Equity		\$90,676	\$90,676	\$90,676
11190 Unit Months Available	1824	1332	3156	3156
11210 Number of Unit Months Leased	1799	1220	3019	3019
11270 Excess Cash	\$247,504		\$247,504	\$247,504
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$147,194		\$147,194	\$147,194
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





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

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of South Amboy  
250 South Broadway  
South Amboy, New Jersey 08879

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of South Amboy (hereafter referred to as the Authority), which comprise the statement of net position as of June 30, 2014 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority of the City of South Amboy's internal control over financial reporting as a basis for designing our auditing 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of South Amboy'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 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 Housing Authority of the City of South Amboy'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 Housing Authority of the City of South Amboy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: January 15, 2015



*Hymanson, Parnes & Giampaolo*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**(Unmodified Opinion on Compliance for Each Major Program:  
No Material Weakness or Significant Deficiencies  
in Internal Control Over Compliance Identified)**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of South Amboy  
250 South Broadway  
South Amboy, New Jersey 08879

**Report on Compliance**

We have audited the Housing Authority of the City of South Amboy's (hereafter referred to as the Authority), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* applicable to Authority's major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility for Compliance**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Housing Authority of the City of South Amboy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of South Amboy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of South Amboy's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Housing Authority of the City of South Amboy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the Housing Authority of the City of South Amboy is responsible for establishing and maintaining effective internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: January 15, 2015

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**

Schedule of Findings and Questioned Cost

Year Ended June 30, 2014

**Prior Audit Findings**

None reported

**Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? \_\_\_\_\_ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? \_\_\_\_\_ yes X none reported

Noncompliance Material to Financial Statements Noted? \_\_\_\_\_ yes X no

**Federal Awards**

Internal Control over Major Programs:

Material Weakness (es) Identified? \_\_\_\_\_ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? \_\_\_\_\_ yes X none reported

Type of audit report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 \_\_\_\_\_ yes X no

**Identification of Major Programs**

CFDA#	Name of Federal Program	Amount
14.871	Housing Choice Voucher Program	\$ 1,222,651

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as a low-risk auditee X yes \_\_\_\_\_ no

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported

**FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT**

None reported



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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

Board of Commissioners  
Housing Authority of the City of South Amboy  
PO Box 817  
South Amboy, NJ 08879

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the City of South Amboy 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 Circular A-133 reporting package. Housing Authority of the City of South Amboy is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure 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 *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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, by Housing Authority of the City of South Amboy as of and for the year ended June 30, 2014, and have issued our reports thereon dated January 15, 2015. 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 June 30, 2014, was expressed in relation to the basic financial statements of Housing Authority of the City of South Amboy taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from Housing Authority of the City of South Amboy. We have not performed any additional auditing 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 Housing Authority of the City of South Amboy 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.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey  
January 15, 2015

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON  
PROCEDURE

<b>UFRS Rule Information</b>	<b>Hard Copy Document(s)</b>	<b>Findings</b>
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplementary Information with Financial Statement Data	Agrees
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Notes to the audited Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500, and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Supplemental Data (account S3400-100)	Auditor's Report on Supplementary Information	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700, and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees