

**Report On Audit**

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

**For the Year Ended  
June 30, 2011**

**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

We have audited the Statement of Net Assets of Housing Authority of the City of South Amboy, hereafter referred to as the Authority, for the year ended June 30, 2011 and 2010, and the related statement of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statement of Housing Authority of the City of South Amboy, as of June 30, 2010, was audited by other auditors whose report dated March 31, 2011 expressed an unqualified opinion on those statements.

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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes the examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the Housing Authority of the City of South Amboy, as of June 30, 2011, and 2010 and the changes in financial position and, cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011, on our consideration of the Housing Authority of the City of South Amboy internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 13 and page 41 and 42 be presented to supplement the 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 financial statements, and other knowledge we obtained during our audit of the 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.

The accompanying Schedule of Federal Awards is presented for the purpose of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also 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 were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hymanson, Parnes & Giampaolo*

Date: October 25, 2011

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AT JUNE 30, 2011**

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 14 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**

Assets of the Authority's enterprise fund were \$2,943,407 greater than the liabilities, a decrease in the financial position of \$23,086 or 1% percent.

As noted above, the assets of the Authority exceeded its liabilities by \$2,943,407 as of June 30, 2011. Of this amount, the unrestricted net asset portion is \$731,872 representing an increase of \$84,931 or 13% percent from the previous year. The investment in fixed assets decreased \$127,220 or 6% percent for an ending balance of \$2,111,500. The restricted net assets increased \$19,203 or 24% percent from the previous year. Additional information regarding the Authority's restricted and unrestricted net assets can be found in Note 16 and Note 17 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at June 30, 2011 is \$820,031 representing a decrease of \$3,594 or less than 1% percent from the prior fiscal year. The full detail of this amount can be found in the Statement of Cash Flow on page 16 of this report.

The Authority's total assets are \$3,217,333 of which capital assets net book value is \$2,111,500, leaving total current assets at \$1,105,833. Total current assets increased from the previous year by \$116,125 or 12% percent. Cash and cash equivalents decreased by \$3,597, investments increased by \$424, accounts receivables increased by \$122,608, and prepaid expenses decreased \$3,310.

The Authority's total liabilities are reported at \$273,926, of which noncurrent liabilities are stated at \$154,957. Total liabilities increased during the year as compared to the prior year in the amount of \$11,991 or 5% percent. Total current liabilities decreased during the year by \$24,482, leaving noncurrent liabilities for an increase of \$36,473 as compared to the previous year.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2011**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current liabilities decreased from the previous year by \$24,482 or 17% percent. Accounts payables decreased by \$26,386, accrued liabilities increased by \$5,839, tenant security deposit payable decreased by \$1,137, and deferred revenue decreased by \$2,798.

Total non current liabilities increased by \$36,473 or 31% percent. The increase was made up of two accounts, long-term obligations such as compensated absences of \$59,459, with no offsetting assets, decreased \$7,039 or 11% percent from the prior year, and accrued pension and OPEB liabilities increased \$43,512 or 84% percent. Additional information on the Authority's accrued pension (OPEB) liability at June 30, 2011 can be found in Note 15 to the financial statements, which is included in this report

The Authority had total operating revenue of \$2,752,490 as compared to \$2,728,783 from the prior year for an increase of \$23,707 or 1% percent. Total operating expenses of \$2,938,312 as compared to \$2,723,758 from the previous year for an increase of \$214,554 or 8% percent, resulting in excess expenses from operations in the amount of \$185,822 for the current year as compared to excess revenues of \$5,025 from the previous year for an increase in expenses of \$190,847 or 3,798% percent.

Total capital improvements contributions from HUD were in the amount of \$152,715 as compared to \$321,002 from the previous year for a decrease of \$168,287 or 52% percent.

The Authority's had capital outlays in the amount of \$155,580 for the fiscal year. These expenditures were funded by grants received from the U.S. Department of Housing and Urban Development in the amount of \$152,715 and from operating 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 \$1,935,046 for the fiscal year 2011 as compared to \$2,151,420 for the previous fiscal year 2010 for a decrease of \$216,374 or 10% percent.

**USING THIS ANNUAL REPORT**

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

1. Low Rent Public Housing
2. Housing Choice Vouchers
3. Public Housing Capital Fund Program

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2011**

**USING THIS ANNUAL REPORT - CONTINUED**

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**

There are two major parts to the financial statements:

- 1) Enterprise fund financial statements and
- 2) The notes to the financial statements.

This report also contains other supplementary information in addition 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 Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets are two financial statements that report information about the Authority and its activities. The Statement of Cash Flow help to demonstrate how the Authority's cash position changed due to the current year's operating activities. These financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenue, Expenses and Changes in Net Assets present information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets 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 flows in future fiscal periods (e.g.; depreciation and earned but unused vacation leave).

The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements and are an integral part of the statements. The Notes to Financial Statements can be found in this Report beginning on page 17 through 39.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2011**

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

The Authority 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 14 through 16.

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 40 of this report.

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 41 the Section Eight Housing Choice Voucher Program on page 42.

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

The following summarizes the computation of Net Assets between June 30, 2011 and June 30, 2010.

	<u>Year Ended</u>		Increase
	June-11	June-10	(Decrease)
Cash	\$ 820,031	\$ 823,628	\$ (3,597)
Other Current Assets	285,802	166,080	119,722
Capital Assets - Net	2,111,500	2,238,720	(127,220)
Total Assets	3,217,333	3,228,428	(11,095)
Less: Current Liabilities	(118,969)	(143,451)	24,482
Less: Non Current Liabilities	(154,957)	(118,484)	(36,473)
Net Assets	<u>\$ 2,943,407</u>	<u>\$ 2,966,493</u>	<u>\$ (23,086)</u>
Invested in Capital Assets	\$ 2,111,500	\$ 2,238,720	\$ (127,220)
Restricted Net Assets	100,035	80,832	19,203
Unrestricted Net Assets	731,872	646,941	84,931
	<u>\$ 2,943,407</u>	<u>\$ 2,966,493</u>	<u>\$ (23,086)</u>



**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2011**

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

Cash decreased by \$3,597 or less than 1% percent. Net cash used by operating activities was \$45,665, net cash provided by capital and related financing activities was \$33,608, and net cash provided by investing activities was \$8,460. The full detail of this amount can be found in the Statement of Cash Flow on page 16 of this audit report.

Account receivable increased \$122,608 which was supported mainly by an increase in HUD receivables in the amount of \$116,536.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$127,220 or 6% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$155,580, less the recording of depreciation expense in the amount of \$282,800. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

Total current liabilities decreased by \$24,482 or 17% percent. Accounts payables decreased by \$26,386, accrued liabilities increased by \$5,839, tenant security deposit payable decreased by \$1,137, and deferred revenue decreased by \$2,798.

Total noncurrent liabilities increased by \$36,473 or 31% percent. The increase was made up of accrued pension and OPEB liabilities increased which increased \$43,512, and was offset by long-term obligations such as compensated absences of \$59,459, with no offsetting assets, which decreased \$7,039 from the prior year.

The Authority's reported net assets of \$2,943,407 which is made up of three categories. The investment in capital assets in the amount of \$2,111,500 represents 72% percent of the total account balance. The 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 second largest portion of the Authority's net assets (25% percent) reflects its Unrestricted Net Assets in the amount of \$731,872 and Restricted Net Assets (3% percent) in the amount of \$100,035. The Housing Authority of the City of South Amboy operating results for June 30, 2011 reported an increase in Unrestricted Net Assets of \$84,931 or 13% percent for an ending balance of \$731,872.

The Authority reported restricted net assets in the amount of \$100,035, for an increase of \$19,203 from the prior year. A full detail of these accounts can be found in the Notes to the Financial Statements section Note– 16 and 17. At the end of the current year, the Authority is able to report positive balances in the three categories of net assets. 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, 2011**

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

The following summarizes the changes in Net Assets between June 30, 2011 and June 30, 2010.

	<u>Year Ended</u>		Increase
	June-11	June-10	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 644,752	\$ 676,218	\$ (31,466)
HUD Subsidies	1,782,331	1,830,418	(48,087)
Other Revenues	325,407	222,147	103,260
Total Operating Income	<u>2,752,490</u>	<u>2,728,783</u>	<u>23,707</u>
<u>Expenses</u>			
Operating Expenses	2,655,512	2,450,252	205,260
Depreciation Expense	282,800	273,506	9,294
Total Operating Expenses	<u>2,938,312</u>	<u>2,723,758</u>	<u>214,554</u>
Operating Income before Non Operating Income	(185,822)	5,025	(190,847)
Interest Income	10,021	9,245	776
HUD Capital Grants	152,715	321,002	(168,287)
Change in Net Assets	(23,086)	335,272	(358,358)
Net Assets Prior Year	2,966,493	2,631,221	335,272
Total Net Assets	<u>\$ 2,943,407</u>	<u>\$ 2,966,493</u>	<u>\$ (23,086)</u>

Approximately 65% percent of the Authority's total revenue was provided by HUD operating subsidy, while 23% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 12% percent of the total income. The Housing Authority of the City of South Amboy received capital fund improvement grant money during the year in the amount of \$152,715 as compared to \$321,002 for the previous year.

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 45% percent of total operating expenses. Administrative expenses accounted for 13% percent, utilities expense accounted for 15% percent, maintenance expense accounted for 13%, and other operating expenses and depreciation accounted for the remaining 14% of the total operating expenses.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2011**

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

The Authority operating revenue did not exceed its operating expenses resulting in excess expenses in the amount of \$185,822 from operations as compared to excess revenue from operations of \$5,025 for the previous year for an increase in expenses of \$190,847 or 3,798% percent. The key element for the increase compared to the prior year is:

- The Authority experienced a decrease in HUD PHA operating grants in the amount of \$48,087, as well as a decrease in tenant rental revenue in the amount of \$31,466.
- The Authority also experience an increase in Housing Assistance Payments in the amount of \$234,419
- The Authority offset this by decreasing administrative expenses by \$45,403.

Total net cash used by operating activities during the year was \$45,665. A full detail of this amount can be found on the Statement of Cash Flow on page 16 of this report.

**BUDGETARY HIGHLIGHTS**

For the year ended June 30, 2011, 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 41 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 42 of this report.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2011**

The following are financial highlights of significant items for a two year period of time ending on June 30, 2011.

	June-11	June-10
<b>Significant Income</b>		
Total Tenant Revenue	\$ 644,752	\$ 676,218
HUD Operating Grants	1,782,331	1,830,418
HUD Capital Grants	152,715	321,002
Investment Income	10,021	9,245
Other Income	325,407	222,147
<b>Total</b>	<b>\$ 2,915,226</b>	<b>\$ 3,059,030</b>
 <b>Payroll Expense</b>		
Administrative Salaries	\$ 173,053	\$ 181,220
Utilities Labor	78,071	79,044
Maintenance Labor	207,622	203,971
Employee Benefits Expense	176,594	221,013
<b>Total Payroll Expense</b>	<b>\$ 635,340</b>	<b>\$ 685,248</b>
 <b>Other Significant Expenses</b>		
Other Administrative Expenses	\$ 139,315	\$ 156,940
Utilities Expense	323,410	325,398
Maintenance Supplies	59,154	38,795
Maintenance Contract Cost	50,878	52,135
Insurance Premiums	50,884	58,998
OPEB Expense	43,512	51,986
Housing Assistance Payments	1,321,336	1,086,917
<b>Total</b>	<b>\$ 1,988,489</b>	<b>\$ 1,771,169</b>
 <b>Total Operating Expenses</b>	 <b>\$ 2,938,312</b>	 <b>\$ 2,723,758</b>
 <b>Total of Federal Awards</b>	 <b>\$ 1,935,046</b>	 <b>\$ 2,151,420</b>

**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 operating revenues were sufficient to cover all operating expenses. The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2011**

**THE AUTHORITY AS A WHOLE - CONTINUED**

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

**THE HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY'S 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.

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 lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

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 and homes to keep them clean, safe and in good condition.

**NEW INITIATIVES**

The current administration of the Authority is determined to improve the financial results of the Authority's operations. Additionally, it is the Authority's goal to provide better communication with the community, commissioners, and tenants. Also, it is important to preserve the Authority assets by enhanced procurement activities and performing major capital projects where needed.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2011**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's investment in capital assets as of June 30, 2011 was \$2,111,500 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets, net of related debt for the current calendar year was \$127,220 or 6%. Major capital expenditures of \$155,580 were made during the year offset by the recording of depreciation expense in the amount of \$282,800. Major capital assets events during the calendar year included the following:

- Heating Systems Upgrades
- Domestic Hot Water Upgrades
- Storm Door Replacement
- Maintenance Equipment Truck
- Rehabilitating Vacant Units

	June-11	June-10	Increase (Decrease)
Land	\$ 137,125	\$ 137,125	\$ -
Building	7,830,196	7,703,221	126,975
Furniture, Equipment - Dwelling	277,176	253,409	23,767
Furniture, Equipment - Administration	180,142	180,142	-
Construction in Process	674,017	669,179	4,838
Total Fixed Assets	\$ 9,098,656	\$ 8,943,076	\$ 155,580
Accumulated Depreciation	(6,987,156)	(6,704,356)	(282,800)
Net Book Value	\$ 2,111,500	\$ 2,238,720	\$ (127,220)

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2011**

**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 2011 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, 2012.

- 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 war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- HUD's forthcoming project based budgeting, accounting, and reporting requirements.
- Inflationary pressure on utility rates, supplies and other cost.
- The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

**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. Larry Stratton, Acting Executive Director, Housing Authority of the City of South Amboy, 250 South Broadway, South Amboy, N.J. 08879, or call (732) 721-1831.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2011 AND 2010**

	JUNE 30,	
	2011	2010
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 820,031	\$ 823,628
Investments	26,485	26,061
Accounts Receivables, Net of Allowances	234,456	111,848
Prepaid Expenses	24,861	28,171
Total Current Assets	1,105,833	989,708
<b>Noncurrent Assets</b>		
Capital Assets		
Land	137,125	137,125
Building	7,830,196	7,703,221
Furniture, Equipment - Dwelling	277,176	253,409
Furniture, Equipment - Administration	180,142	180,142
Construction in Process	674,017	669,179
Total Capital Assets	9,098,656	8,943,076
Less: Accumulated Depreciation	(6,987,156)	(6,704,356)
Net Book Value	2,111,500	2,238,720
Total Assets	\$ 3,217,333	\$ 3,228,428
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 63,330	\$ 89,716
Accrued Liabilities	18,623	12,784
Tenant Security Deposit Payable	36,942	38,079
Deferred Revenue	74	2,872
Total Current Liabilities	118,969	143,451
<b>Noncurrent Liabilities</b>		
Accrued Compensated Absences - Long-Term	59,459	66,498
Accrued Pension and OPEB Liabilities	95,498	51,986
Total Noncurrent Liabilities	154,957	118,484
Total Liabilities	273,926	261,935
<b>Net Assets:</b>		
Investment in Capital Assets, Net of Related Debt	2,111,500	2,238,720
Restricted Net Assets	100,035	80,832
Unrestricted Net Assets	731,872	646,941
Total Net Assets	2,943,407	2,966,493
Total of Liabilities and Net Assets	\$ 3,217,333	\$ 3,228,428

See accompanying notes to the financial statements.



**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2011 AND 2010**

	JUNE 30,	
	2011	2010
<b>Revenue:</b>		
Tenant Rental Revenue	\$ 644,752	\$ 676,218
HUD PHA Operating Grants	1,782,331	1,830,418
Fraud Recovery	17,953	5,553
Other Revenue	307,454	216,594
Total Revenue	2,752,490	2,728,783
<b>Operating Expenses:</b>		
Administrative Expense	380,940	426,343
Tenant Services	-	360
Utilities Expense	430,899	437,553
Maintenance Expense	396,618	394,620
Other Operating Expenses	125,719	104,459
Housing Assistance Payments	1,321,336	1,086,917
Depreciations Expense	282,800	273,506
Total Operating Expenses	2,938,312	2,723,758
Excess Expenses Over Revenue From Operations	(185,822)	5,025
<b>Non Operating Income and (Expenses):</b>		
Investment Income	10,021	9,245
Total Non Operating Income and (Expenses)	10,021	9,245
Capital Grants	152,715	321,002
<b>Change in Net Assets</b>	(23,086)	335,272
Beginning Net Assets	2,966,493	2,631,221
Ending Net Assets	\$ 2,943,407	\$ 2,966,493

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, 2011 AND 2010**

	JUNE 30,	
	2011	2010
<b>Cash Flow From Operating Activities</b>		
Receipts from Tenants	\$ 642,173	\$ 682,655
Receipts from Federal Grants	1,665,795	1,921,362
Receipts from Misc. Sources	325,407	222,147
Payments to Vendors and Suppliers	(398,594)	(321,633)
Payments for Housing Assistance Payments	(1,321,336)	(1,086,917)
Payments to Employees	(458,746)	(464,235)
Payment of Employee Benefits	(176,954)	(221,013)
Payments for Utilities	(323,410)	(325,398)
Net Cash (Used) Provided by Operating Activities	(45,665)	406,968
<b>Cash Flow From Capital and Related Financing Activities</b>		
Receipts from Capital Grants	152,715	321,002
Acquisitions and Construction of Capital Assets	(155,580)	(328,995)
Increase (Payment) in Accrued Compensated Absences	(7,039)	16,259
Accrued Pension and OPEB	43,512	51,986
Net Cash Provided by and Related Financing Activities	33,608	60,252
<b>Cash Flow From Investing Activities</b>		
(Payment) in Tenant Security Deposit	(1,137)	(1,947)
Interest Income	10,021	9,245
Purchase of Investments	(424)	(875)
Net Cash Provided by Investing Activities	8,460	6,423
Net (Decrease) Increase in Cash and Cash Equivalents	(3,597)	473,643
<b>Beginning Cash</b>	823,628	349,985
<b>Ending Cash</b>	\$ 820,031	\$ 823,628
<b>Reconciliation of Operating Income to Net Cash</b>		
Provided by Operating Activities		
Excess of Revenue Over Expenses	\$ (185,822)	\$ 5,025
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	282,800	273,506
(Increase) Decrease in:		
Accounts Receivables	(122,608)	105,423
Prepaid Expenses	3,310	4,115
Increase (Decrease) in:		
Accounts Payable	(26,386)	14,709
Accrued Liabilities	5,839	1,807
Tenant Security Deposit Payable	-	-
Deferred Revenue	(2,798)	2,383
Other Current Liabilities	-	-
Net Cash (Used) Provided by Operating Activities	\$ (45,665)	\$ 406,968

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

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

**1. Organization** - The Authority is a non-profit 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: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the 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.

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, 2011

### **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. 45 of the Government Accounting Standards Board (“GASB 45”) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension* was issued in June 2004. This Statement requires the Authority to account for its “other postemployment benefits” (OPEB) in essentially the same way as it accounts for pension benefits. OPEB include medical, prescription drug, dental, vision, life insurance and disability benefits provided to retirees and certain terminated employees.

This Statement will improve the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service.

#### **A. 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. Non-operating revenue and expenses consist of

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

### **2. A – Basis of Accounting - Continued**

those revenues and expenses that are related to financing and investing activities and result from non exchange transactions or ancillary activities. 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 of the Authority is entitled to receive advances as expenditures are incurred.

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.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

### **2. A – Basis of Accounting - Continued**

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.

### **2. B. Report Presentation -**

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" and Statement No.38 "Certain Financial Statement Note Disclosures" 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. 34 requires the classification of net assets into three components, Investment in Capital Assets, Net of Related Debt Restricted Net Assets, and Unrestricted Net Assets.

#### Net Assets Invested in Capital Assets Net of Related Debt.

The net assets 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 Assets.

The net assets less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed, or when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

### **2. B. Report Presentation - Continued**

#### Unrestricted Net Assets.

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

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

The Enterprise Fund is used for activities which are financed and operated in a manner similar to a private business enterprise where the intent is that the costs (expenses, including depreciation) of providing goods or services to its clients on a continuing basis be financed or recovered primarily through user charges or operating subsidies.

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

#### **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 calendar year.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements June 30, 2011

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

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 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 assets are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net assets will be used.



# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

### **C. Budgetary and Policy Control -**

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

Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

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 41 the Section Eight Housing Choice Voucher Program on page 42.

**3. 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	NJ035	152
Capital Fund	14.872	NJ035	
<u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ035	111

**4. 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.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

- 5. Grants** - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.
- 6. 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 calendar matters.

### **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.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements June 30, 2011

### **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.

#### 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 5% 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 2011 and 2010 amounted to \$36,703 and \$28,994.

#### Post Employment Retirement Benefits

The Authority also provides post employment health care benefits and life insurance to all eligible retirees. Eligibility requires that employees be 55 years or older with at least 25 years of service.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

### **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.

#### Collateral for Deposits

The New Jersey Government Code requires New Jersey banks and savings and loan associations to be covered by the Governmental Unit Deposit Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. The market value of the pledged securities must equal at least 110% of the Authority's deposits.

Cash and cash equivalents at June 30, 2011 and 2010 of \$820,031 and \$823,628 and investments of \$26,485 and \$26,061, respectively, at June 30, 2011 and 2010 consist of the following financial institutions:

	<u>June-11</u>	<u>June-10</u>
Amboy National Bank	\$ 806,007	\$ 811,610
Provident Bank	36,942	38,079
Wells Fargo	3,567	-
Total	<u>\$ 846,516</u>	<u>\$ 849,689</u>

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

Notes to Financial Statements  
June 30, 2011

**NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED**

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 Authority does have a deposit policy for custodial credit risk. The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>Bank Balances</u>	
	<u>June-11</u>	<u>June-10</u>
Insured	\$ 290,509	\$ 288,079
Collateralized held by pledging bank's trust department in the Authority's name	556,007	561,610
Total	<u>\$ 846,516</u>	<u>\$ 849,689</u>

**NOTE 5 - RESTRICTED CASH**

The Authority has total restricted cash at June 30, 2011 and 2010 in the amount of \$136,977 and \$118,111, respectively, which was accounted for in Note 4 and consists of the following:

	<u>June-11</u>	<u>June-10</u>
Tenant Security Deposits	\$ 36,942	\$ 38,079
HAP Reserve	100,035	80,032
Total	<u>\$ 136,977</u>	<u>\$ 118,111</u>

The restricted cash in the amount of \$100,035 for 2011 and \$80,032 for 2010 was reported under the Housing Choice Voucher Program as a HAP reserve for future use.

The remaining amount in restricted cash at June 30, 2011 was in the amount of \$36,942 and \$38,079 at June 30, 2010. Both of these amounts were accounted for in cash and cash equivalents in Note 4. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at Provident Bank. Based on custodial credit risk in Note 4, all of the Authority's security deposits are classified as insured.

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

### **NOTE 8 - 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, 2011 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

### **NOTE 9 - 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 carrying value of long-live assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," 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 did not have any impairment at June 30, 2011.

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

Notes to Financial Statements  
June 30, 2011

**NOTE 9 - FIXED ASSETS - CONTINUED**

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2011 and 2010:

	Balance 30-Jun-10	Additions	Transfer	Balance 30-Jun-11
Land and Improvements	\$ 137,125	\$ -	\$ -	\$ 137,125
Buildings & Improvements	7,703,221	-	126,975	7,830,196
Furniture & Equipment - Dwelling Units	253,409		23,767	277,176
Furniture & Equipment - Administration	180,142		-	180,142
Construction in Progress	669,179	155,580	(150,742)	674,017
Totals	8,943,076	155,580	-	9,098,656
Accumulated Depreciation	(6,704,356)	(282,800)	-	(6,987,156)
Net Book Value	\$ 2,238,720	\$ (127,220)	\$ -	\$ 2,111,500

	Balance 30-Jun-09	Additions	Transfer	Balance 30-Jun-10
Land and Improvements	\$ 137,125	\$ -		\$ 137,125
Buildings & Improvements	7,703,221	-	-	7,703,221
Furniture & Equipment - Dwelling Units	245,417	7,992	-	253,409
Furniture & Equipment - Administration	180,142	-	-	180,142
Construction in Progress	348,177	321,002	-	669,179
Totals	8,614,082	328,994	-	8,943,076
Accumulated Depreciation	(6,430,851)	(273,506)	-	(6,704,356)
Net Book Value	\$ 2,183,231	\$ 55,488	\$ -	\$ 2,238,720

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

### **NOTE 10 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its balance sheet as of June 30, 2011 and 2010. 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, 2011 and 2010 consist of the following:

	<u>June-11</u>	<u>June-10</u>
Accounts Payable Vendors	\$ 40,593	\$ 43,743
Accounts Payable - P.I.L.O.T.	22,737	45,973
Total Accounts Payable	<u>\$ 63,330</u>	<u>\$ 89,716</u>

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

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of South Amboy. Under the Cooperation Agreements, the Authority must pay the municipality the smallest of 10% of its net shelter rent or the approximate full real property taxes. The total amount of PILOT payable at June 30, 2011 and 2010 consisted of the following:

	<u>June-11</u>	<u>June-10</u>
PILOT Expense for June 30, 2009	\$ 22,106	\$ 22,106
PILOT Expense for June 30, 2010	23,867	23,867
PILOT Expense for June 30, 2011	22,737	-
Less Payments Made	(45,973)	-
Total P.I.L.O.T. Payable June 30,	<u>\$ 22,737</u>	<u>\$ 45,973</u>

### **NOTE 12 – ACCRUED EXPENSES**

The Authority reported accrued expenses on its balance sheet. Accrued expenses are liabilities covering expenses incurred on or before December 31, and are payable at some future date. Accrued liabilities at June 30, 2011 and 2010 consist of the following:

	<u>June-11</u>	<u>June-10</u>
Accrued Wages/Payroll Taxes	\$ 12,050	\$ 5,396
Compensated Absences - Current Portion	6,573	7,388
Total Accrued Liabilities	<u>\$ 18,623</u>	<u>\$ 12,784</u>



# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

### **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 are as follows:

	<u>June-11</u>	<u>June-10</u>
Accumulated Sick Time	\$ 32,947	\$ 36,705
Accumulated Vacation Time	<u>33,085</u>	<u>37,181</u>
Total	66,032	73,886
Compensated Absences - Current Portion	<u>(6,573)</u>	<u>(7,388)</u>
Total Compensated Absences - Noncurrent	<u>\$ 59,459</u>	<u>\$ 66,498</u>

### **NOTE 14 – DEFERRED REVENUE**

The Authority reported deferred revenues on its balance sheet. Deferred 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 deferred revenue is removed from the balance sheet and the revenue is recognized. The deferred revenue for June 30, 2011 and 2010 consisted of prepaid rents in the amount of \$74 and \$2,872.

### **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.

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

Notes to Financial Statements

June 30, 2011

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

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:

	June-11	June-10
Annual Required Contribution	\$ 56,665	\$ 74,863
Annual OPEB cost (expense)	56,665	74,863
Contributions made	(13,153)	(22,877)
Increase in net OPEB obligation	43,512	51,986
Net OPEB Obligation – beginning of year	51,986	-
Net OPEB Obligation – end of year	\$ 95,498	\$ 51,986

The Authority’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June-09	N/A	N/A	N/A
June-10	\$ 74,863	30%	\$ 51,986
June-11	\$ 56,665	25%	\$ 95,498

**FUNDED STATUS AND FUNDING PROGRESS**

As of July 1, 2009, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$776,851, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$776,851.

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.



## HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

### Notes to Financial Statements

June 30, 2011

#### **NOTE 16 - RESTRICTED NET ASSETS**

The Authority Restricted Net Assets account balance at June 30, 2011 is \$100,035. The balance of \$100,035 pertains to the HAP reserve. The detail of the restricted reserve account balances is as follows:

	Low Rent PH Reserve	HCV Reserve	Total
Balance June 31, 2009	\$ -	\$ 39,270	\$ 39,270
Increase During the Year	-	40,762	40,762
Balance June 31, 2010	-	80,032	80,032
Increase During the Year	-	20,003	20,003
Balance June 31, 2011	\$ -	\$ 100,035	\$ 100,035

#### 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 assets during the year.

#### **NOTE 17 - UNRESTRICTED NET ASSETS**

The Authority Unrestricted Net Assets account balance at June 30, 2011 is \$731,872. The detail of the account balance is as follows:

	Low Rent PH Reserve	HCV Reserve	Total
Balance June 31, 2009	\$ 331,632	\$ 77,089	\$ 408,721
Increase During the Year	169,740	68,480	238,220
Balance June 31, 2010	501,372	145,569	646,941
Increase During the Year	27,384	57,547	84,931
Balance June 31, 2011	\$ 528,756	\$ 203,116	\$ 731,872

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements June 30, 2011

### **NOTE 17 - UNRESTRICTED NET ASSETS - CONTINUED**

#### Housing Choice Voucher Program - Reserves

Administrative fee paid by HUD to the Authority in excess of administrative expenses are part of the undesignated fund balance and are considered to be administrative fee reserves. Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR 982.155 - i.e. other housing purposes permitted by state and local law. Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

	Pre 2004 Unrestricted Reserves	Post 2003 Unrestricted Reserves	Total Unrestricted Reserves	HAP Restricted Reserves
Balance 6/30/2004	\$ 91,033	\$ 2,278	\$ 93,311	\$ -
Net Admin. Fee Operating Income for the year ended 6/30/2005	-	-	-	-
Balance 6/30/2005	91,033	2,278	93,311	-
Net Admin. Fee Operating Income for the year ended 6/30/2006	-	2,494	2,494	43,594
Balance 6/30/2006	91,033	4,772	95,805	43,594
Net Admin. Fee Operating Income for the year ended 6/30/2007	-	13,111	13,111	17,643
Transfer to Restricted	(91,033)	-	-	91,033
Balance 6/30/2007	-	17,883	17,883	152,270
Net Admin. Fee Operating Income for the year ended 6/30/2008	-	24,451	24,451	976
Balance 6/30/2008	-	42,334	42,334	153,246
Net Admin. Fee Operating Income/(Loss) for the year ended 6/30/2009	-	34,755	34,755	(113,976)
Balance 6/30/2009	-	77,089	77,089	39,270
Net Admin. Fee Operating Income for the year ended 6/30/2010	-	68,480	68,480	41,562
Balance 6/30/2010	-	145,569	145,569	80,832
Net Admin. Fee Operating Income for the year ended 6/30/2011	-	57,547	57,547	19,203
Balance 6/30/2011	\$ -	\$ 203,116	\$ 203,116	\$ 100,035

# HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

## Notes to Financial Statements

June 30, 2011

### **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, 2011, 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, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of all its buildings for the purpose of determining potential liability issues. During the year ended June 30, 2011, the Authority did not reduce insurance coverage's from coverage levels in place as of June 30, 2010. No settlements have exceeded coverage levels in place during 2009, 2010, and 2011.

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. Coverage includes all property and \$25,000,000 for liability.

No settlement has exceeded coverage since establishment of the Consortium. In 2000 NJPHA -JIF added statutory worker's compensation coverage. For the fiscal year ended June 30, 2011 and 2010 the Authority paid \$58,023 and \$50,454 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, 2011

**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, 2011 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, 2011 and 2010 were \$479,269 and \$532,705, 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 and moderately rehabilitated 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. The Authority is also eligible to receive reimbursement for preliminary expenses prior to lease up. HUD contributions for the Housing Choice Voucher for June 30, 2011 and 2010 were \$1,285,265 and \$1,282,195, 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.

Total financial support by HUD for the year ending June 30, 2011 and 2010 was \$1,935,046 and \$2,151,420, respectively.

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

Notes to Financial Statements  
June 30, 2011

**NOTE 21 - CONTINGENCIES**

Litigation - At June 30, 2011, the Authority was not involved in any threatened 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 22 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 25, 2011, the date which the financial statements were available for issue.



**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011**

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	\$ 479,269
Public Housing Capital Fund Program	14.872	170,512
Subtotal		649,781
 <u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	1,285,265
Subtotal		1,285,265
Total Awards		\$ 1,935,046

**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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2. Loans Outstanding:**

The Housing Authority of the City of South Amboy has no outstanding loans as of June 30, 2011.

**Note 3. 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, 2011**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 644,752	\$ 663,730	\$ (18,978)
HUD PHA Operating Grants	497,066	503,421	(6,355)
Other Revenue	109,896	94,500	15,396
Total Revenue	<u>1,251,714</u>	<u>1,261,651</u>	<u>(9,937)</u>
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	143,213	119,270	(23,943)
Audit Fee's	6,276	7,200	924
Employee Benefit Contributions	46,449	50,000	3,551
Other Operating Administrative Expenses	83,697	66,320	(17,377)
Total Administrative Expenses	<u>279,635</u>	<u>242,790</u>	<u>(36,845)</u>
Tenant Services:			
Tenant Services - Other	-	3,800	3,800
Total Tenant Services	<u>-</u>	<u>3,800</u>	<u>3,800</u>
Utilities:			
Water	41,492	40,590	(902)
Electricity	128,140	126,970	(1,170)
Gas	104,184	146,920	42,736
Sewer	49,594	56,950	7,356
Labor	78,071	65,890	(12,181)
Employee Benefit Contributions	29,418	30,000	582
Total Utilities	<u>430,899</u>	<u>467,320</u>	<u>36,421</u>
Maintenance:			
Maintenance Labor	207,622	184,790	(22,832)
Materials	59,154	75,000	15,846
Maintenance Contract Cost	50,878	60,000	9,122
Employee Benefit Contributions	78,964	90,370	11,406
Total Maintenance	<u>396,618</u>	<u>410,160</u>	<u>13,542</u>
Other Operating Expenses:			
Insurance	50,640	63,250	12,610
Severance Expense	40,031	-	(40,031)
Payment in Lieu of Taxes	22,737	22,640	(97)
Bad Debt - Tenant Rents	7,026	5,000	(2,026)
Bad Debt - Mortgages	-	-	-
Interest Expense	-	-	-
Total Other Operating Expenses	<u>120,434</u>	<u>90,890</u>	<u>(29,544)</u>
Total Operating Expenses	<u>1,227,586</u>	<u>1,214,960</u>	<u>(16,426)</u>
Excess Revenue Over Expenses From Operations	<u>24,128</u>	<u>46,691</u>	<u>(22,563)</u>
Other Income and (Expenses):			
Extraordinary Maintenance	-	(20,000)	-
Investment Income	6,121	4,740	1,381
Fixed Asset Purchases	(2,865)	-	-
Total Other Income and (Expenses)	<u>3,256</u>	<u>(15,260)</u>	<u>1,381</u>
Excess Revenue over Expenses (Loss)	<u>\$ 27,384</u>	<u>\$ 31,431</u>	<u>\$ (4,047)</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, 2011**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue - Annual Contribution Required</b>			
Housing Assistance Payments	\$ 1,285,265	\$ 1,275,300	\$ 9,965
Fraud Recovery	4,438	-	4,438
Other Income	211,073	5,000	206,073
Total Revenue	<u>1,500,776</u>	<u>1,280,300</u>	<u>220,476</u>
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	29,840	38,890	9,050
Audit Fee's	4,184	4,800	616
Employee Benefit Contributions	22,123	24,000	1,877
Other Operating Administrative Expenses	45,158	42,880	(2,278)
Total Administrative Expenses	<u>101,305</u>	<u>110,570</u>	<u>9,265</u>
Other Operating Expenses:			
Insurance	244	1,500	1,256
Other General Expense	5,041	-	(5,041)
Housing Assistance Payments	1,321,336	1,165,500	(155,836)
Total Other Operating Expenses	<u>1,326,621</u>	<u>1,167,000</u>	<u>(159,621)</u>
Total Operating Expenses	<u>1,427,926</u>	<u>1,277,570</u>	<u>(150,356)</u>
Excess Revenue Over Expenses From Operations	<u>72,850</u>	<u>2,730</u>	<u>70,120</u>
Other Income and (Expenses):			
Investment Income	3,900	-	3,900
Transfer To Restricted	(19,203)	-	(19,203)
Total Other Income and (Expenses)	<u>(15,303)</u>	<u>-</u>	<u>(15,303)</u>
Excess Revenue over Expenses (Loss)	<u>\$ 57,547</u>	<u>\$ 2,730</u>	<u>\$ 54,817</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: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$468,288	\$214,766	\$683,054	\$683,054
112 Cash - Restricted - Modernization and Development		\$100,035	\$100,035	\$100,035
113 Cash - Other Restricted	\$36,942		\$36,942	\$36,942
114 Cash - Tenant Security Deposits				
115 Cash - Restricted for Payment of Current Liabilities	\$505,230	\$314,801	\$820,031	\$820,031
100 Total Cash				
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$227,532		\$227,532	\$227,532
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$11,372		\$11,372	\$11,372
126.1 Allowance for Doubtful Accounts - Tenants	-\$4,550		-\$4,550	-\$4,550
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable	\$102		\$102	\$102
120 Total Receivables, Net of Allowances for Doubtful	\$234,456	\$0	\$234,456	\$234,456
131 Investments - Unrestricted	\$26,485		\$26,485	\$26,485
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$24,617	\$244	\$24,861	\$24,861
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$790,788	\$315,045	\$1,105,833	\$1,105,833
161 Land	\$137,125		\$137,125	\$137,125
162 Buildings	\$7,830,196		\$7,830,196	\$7,830,196
163 Furniture, Equipment & Machinery - Dwellings	\$277,176		\$277,176	\$277,176
164 Furniture, Equipment & Machinery - Administration	\$180,142		\$180,142	\$180,142
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$6,987,156		-\$6,987,156	-\$6,987,156
167 Construction in Progress	\$674,017		\$674,017	\$674,017
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,111,500	\$0	\$2,111,500	\$2,111,500
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	\$2,111,500	\$0	\$2,111,500	\$2,111,500
190 Total Assets	\$2,902,288	\$315,045	\$3,217,333	\$3,217,333

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: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$40,593		\$40,593	\$40,593
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$12,050		\$12,050	\$12,050
322 Accrued Compensated Absences - Current Portion	\$6,138	\$435	\$6,573	\$6,573
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$22,737		\$22,737	\$22,737
341 Tenant Security Deposits	\$36,942		\$36,942	\$36,942
342 Deferred Revenues	\$74		\$74	\$74
343 Current Portion of Long-term Debt - Capital				
344 Current Portion of Long-term Debt - Operating				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$118,534	\$435	\$118,969	\$118,969
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	\$55,239	\$4,220	\$59,459	\$59,459
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$88,259	\$7,239	\$95,498	\$95,498
350 Total Non-Current Liabilities	\$143,498	\$11,459	\$154,957	\$154,957
300 Total Liabilities	\$262,032	\$11,894	\$273,926	\$273,926
508.1 Invested In Capital Assets, Net of Related Debt	\$2,111,500		\$2,111,500	\$2,111,500
509.2 Fund Balance Reserved				
511.2 Unreserved, Designated Fund Balance				
511.1 Restricted Net Assets		\$100,035	\$100,035	\$100,035
512.1 Unrestricted Net Assets	\$528,756	\$203,116	\$731,872	\$731,872
512.2 Unreserved, Undesignated Fund Balance				
513 Total Equity/Net Assets	\$2,640,256	\$303,151	\$2,943,407	\$2,943,407
600 Total Liabilities and Equity/Net Assets	\$2,902,288	\$315,045	\$3,217,333	\$3,217,333

See accompanying notes to the financial statements.

South Amboy Housing Authority (NJ035)

SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$621,212		\$621,212	\$621,212
70400 Tenant Revenue - Other	\$23,540		\$23,540	\$23,540
70500 Total Tenant Revenue	\$644,752	\$0	\$644,752	\$644,752
70600 HUD PHA Operating Grants	\$497,066	\$1,285,265	\$1,782,331	\$1,782,331
70610 Capital Grants	\$152,715		\$152,715	\$152,715
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	\$6,121	\$3,042	\$9,163	\$9,163
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery	\$13,515	\$4,438	\$17,953	\$17,953
71500 Other Revenue	\$96,381	\$211,073	\$307,454	\$307,454
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted		\$858	\$858	\$858
70000 Total Revenue	\$1,410,550	\$1,504,676	\$2,915,226	\$2,915,226
91100 Administrative Salaries	\$143,213	\$29,840	\$173,053	\$173,053
91200 Auditing Fees	\$6,276	\$4,184	\$10,460	\$10,460
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$46,449	\$22,123	\$68,572	\$68,572
91600 Office Expenses	\$70,500	\$36,874	\$107,374	\$107,374
91700 Legal Expense	\$11,815	\$7,877	\$19,692	\$19,692
91800 Travel	\$1,382	\$407	\$1,789	\$1,789
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$279,635	\$101,305	\$380,940	\$380,940
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0	\$0	\$0
93100 Water	\$41,492		\$41,492	\$41,492
93200 Electricity	\$128,140		\$128,140	\$128,140
93300 Gas	\$104,184		\$104,184	\$104,184

See accompanying notes to the financial statements.

South Amboy Housing Authority (NJ035)

SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
93400 Fuel				
93500 Labor	\$78,071		\$78,071	\$78,071
93600 Sewer	\$49,594		\$49,594	\$49,594
93700 Employee Benefit Contributions - Utilities	\$29,418		\$29,418	\$29,418
93800 Other Utilities Expense				
93000 Total Utilities	\$430,899	\$0	\$430,899	\$430,899
94100 Ordinary Maintenance and Operations - Labor	\$207,622		\$207,622	\$207,622
94200 Ordinary Maintenance and Operations - Materials and	\$59,154		\$59,154	\$59,154
94300 Ordinary Maintenance and Operations Contracts	\$50,878		\$50,878	\$50,878
94500 Employee Benefit Contributions - Ordinary	\$78,964		\$78,964	\$78,964
94000 Total Maintenance	\$396,618	\$0	\$396,618	\$396,618
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	\$25,320		\$25,320	\$25,320
96120 Liability Insurance	\$12,650		\$12,650	\$12,650
96130 Workmen's Compensation	\$12,670	\$244	\$12,914	\$12,914
96140 All Other Insurance				
96100 Total insurance Premiums	\$50,640	\$244	\$50,884	\$50,884
96200 Other General Expenses		\$1,560	\$1,560	\$1,560
96210 Compensated Absences				
96300 Payments in Lieu of Taxes	\$22,737		\$22,737	\$22,737
96400 Bad debt - Tenant Rents	\$7,026		\$7,026	\$7,026
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense	\$40,031	\$3,481	\$43,512	\$43,512
96000 Total Other General Expenses	\$69,794	\$5,041	\$74,835	\$74,835
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	\$1,227,586	\$106,590	\$1,334,176	\$1,334,176
97000 Excess of Operating Revenue over Operating	\$182,964	\$1,398,086	\$1,581,050	\$1,581,050
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$1,119,679	\$1,119,679	\$1,119,679
97350 HAP Portability-In		\$201,657	\$201,657	\$201,657

See accompanying notes to the financial statements.

South Amboy Housing Authority (NJ035)

SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
97400 Depreciation Expense	\$282,800		\$282,800	\$282,800
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,510,386	\$1,427,926	\$2,938,312	\$2,938,312
10010 Operating Transfer In				
10020 Operating transfer Out				
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$99,836	\$76,750	-\$23,086	-\$23,086
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,740,092	\$226,401	\$2,966,493	\$2,966,493
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		\$203,116	\$203,116	\$203,116
11180 Housing Assistance Payments Equity		\$100,035	\$100,035	\$100,035
11190 Unit Months Available	1824	1332	3156	3156
11210 Number of Unit Months Leased	1801	1301	3102	3102
11270 Excess Cash	\$550,158		\$550,158	\$550,158
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$120,098		\$120,098	\$120,098
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$32,617		\$32,617	\$32,617
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

See accompanying notes to the financial statements.



**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND GRANT COST  
AS OF JUNE 30, 2011**

	NJ39P035501-07		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 24,544	\$ 24,544	\$ -
Administration	9,000	9,000	-
Fees and Costs	1,000	1,000	-
Site Improvements	18,304	18,304	-
Dwelling Structures	106,795	106,795	-
Non-Dwelling Equipment	35,783	35,783	-
<b>Total</b>	<b>\$ 195,425</b>	<b>\$ 195,425</b>	<b>\$ -</b>
Funds Advanced	\$ 195,425		
Funds Expended	195,425		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-07 was completed on October 10, 2010.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.



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**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  
(No Reportable Instances of Noncompliance and No Material Weaknesses)**

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

We have audited the financial statements of the Housing Authority of the City of South Amboy as of and for the year ended June 30, 2011 and have issued our report thereon dated October 25, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority of the City of South Amboy 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 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 Housing Authority of the City of South Amboy's financial statements will not be prevented, or detected and corrected on a timely basis.

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 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*.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hymanson, Parnes & Giampaolo*

Date: October 25, 2011



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**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR  
A-133**

**(Unqualified Opinion on Compliance, No Material Weaknesses or Significant  
Deficiencies in Internal Control Over Compliance Identified)**

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

**Compliance**

We have audited the compliance of the Housing Authority of the City of South Amboy with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Housing Authority of the City of South Amboy major federal programs for the year ended June 30, 2011. The Housing Authority of the City of South Amboy's major federal programs are identified in the summary of the auditors result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and the U.S. Office of Management and Budgets Circular A-133. Those standards and OMB Circular A-133 required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of South Amboy's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Housing Authority of the City of South Amboy complied, in all material respects, with the compliance requirements referred to the above that could have a direct and material effect on each of its major federal program identified in the accompanying schedule of findings and questioned cost for the fiscal year ended June 30, 2011.

### **Internal Control Over Compliance**

The management of the Housing Authority of the City of South Amboy is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Housing Authority of the City of South Amboy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 over compliance 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hymanson, Parnes & Giampaolo*

Date: October 25, 2011

## HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Schedule of Findings and Questioned Cost  
Year Ended June 30, 2011

### Prior Audit Findings

None reported

### Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statement of the Housing Authority of the City of South Amboy.
2. No significant deficiencies relating to the audit of the financial statements are reported in the REPORT ON COMPLIANCE AND 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.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the City of South Amboy were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the Housing Choice Voucher Program expresses a Unqualified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program tested as major program were:
  - a. Housing Choice Voucher Program, CFDA#14.871 with expenditures of \$1,285,265
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Housing Authority of the City of South Amboy did not qualify as a low risk auditee.

### 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 Agreed-Upon Procedures

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

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of South Amboy and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. This agree-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures 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 electronically submitted information and hard copy documents as shown in the chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Housing Authority as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. 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 Financial Data Schedule (FDS) dated June 30, 2011, was expressed in relation to the basic financial statements of the Housing Authority 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 the Housing Authority. 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, REAC.

This report is intended solely for the information and use of the Housing Authority of the City of South Amboy and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Hymanson, Parnes & Giampaolo

Date: October 25, 2011

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule,all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G5100-010)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G2300,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010 to G3000-050, G3100-010 to G3100-030, G3200-010 to G3200-030, G3300-010 to G3300-060, G3400-010 to G3400-020)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-010 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Federal agencies required to receive reporting package (data element G4000-050)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>

<u>Firm Name</u>	<b>Hymanson Parnes &amp; Giampaolo</b>
<u>Employer Identification Number</u>	<b>22-3554220</b>
<u>Date</u>	<b>October 25, 2011</b>
<u>UII#</u>	<b>#66170</b>
<u>Contact First Name</u>	<b>Anthony</b>
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