

Report On Audit

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

**For the Year Ended
June 30, 2013**

Housing Authority of the City of South Amboy

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of South Amboy (a governmental public corporation) in South Amboy, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of June 30, 2013 and 2012, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of South Amboy as of June 30, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and pages 48-49 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued reports dated November 7, 2013 on our consideration of the Housing Authority of the City of South Amboy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: November 7, 2013

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

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

FINANCIAL HIGHLIGHTS

Net position of the Authority's enterprise fund was \$2,390,299 greater than the liabilities, a decrease in the financial position of \$225,625 or 9% percent.

As noted above, the net position of the Authority exceeded its liabilities by \$2,390,299 as of June 30, 2013. Of this amount, the unrestricted net position is \$312,098 representing a decrease of \$267,343 or 46% percent from the previous year. The restricted net position decreased \$7,555 or 77% percent from the prior year for and ending balance of \$2,209. The net investment in capital assets increased \$49,273 or 2% percent for an ending balance of \$2,075,992. Additional information on the Authority's restricted and unrestricted net position can be found in Notes 17 and 18 to the financial statements, which is included in this report.

The Authority's cash, and cash equivalent at June 30, 2013 is \$615,715 representing a decrease of \$172,143 or 22% percent from the prior fiscal year. The full detail of this amount can be found in the Statement of Cash Flow on page 20 of this report.

The Authority's total assets are \$2,795,027 of which capital assets net book value is \$2,075,992, leaving total current assets at \$719,035. Total current assets decreased from the previous year by \$187,061 or 21% percent. Cash and cash equivalents decreased by \$172,143, investments increased by \$203, accounts receivables decreased by \$13,290, and prepaid expenses decreased by \$1,831.

The Authority's total liabilities are reported at \$404,728, of which noncurrent liabilities are stated at \$236,630. Total liabilities increased during the year as compared to the prior year in the amount of \$87,837 or 28% percent. Total current liabilities increased during the year by \$39,752, leaving non-current liabilities for an increase of \$48,085 as compared to the previous fiscal year.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current liabilities increased from the previous year by \$39,752 or 31% percent. Accounts payables increased by \$20,366, accrued liabilities increased by \$18,555, tenant security deposit payable increased by \$1,264, and unearned revenue decreased \$433.

Total noncurrent liabilities increased by \$48,085 or 26% percent. The increased was made up of two accounts, accrued compensated absences – long term with no offsetting assets increased \$4,573 from the prior fiscal year for an ending balance of \$54,108, and accrued other post-employment benefits (OPEB) liabilities increased \$43,512 or 31% percent. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. All of the Authority's retirees continue their life insurance and continue to receive health insurance benefits at various percentages of the Authority's cost. In prior years, the Authority financed OPEB on a pay-as-you-go basis with expenditures recorded in the General Fund. Accounting for OPEB under GASB No. 45 will result in the Authorities reporting a significant actuarially-based liability for benefits. The Authority's actuarially-based liability benefits for June 30, 2013 are \$182,522. Additional information on the Authority's accrued other post-employment benefits (OPEB) liabilities at June 30, 2013 can be found in Note 16 to the financial statements, which is included in this report

The Authority had total operating revenue of \$2,787,190 as compared to \$2,726,301 from the prior year for an increase of \$60,889 or 2% percent. The Authority had total operating expenses of \$3,098,387 as compared to \$3,198,338 from the previous year for a decrease of \$99,951 or 3% percent, resulting in a deficiency of revenue from operations in the amount of \$311,197 for the current year as compared to a deficiency of revenue from operations in the amount of \$472,037 for a decrease in deficit of \$160,840 or 34% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$119,362 as compared to \$139,623 from the previous year for a decrease of \$20,261 or 15% percent. The Authority's had capital outlays in the amount of \$147,224 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$119,362 and the remainder through management's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$1,731,645 for the fiscal year 2013 as compared to \$1,791,161 for the previous fiscal year 2012 for a decrease of \$59,516 or 3% percent.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

USING THIS ANNUAL REPORT

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 17 through 20.

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

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 21 through 46.

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 47 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of South Amboy are those which equal or exceeded \$300,000 in expenditures for the fiscal year ended June 30, 2013. Type B programs for the Housing Authority of the City of South Amboy are those which are less than \$300,000 in expenditures for the fiscal year ended June 30, 2013.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between June 30, 2013 and June 30, 2012:

	<u>Year Ended</u>		Increase
	June-13	June-12	(Decrease)
Cash	\$ 615,715	\$ 787,858	\$ (172,143)
Other Current Assets	103,320	118,238	(14,918)
Capital Assets - Net	2,075,992	2,026,719	49,273
Total Assets	<u>2,795,027</u>	<u>2,932,815</u>	<u>(137,788)</u>
Less: Current Liabilities	(168,098)	(128,346)	(39,752)
Less: Non Current Liabilities	(236,630)	(188,545)	(48,085)
Net Position	<u>\$ 2,390,299</u>	<u>\$ 2,615,924</u>	<u>\$ (225,625)</u>
Net Investment in Capital Assets	\$ 2,075,992	\$ 2,026,719	\$ 49,273
Restricted Net Position	2,209	9,764	(7,555)
Unrestricted Net Position	312,098	579,441	(267,343)
Net Position	<u>\$ 2,390,299</u>	<u>\$ 2,615,924</u>	<u>\$ (225,625)</u>

Cash decreased by \$172,143 or 22% percent. Net cash used by operating activities was \$159,637, net cash used by capital and related financing activities was \$15,745, and net cash provided by investing activities was \$3,239. The full detail of this amount can be found in the Statement of Cash Flow on page 20 of this audit report.

Other current assets decreased \$14,918. Account receivable decreased \$13,290 mainly due to a collection of a HUD receivable, prepaid expenses decreased \$1,831 due to decreases in prepaid insurance expense, and investments increased \$203.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$49,273 or 2% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$147,224, less the recording of depreciation expense in the amount of \$97,951. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

Total current liabilities increased from the previous year by \$39,752 or 31% percent. Accounts payables increased by \$20,366, accrued liabilities increased by \$18,555, tenant security deposit payable increased by \$1,264, and unearned revenue decreased \$433.

Total noncurrent liabilities increased by \$48,085 or 26% percent. The increased was made up of two accounts, accrued compensated absences – long term with no offsetting assets increased \$4,573 from the prior fiscal year for an ending balance of \$54,108, and accrued other post-employment benefits (OPEB) liabilities increased \$43,512 or 31% percent.

The Authority's reported net position of \$2,390,299 is made up of three categories. The net investment in capital assets in the amount of \$2,075,992 represents 87% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance June 30, 2012	\$	2,026,719
Acquisition in Fixed Assets		147,224
Depreciation Expense		(97,951)
Balance June 30, 2013	\$	2,075,992

The Authority reported a restricted net position of \$2,209, a decrease of \$7,555 from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The account balance consists of the amount of cash that is restricted for the Housing Choice Voucher program. Additional information on these funds can be found in Note 5 Restricted Cash and Note 17 Restricted Net Position.

The Housing Authority of the City of South Amboy operating results for June 30, 2013 reported a decrease in unrestricted position of \$267,343 or 46% percent for an ending balance of \$312,098. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 18 Unrestricted Net Position.

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between June 30, 2013 and June 30, 2012:

	<u>Year Ended</u>		Increase (Decrease)
	June-13	June-12	
<u>Revenues</u>			
Tenant Revenues	\$ 682,779	\$ 662,334	\$ 20,445
HUD Subsidies	1,612,283	1,651,538	(39,255)
Other Revenues	492,128	412,429	79,699
Total Operating Income	<u>2,787,190</u>	<u>2,726,301</u>	60,889
<u>Expenses</u>			
Operating Expenses	3,000,435	2,916,561	83,874
Depreciation Expense	97,952	281,777	(183,825)
Total Operating Expenses	<u>3,098,387</u>	<u>3,198,338</u>	(99,951)
Operating Income before Non Operating Income	(311,197)	(472,037)	160,840
Interest Income	2,178	4,931	(2,753)
Capital Grants	119,362	139,623	(20,261)
Change in Net Position	<u>(189,657)</u>	<u>(327,483)</u>	137,826
Net Position Prior Year	2,615,924	2,943,407	(327,483)
Prior Period Adjustment	(35,968)	-	(35,968)
Total Net Position	<u>\$ 2,390,299</u>	<u>\$ 2,615,924</u>	<u>\$ (225,625)</u>

Approximately 58% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 24% percent resulted from tenant revenue. Charges for various services provided the remaining 18% percent of the total operating income.

The Housing Authority of the City of South Amboy received from the capital fund program \$119,362 in grant money a decrease of \$20,261 from the prior fiscal year. The Authority had capital expenditures of \$147,224. The current year additions included replacement of lamp fixtures, ranges and refrigerators, and various equipment upgrades.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 45% percent of total operating expenses. Administrative expenses accounted for 13% percent, tenant services accounted for less than 1% percent, utilities expense accounted for 14% percent, maintenance expense accounted for 20% percent, other operating expenses accounted for 4% percent, and depreciation accounted for the remaining 3% percent of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$311,197 from operations as compared to excess expenses from operations of \$472,037 for the previous year. The key elements for the decrease in deficit in comparison to the prior year are as follow:

- The tenant rental income increased in the amount of \$20,445 or 3%. The other income increased in the amount of \$76,259 or 19%
- The Authority reported a decrease in HUD PHA operating grants in the amount of \$39,255 or 2% percent, due to reductions by HUD, because of budgets cuts by Congress.
- Utility expenses decreased \$15,866 mainly due to a reduction in utility labor.
- Housing Assistance Payments decreased \$12,825.

Total net cash used by operating activities during the year was \$159,637 as compared to cash used in the amount of \$20,535 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flow on page 20 of this report.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four year period of time ending on June 30, 2013:

	June-13	June-12	June-11	June-10
Significant Income				
Total Tenant Revenue	\$ 682,779	\$ 662,334	\$ 644,752	\$ 676,218
HUD Operating Grants	1,612,283	1,651,538	1,782,331	1,830,418
HUD Capital Grants	119,362	139,623	152,715	321,002
Investment Income	2,178	4,931	10,021	9,245
Other Income	492,128	412,429	325,407	222,147
Total	\$ 2,908,730	\$ 2,870,855	\$ 2,915,226	\$ 3,059,030
Payroll Expense				
Administrative Salaries	\$ 139,251	\$ 152,388	\$ 173,053	\$ 181,220
Utilities Labor	74,027	94,783	78,071	79,044
Maintenance Labor	281,933	240,367	207,622	203,971
Employee Benefits Expense	264,085	191,888	176,594	221,013
Total Payroll Expense	\$ 759,296	\$ 679,426	\$ 635,340	\$ 685,248
Other Significant Expenses				
Other Administrative Expenses	\$ 171,910	\$ 181,652	\$ 139,315	\$ 156,940
Utilities Expense	312,254	302,535	323,410	325,398
Maintenance Supplies	93,315	84,710	59,154	38,795
Maintenance Contract Cost	88,692	111,276	50,878	52,135
Insurance Premiums	56,639	53,298	50,884	58,998
OPEB Expense	43,512	43,512	43,512	51,986
Housing Assistance Payments	1,392,009	1,404,877	1,321,336	1,086,917
Total	\$ 2,158,331	\$ 2,181,860	\$ 1,988,489	\$ 1,771,169
Total Operating Expenses	\$ 3,098,387	\$ 3,198,338	\$ 2,938,312	\$ 2,723,758
Total of Federal Awards	\$ 1,731,645	\$ 1,791,161	\$ 1,935,046	\$ 2,151,420

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses excluding depreciation expense. The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY PROGRAMS

Public Housing Program:

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

Capital Fund Program:

The public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Housing Choice Voucher Program

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2013, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

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

NEW INITIATIVES

For the fiscal year 2013 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 60% percent of its revenue from the Department of Housing and Urban Development, (2012 fiscal year was 62% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

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

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

For 2013, HUD (in an effort to show Congress its attempts to reduce costs), implemented a "recapture" of public housing reserves process. This is a process whereby a Housing Authority that has been efficient in operations and has built a "reserve" may be required to refund any reserve in excess of four months. The Housing Authority of the City of South Amboy experiences a recapture for the 2013 fiscal year in the amount of \$18,180.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2013 was \$2,075,992 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increased during the year in the Authority's investment in capital assets was \$49,273 or 2% percent. Major capital expenditures of \$147,224 were made during the year. Major capital assets events during the fiscal year included the following:

- Replacement of Lamp Fixtures,
- Ranges and Refrigerators
- Various Equipment Upgrades

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

Additional information on the Authority's capital assets can be found in Note 9 to the financial statements, which is included in this report.

2 – Long Term Debt

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

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 2013 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, 2014.

- 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.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

The Authority's unrestricted net position appears 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. Mark Noble, Assistant Executive Director, Housing Authority of the City of South Amboy, PO Box 817 South Amboy, N.J. 08879, or call (732) 721-1831.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENT OF NET POSITION - 1
AS OF JUNE 30, 2013 AND 2012

	2013	June 30, 2012
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 615,715	\$ 787,858
Investments	26,860	26,657
Accounts Receivables, Net of Allowances	48,517	61,807
Prepaid Expenses	27,943	29,774
Total Current Assets	719,035	906,096
Noncurrent Assets		
Capital Assets		
Land	137,125	137,125
Building	7,956,294	7,956,294
Furniture, Equipment - Dwelling	381,394	355,869
Furniture, Equipment - Administration	196,943	194,606
Construction in Process	771,121	651,759
Total Capital Assets	9,442,877	9,295,653
Less: Accumulated Depreciation	(7,366,885)	(7,268,934)
Net Book Value	2,075,992	2,026,719
Total Assets	2,795,027	2,932,815
Deferred Outflow of Resources		
Total Deferred Outflows of Resources	-	-
Total Assets and Deferred Outflow of Resources	\$ 2,795,027	\$ 2,932,815

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENT OF NET POSITION - 2
AS OF JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>June 30,</u> <u>2012</u>
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 58,665	\$ 38,299
Accrued Liabilities	60,749	42,194
Tenant Security Deposit Payable	45,595	44,331
Unearned Revenue	3,089	3,522
Total Current Liabilities	168,098	128,346
Noncurrent Liabilities		
Accrued Compensated Absences - Long-Term	54,108	49,535
Accrued Other Post-Employment Benefits (OPEB)	182,522	139,010
Total Noncurrent Liabilities	236,630	188,545
Total Liabilities	404,728	316,891
Deferred Inflow of Resources		
Total Deferred Inflow of Resources	-	-
Net Position:		
Net Investment in Capital Assets	2,075,992	2,026,719
Restricted	2,209	9,764
Unrestricted	312,098	579,441
Total Net Position	2,390,299	2,615,924
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 2,795,027	\$ 2,932,815

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013 AND 2012

	June 30,	
	2013	2012
Revenue:		
Tenant Rental Revenue	\$ 682,779	\$ 662,334
HUD PHA Operating Grants	1,612,283	1,651,538
Fraud Recovery	4,658	1,218
Other Revenue	487,470	411,211
Total Revenue	2,787,190	2,726,301
 Operating Expenses:		
Administrative Expenses	422,691	390,148
Tenant Services	4,945	5,213
Utilities Expense	425,095	440,961
Maintenance Expense	611,765	528,490
Other Operating Expenses	143,931	146,872
Housing Assistance Payments	1,392,009	1,404,877
Depreciation Expense	97,951	281,777
Total Operating Expenses	3,098,387	3,198,338
 Excess Expenses Over Revenue From Operations	(311,197)	(472,037)
 Nonoperating Revenue (Expenses)		
Investment Income	2,178	4,931
Total Nonoperating Revenue	2,178	4,931
 (Deficit) Revenue Before Contributions	(309,019)	(467,106)
 Capital Grant Contributions	119,362	139,623
 Change in Net Position	(189,657)	(327,483)
 Beginning Net Position	2,615,924	2,943,407
Prior Period Adjustment	(35,968)	-
Beginning Net Position - Restated	2,579,956	2,943,407
 Ending Net Position	\$ 2,390,299	\$ 2,615,924

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, 2013 AND 2012

	June 30,	
	2013	2012
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 688,980	\$ 665,768
Receipts from Federal Grants	1,666,047	1,825,306
Receipts from Misc. Sources	492,128	412,429
Payments to Vendors and Suppliers	(543,233)	(537,200)
Payments for Housing Assistance Payments	(1,392,009)	(1,404,877)
Payments to Employees	(495,211)	(487,538)
Payment of Employee Benefits	(264,085)	(191,888)
Payment of Utilities Expenses	(312,254)	(302,535)
Net Cash (Used) by Operating Activities	(159,637)	(20,535)
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	119,362	139,623
Acquisitions and Construction of Capital Assets	(147,224)	(196,997)
Change in Long Term Compensated Absences	4,573	(9,924)
Accrued Other Post-Employment Benefits (OPEB) Liabilities	43,512	43,512
Prior Period Adjustment	(35,968)	-
Net Cash (Used) by and Related Financing Activities	(15,745)	(23,786)
Cash Flow From Investing Activities		
Interest Income	2,178	4,931
Receipts (Payment) in Tenant Security Deposit	1,264	7,389
Receipt (Purchase) of Investment	(203)	(172)
Net Cash Provided by Investing Activities	3,239	12,148
Net (Decrease) in Cash and Cash Equivalents	(172,143)	(32,173)
Beginning Cash	787,858	820,031
Ending Cash	\$ 615,715	\$ 787,858
Reconciliation of Operating Income to Net Cash		
(Used) by Operating Activities		
Excess of Expenses Over Revenue	\$ (311,197)	\$ (472,037)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	97,951	281,777
(Increase) Decrease in:		
Accounts Receivables	13,290	172,649
Prepaid Expenses	1,831	(4,913)
Increase (Decrease) in:		
Accounts Payable	20,366	(25,030)
Accrued Liabilities	18,555	23,571
Unearned Revenue	(433)	3,448
Net Cash (Used) by Operating Activities	\$ (159,637)	\$ (20,535)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

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

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of South Amboy in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

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

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

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2013

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.

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

Basis of Accounting –

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

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

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

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

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by June 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

Basis of Accounting – Continued

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

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

Report Presentation -

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

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

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

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

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

Net Investment in Capital Assets.

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

Restricted Net Position

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

Unrestricted Net Position

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

Other accounting policies are as follows

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

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

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

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

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

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

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

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

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

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

11- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2013

Other accounting policies - Continued

11-Continued - proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

Budgetary and Policy Control –

The Authority submits its annual operating and capital budgets to U.S. Department of Housing and Urban Development. Each fund’s budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source. Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority’s for the Low Income Public Housing Program found on page 48 the Section Eight Housing Choice Voucher Program on page 49.

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

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

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, 2013

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

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

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, 2013

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

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

On the web :www.state.nj.us/treasury/pension/financial

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2013 and 2012 amounted to \$33,406 and \$32,397.

Post Employment Retirement Benefits

The Authority does not provide post employment health care benefits and life insurance for its 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, 2013

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.

The bank balances at June 30, 2013 and 2012 were \$615,715 and \$787,858 and investments of \$26,860 and \$26,657, respectively, which were either insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below:

	<u>June-13</u>	<u>June-12</u>
Amboy National Bank	\$ 593,111	\$ 766,516
Provident Bank	45,595	44,331
Wells Fargo	3,569	3,568
Petty Cash	300	100
Total	<u>\$ 642,575</u>	<u>\$ 814,515</u>

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

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 custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>Bank Balances</u>	
	<u>June-13</u>	<u>June-12</u>
Insured	\$ 299,464	\$ 297,899
Collateralized held by pledging bank's trust department in the Authority's name	343,111	516,616
Total	<u>\$ 642,575</u>	<u>\$ 814,515</u>

NOTE 5 - RESTRICTED CASH

The Authority has total restricted cash at June 30, 2013 and 2012 in the amount of \$47,804 and \$54,095, respectively, which was accounted for in Note 4 and consists of the following:

	<u>June-13</u>	<u>June-12</u>
Tenant Security Deposits	\$ 45,595	\$ 44,331
HAP Reserve	2,209	9,764
Total	<u>\$ 47,804</u>	<u>\$ 54,095</u>

The restricted cash in the amount of \$2,209 for 2013 and \$9,764 for 2012 was reported under the Housing Choice Voucher Program as a HAP reserve for future use.

The remaining amount in restricted cash at June 30, 2013 was in the amount of \$45,595 and \$44,331 at June 30, 2012. 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, 2013

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2013 and 2012 consisted of the following:

	<u>June-13</u>	<u>June-12</u>
Tenants Accounts Receivable - Present	\$ 1,737	\$ 7,938
Less Allowance for Doubtful Accounts	-	-
Net Tenants Accounts Receivable	<u>1,737</u>	<u>7,938</u>
Accounts Receivable - HUD	-	53,764
Accounts Receivable - Noble Manor	46,690	-
Accrued Interest Receivable	90	105
Total Accounts Receivable	<u>\$ 48,517</u>	<u>\$ 61,807</u>

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

NOTE 7 - PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Prepaid expenses at June 30, 2013 and 2012 consisted of prepaid insurance in the amount of \$27,943 on June 30, 2013 and \$29,774 as of June 30, 2012.

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, 2013 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2013

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 Housing Authority of the City of South Amboy has given consideration to the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS No. 144) in the preparation of these financial statements.

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 has not recognized any impairment in the carry value of its fixed assets at June 30, 2013.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

NOTE 9 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2013 and 2012:

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

	June-11	Additions	Transfer	June-12
Land	\$ 137,125	\$ -	\$ -	\$ 137,125
Building	7,830,196	57,374	68,724	7,956,294
Furniture, Equipment - Dwelling	277,176	-	78,693	355,869
Furniture, Equipment - Administration	180,142	-	14,464	194,606
Construction in Process	674,017	139,623	(161,881)	651,759
Total Fixed Assets	9,098,656	196,997	-	9,295,653
Accumulated Depreciation	(6,987,156)	(281,778)	-	(7,268,934)
Net Book Value	\$ 2,111,500	\$ (84,781)	\$ -	\$ 2,026,719

NOTE 10 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its statement of net position as of June 30, 2013 and 2012. 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, 2013 and 2012 consist of the following:

	June-13	June-12
Accounts Payable Vendors	\$ 32,897	\$ 16,162
Accounts Payable - P.I.L.O.T.	25,768	22,137
Total Accounts Payable	\$ 58,665	\$ 38,299

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2013

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 littlest of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended June 30, 2013 and 2012, PILOT expense of \$25,768 and \$22,137, respectively, was accrued. PILOT payable at June 30, 2013 and 2012 consist of the following years:

	<u>June-13</u>	<u>June-12</u>
PILOT Expense for June 30, 2011	-	22,737
PILOT Expense for June 30, 2012	22,137	22,137
PILOT Expense for June 30, 2013	25,768	
Less Payments Made	(22,137)	(22,737)
Total P.I.L.O.T. Payable	<u>\$ 25,768</u>	<u>\$ 22,137</u>

NOTE 12 – ACCRUED EXPENSES

The Authority reported accrued expenses on its statement of net position. Accrued expenses are liabilities covering expenses incurred on or before June 30, and are payable at some future date. Accrued liabilities at June 30, 2013 and 2012 consist of the following:

	<u>June-13</u>	<u>June-12</u>
Accrued Wages/Payroll Taxes	\$ 7,687	\$ 9,468
Compensated Absences - Current Portion	13,140	5,504
Accrued Liabilities - Management Fee	10,000	-
Accrued Liabilities - Utilities	29,922	27,222
Total Accrued Liabilities	<u>\$ 60,749</u>	<u>\$ 42,194</u>

NOTE 13 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The deferred revenue for June 30, 2013 and 2012 is \$3,089 and \$3,522, respectively, which represented prepaid rents for the month of July 2013 and July 2012.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

NOTE 14 – ACCRUED COMPENSATED ABSENCES

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

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

The Authority has determined that the potential liability for accumulated vacation and sick time at June 30, 2013 and 2012 as follows:

	<u>June-13</u>	<u>June-12</u>
Accumulated Sick Time	\$ 35,237	\$ 29,054
Accumulated Vacation Time	32,011	25,985
Total	<u>67,248</u>	<u>55,039</u>
Compensated Absences - Current Portion	<u>(13,140)</u>	<u>(5,504)</u>
Total Compensated Absences - Noncurrent	<u>\$ 54,108</u>	<u>\$ 49,535</u>

NOTE 15 – LONG TERM DEBT

At June 30, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off.

GASB Interpretation No. 2, "Disclosure of Conduit Debt Obligations," provided guidance as to the proper GAAP treatment of this HUD-guaranteed debt. The debt transactions between the Authority and HUD are similar to conduit debt obligations, which are "certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by the state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer" financial reporting entity.

The transaction between the Authority and HUD is similar to HUD giving funds to the Authority to operate and the funds are a capital contribution. HUD has essentially made an investment in the Authority. Therefore, the liability was reclassified as a capital contribution. Since HUD is paying the obligations directly, the outstanding Long Term Debt balance at June 30, 2013 and 2012 could not be readily determined.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

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

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

	June-13	June-12
Annual Required Contribution	\$ 55,591	\$ 56,665
Amortization of Initial Unfunded Accrued Liability	10,152	10,152
Annual OPEB cost (expense)	65,743	66,817
Contributions made	(22,231)	(23,305)
Increase in net OPEB obligation	43,512	43,512
Net OPEB Obligation – beginning of year	139,010	95,498
Net OPEB Obligation – end of year	<u>\$ 182,522</u>	<u>\$ 139,010</u>

The Authority’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June-10	\$ 74,863	30%	\$ 51,986
June-11	\$ 56,665	25%	\$ 43,512
June-12	\$ 56,665	25%	\$ 43,512
June-12	\$ 55,591	25%	\$ 43,512

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.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2013

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED

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

EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event of that healthcare trend rates were 1% percent higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$915,480 or by 17% percent and the corresponding Normal Cost would increase to \$62,842 or by 20% percent.

Actuarial Methods and Assumptions

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

1.) Assumptions About Employees and Members:

Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 65 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by the National Center for Health Statistics. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2013

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

2.) Assumptions About Healthcare Costs:

The 2012 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 6 percent.

3.) Other Assumptions and Methods:

The inflation rate was assumed to be 3.75 percent. Based on the historical and expected returns of the Authority's investments, the investment rate of return was assumed to be 6 percent. The value of Plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

Reconciliation of Plan Participation (As of July 1, 2009) Active Employees:

	<u>July-09</u>
Number of Active Employees	13
Average Age - Actives	45.5
Average Years of Service - Actives	7.1
Average Expected Future Working	13.3
Average Age - Retirees (3)	73.3

NOTE 17 – RESTRICTED NET POSITION

The Authority restricted net position account balance at June 30, 2013 is \$2,209. The balance pertains to the HAP reserve. The detail of the restricted reserve account balances is as follows:

	<u>HCV</u> <u>Reserve</u>
Balance June 31, 2011	\$ 100,035
Decrease During the Year	<u>(90,271)</u>
Balance June 31, 2012	9,764
Decrease During the Year	<u>(7,555)</u>
Balance June 31, 2013	<u><u>\$ 2,209</u></u>

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2013

NOTE 17 - RESTRICTED NET POSITION - CONTINUED

Housing Choice Voucher Program - Reserves

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

NOTE 18 - UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at June 30, 2013 is \$312,098. The detail of the account balance is as follows:

	Low Rent PH Reserve	HCV Reserve	Total
Balance June 31, 2011	\$ 528,756	\$ 203,116	\$ 731,872
Decrease During the Year	(142,707)	(9,724)	(152,431)
Balance June 31, 2012	386,049	193,392	579,441
Decrease During the Year	(239,871)	(27,472)	(267,343)
Balance June 31, 2013	\$ 146,178	\$ 165,920	\$ 312,098

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2013

NOTE 18 – UNRESTRICTED NET POSITION - CONTINUED

Below is a schedule of the Pre 2004 and Post 2003 HCV Unrestricted Reserves:

	Pre 2004 Unrestricted Reserves	Post 2003 Unrestricted Reserves	Total Unrestricted 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
Balance 6/30/2006	91,033	4,772	95,805
Net Admin. Fee Operating Income for the year ended 6/30/2007	-	13,111	13,111
Transfer to Restricted	(91,033)	-	-
Balance 6/30/2007	-	17,883	17,883
Net Admin. Fee Operating Income for the year ended 6/30/2008	-	24,451	24,451
Balance 6/30/2008	-	42,334	42,334
Net Admin. Fee Operating Income for the year ended 6/30/2009	-	34,755	34,755
Balance 6/30/2009	-	77,089	77,089
Net Admin. Fee Operating Income for the year ended 6/30/2010	-	68,480	68,480
Balance 6/30/2010	-	145,569	145,569
Net Admin. Fee Operating Income for the year ended 6/30/2011	-	57,547	57,547
Balance 6/30/2011	-	203,116	203,116
Net Admin. Fee Operating Income for the year ended 6/30/2012	-	(9,724)	(9,724)
Balance 6/30/2012	-	193,392	193,392
Net Admin. Fee Operating Income for the year ended 6/30/2013	-	(27,472)	(27,472)
Balance 6/30/2013	\$ -	\$ 165,920	\$ 165,920

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2013

NOTE 19 – 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, 2013, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its building for the purpose of determining potential liability issues.

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

In 2000 NJPHA –JIF added statutory worker's compensation coverage. For the fiscal year ended June 30, 2013 and 2012 the Authority paid \$55,886 and \$59,548 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, 2013

NOTE 20 - 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, 2013 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, 2013 and 2012 were \$415,552 and \$441,771, 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, 2013 and 2012 were \$1,183,017 and \$1,182,315, respectively.

NOTE 21 - 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.

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. Total financial support by HUD was \$1,731,645 to the Authority which represents approximately 60% percent of the Authority's total revenue for the fiscal year June 30, 2013 and \$1,791,161 which represents approximately 62% percent for 2012.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

NOTE 22 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS - CONTINUED

Total financial support by HUD for the year ending at June 30, 2013 and 2012, are as follows:

		June 30,	
CFDA #'s	2013	2012	
	Expenditures	Expenditures	
<u>PHA Owned Housing</u>			
Low Rent Public Housing	14.850	\$ 415,552	\$ 441,771
Public Housing Capital Fund Program	14.872	133,076	167,075
Subtotal		548,628	608,846
 <u>Rental Assistance Housing Programs</u>			
Housing Choice Vouchers	14.871	1,183,017	1,182,315
Subtotal		1,183,017	1,182,315
Total Awards		\$ 1,731,645	\$ 1,791,161

NOTE 23 - CONTINGENCIES

Litigation – At June 30, 2013, the Authority was not involved in any threatening litigation.

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

NOTE 24 – -PRIOR PERIOD ADJUSTMENT

For year ending June 30, 2012

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2013

NOTE 25 – SUBSEQUENT EVENTS

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru November 7, 2013; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

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	\$ 415,552
Public Housing Capital Fund Program	14.872	133,076
Subtotal		548,628
 <u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	1,183,017
Subtotal		1,183,017
Total Awards		\$ 1,731,645

Note 1. Presentation:

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

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or limited as to reimbursement.

Note 3. Loans Outstanding:

The Housing Authority of the City of South Amboy has no outstanding loans as of June 30, 2013.

Note 4. Sub recipients:

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
BUDGETARY COMPARISON SCHEDULE
LOW INCOME HOUSING PROGRAM
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 682,779	\$ 668,670	\$ 14,109
HUD PHA Operating Grants	429,266	430,129	(863)
Fraud Recovery	3,402	-	3,402
Other Revenue	172,762	117,000	55,762
Total Revenue	<u>1,288,209</u>	<u>1,215,799</u>	<u>72,410</u>
Operating Expenses:			
Administration:			
Administrative Salaries	93,314	103,040	9,726
Audit Fee's	3,748	6,000	2,252
Employee Benefit Contributions	48,927	57,926	8,999
Other Operating Administrative Expenses	144,331	67,220	(77,111)
Total Administrative Expenses	<u>290,320</u>	<u>234,186</u>	<u>(56,134)</u>
Tenant Services:			
Tenant Services - Other	4,945	3,800	(1,145)
Total Tenant Services	<u>4,945</u>	<u>3,800</u>	<u>(1,145)</u>
Utilities:			
Water	46,790	45,960	(830)
Electricity	111,880	128,680	16,800
Gas	91,520	100,030	8,510
Sewer	62,064	64,210	2,146
Labor	74,027	71,500	(2,527)
Employee Benefit Contributions	38,814	22,376	(16,438)
Total Utilities	<u>425,095</u>	<u>432,756</u>	<u>7,661</u>
Maintenance:			
Maintenance Labor	281,933	241,999	(39,934)
Materials	93,315	85,000	(8,315)
Maintenance Contract Cost	88,692	100,000	11,308
Employee Benefit Contributions	147,825	67,718	(80,107)
Total Maintenance	<u>611,765</u>	<u>494,717</u>	<u>(117,048)</u>
Other Operating Expenses:			
Insurance	55,100	56,250	1,150
Compensated Absences	12,248	-	(12,248)
Severance Expense	40,031	40,001	(30)
Payment in Lieu of Taxes	25,768	25,820	52
Bad Debt - Tenant Rents	-	5,000	5,000
Total Other Operating Expenses	<u>133,147</u>	<u>127,071</u>	<u>(6,076)</u>
Total Operating Expenses	<u>1,465,272</u>	<u>1,292,530</u>	<u>(171,597)</u>
Excess Revenue Over Expenses From Operations	<u>(177,063)</u>	<u>(76,731)</u>	<u>(100,332)</u>
Other Income and (Expenses):			
Investment Income	1,023	4,740	(3,717)
Fixed Asset Purchases	(27,862)	(10,000)	(17,862)
Prior Period Adjustment	(35,969)	-	(35,969)
Total Other Income and (Expenses)	<u>(62,808)</u>	<u>(5,260)</u>	<u>(57,548)</u>
Excess Revenue over Expenses (Loss)	<u>\$ (239,871)</u>	<u>\$ (81,991)</u>	<u>\$ (157,880)</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, 2013**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	\$ 1,085,445	\$ 1,073,580	\$ 11,865
Administrative Fee Earned	97,572	95,000	2,572
Fraud Recovery	1,256	-	1,256
Other Income	314,708	5,000	309,708
Total Revenue	<u>1,498,981</u>	<u>1,173,580</u>	<u>325,401</u>
Operating Expenses:			
Administration:			
Administrative Salaries	45,937	40,760	(5,177)
Audit Fee's	3,748	4,800	1,052
Employee Benefit Contributions	28,519	30,200	1,681
Other Operating Administrative Expenses	54,167	43,480	(10,687)
Total Administrative Expenses	<u>132,371</u>	<u>119,240</u>	<u>(13,131)</u>
Other Operating Expenses:			
Insurance	1,539	1,500	(39)
Other General Expense	9,244	-	(9,244)
Housing Assistance Payments	1,392,009	1,073,580	(318,429)
Total Other Operating Expenses	<u>1,402,792</u>	<u>1,075,080</u>	<u>(327,712)</u>
Total Operating Expenses	<u>1,535,163</u>	<u>1,194,320</u>	<u>(340,843)</u>
Excess Revenue Over Expenses From Operations	<u>(36,182)</u>	<u>(20,740)</u>	<u>(15,442)</u>
Other Income and (Expenses):			
Investment Income	1,155	-	1,155
Transfer From Restricted	7,555	-	7,555
Total Other Income and (Expenses)	<u>8,710</u>	<u>-</u>	<u>8,710</u>
Excess Revenue over Expenses (Loss)	<u>\$ (27,472)</u>	<u>\$ (20,740)</u>	<u>\$ (6,732)</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENT AND CERTIFICATION OF
ACTUAL FORMULA CAPITAL FUND STIMULUS GRANT COSTS
AS OF JUNE 30, 2013**

	NJ39S035-501-09		
	Approved Budget	Actual Cost	Overrun
Dwelling Structures	\$ 224,507	\$ 224,507	\$ -
Fee's & Cost	17,677	17,677	-
Total	\$ 242,184	\$ 242,184	\$ -
Funds Advanced	\$ 242,184		
Funds Expended	242,184		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Formula Capital Fund Stimulus Grant Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Formula Capital Fund Stimulus Grant costs have been paid and all related liabilities have been discharged through payment.
3. The Formula Capital Fund Stimulus Grant 501-09 was completed on April 1, 2012.
4. There were no budget overruns noted.

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, 2013**

	NJ39PO35-501-09		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 12,000	\$ 12,000	\$ -
Management Improvements	10,000	10,000	-
Administration	18,000	18,000	-
Fee's & Cost	2,000	2,000	-
Site Improvements	11,000	11,000	-
Dwelling Structures	104,712	104,712	-
Non Dwelling Equipment	32,618	32,618	-
Total	\$ 190,330	\$ 190,330	\$ -
Funds Advanced	\$ 190,330		
Funds Expended	190,330		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-09 was completed on April 1, 2012.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$378,299	\$189,612	\$567,911	\$567,911
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$2,209	\$2,209	\$2,209
114 Cash - Tenant Security Deposits	\$45,595		\$45,595	\$45,595
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$423,894	\$191,821	\$615,715	\$615,715
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$0		\$0	\$0
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous	\$46,690		\$46,690	\$46,690
126 Accounts Receivable - Tenants	\$1,737		\$1,737	\$1,737
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0	\$0
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	\$90		\$90	\$90
120 Total Receivables, Net of Allowances for Doubtful	\$48,517	\$0	\$48,517	\$48,517
131 Investments - Unrestricted	\$26,860		\$26,860	\$26,860
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$27,943		\$27,943	\$27,943
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$527,214	\$191,821	\$719,035	\$719,035
161 Land	\$137,125		\$137,125	\$137,125
162 Buildings	\$7,956,294		\$7,956,294	\$7,956,294
163 Furniture, Equipment & Machinery - Dwellings	\$381,394		\$381,394	\$381,394
164 Furniture, Equipment & Machinery - Administration	\$196,943		\$196,943	\$196,943
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$7,366,885		-\$7,366,885	-\$7,366,885
167 Construction in Progress	\$771,121		\$771,121	\$771,121
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,075,992	\$0	\$2,075,992	\$2,075,992
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	\$2,075,992	\$0	\$2,075,992	\$2,075,992

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: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
190 Total Assets	\$2,603,206	\$191,821	\$2,795,027	\$2,795,027
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$32,897		\$32,897	\$32,897
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$7,115	\$572	\$7,687	\$7,687
322 Accrued Compensated Absences - Current Portion	\$12,248	\$892	\$13,140	\$13,140
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$25,768		\$25,768	\$25,768
341 Tenant Security Deposits	\$45,595		\$45,595	\$45,595
342 Deferred Revenues	\$3,089		\$3,089	\$3,089
343 Current Portion of Long-term Debt - Capital				
344 Current Portion of Long-term Debt - Operating				
345 Other Current Liabilities				
346 Accrued Liabilities - Other	\$39,922		\$39,922	\$39,922
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$166,634	\$1,464	\$168,098	\$168,098
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	\$46,081	\$8,027	\$54,108	\$54,108
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$168,321	\$14,201	\$182,522	\$182,522
350 Total Non-Current Liabilities	\$214,402	\$22,228	\$236,630	\$236,630
300 Total Liabilities	\$381,036	\$23,692	\$404,728	\$404,728
508.1 Invested In Capital Assets, Net of Related Debt	\$2,075,992		\$2,075,992	\$2,075,992
511.1 Restricted Net Assets	\$0	\$2,209	\$2,209	\$2,209
512.1 Unrestricted Net Assets	\$146,178	\$165,920	\$312,098	\$312,098
513 Total Equity/Net Assets	\$2,222,170	\$168,129	\$2,390,299	\$2,390,299
600 Total Liabilities and Equity/Net Assets	\$2,603,206	\$191,821	\$2,795,027	\$2,795,027

See accompanying notes to the financial statements

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$647,419		\$647,419	\$647,419
70400 Tenant Revenue - Other	\$35,360		\$35,360	\$35,360
70500 Total Tenant Revenue	\$682,779	\$0	\$682,779	\$682,779
70600 HUD PHA Operating Grants	\$429,266	\$1,183,017	\$1,612,283	\$1,612,283
70610 Capital Grants	\$119,362		\$119,362	\$119,362
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$1,023	\$1,120	\$2,143	\$2,143
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery	\$3,402	\$1,256	\$4,658	\$4,658
71500 Other Revenue	\$172,762	\$314,708	\$487,470	\$487,470
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted		\$35	\$35	\$35
70000 Total Revenue	\$1,408,594	\$1,500,136	\$2,908,730	\$2,908,730
91100 Administrative Salaries	\$93,314	\$45,937	\$139,251	\$139,251
91200 Auditing Fees	\$3,748	\$3,748	\$7,496	\$7,496
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$48,927	\$28,519	\$77,446	\$77,446
91600 Office Expenses	\$132,251	\$39,659	\$171,910	\$171,910
91700 Legal Expense	\$9,959	\$13,094	\$23,053	\$23,053
91800 Travel	\$2,121	\$1,414	\$3,535	\$3,535
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$290,320	\$132,371	\$422,691	\$422,691
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$4,945		\$4,945	\$4,945
92500 Total Tenant Services	\$4,945	\$0	\$4,945	\$4,945
93100 Water	\$46,790		\$46,790	\$46,790
93200 Electricity	\$111,880		\$111,880	\$111,880
93300 Gas	\$91,520		\$91,520	\$91,520

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: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
93400 Fuel				
93500 Labor	\$74,027		\$74,027	\$74,027
93600 Sewer	\$62,064		\$62,064	\$62,064
93700 Employee Benefit Contributions - Utilities	\$38,814		\$38,814	\$38,814
93800 Other Utilities Expense				
93000 Total Utilities	\$425,095	\$0	\$425,095	\$425,095
94100 Ordinary Maintenance and Operations - Labor	\$281,933		\$281,933	\$281,933
94200 Ordinary Maintenance and Operations - Materials	\$93,315		\$93,315	\$93,315
94300 Ordinary Maintenance and Operations Contracts	\$88,692		\$88,692	\$88,692
94500 Employee Benefit Contributions - Ordinary	\$147,825		\$147,825	\$147,825
94000 Total Maintenance	\$611,765	\$0	\$611,765	\$611,765
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	\$21,610	\$385	\$21,995	\$21,995
96120 Liability Insurance	\$17,066	\$385	\$17,451	\$17,451
96130 Workmen's Compensation	\$13,849	\$385	\$14,234	\$14,234
96140 All Other Insurance	\$2,575	\$384	\$2,959	\$2,959
96100 Total insurance Premiums	\$55,100	\$1,539	\$56,639	\$56,639
96200 Other General Expenses		\$5,801	\$5,801	\$5,801
96210 Compensated Absences	\$12,248	-\$38	\$12,210	\$12,210
96300 Payments in Lieu of Taxes	\$25,768		\$25,768	\$25,768
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense	\$40,031	\$3,481	\$43,512	\$43,512
96000 Total Other General Expenses	\$78,047	\$9,244	\$87,291	\$87,291
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	\$1,465,272	\$143,154	\$1,608,426	\$1,608,426
97000 Excess of Operating Revenue over Operating	-\$56,678	\$1,356,982	\$1,300,304	\$1,300,304
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$1,093,663	\$1,093,663	\$1,093,663
97350 HAP Portability-In		\$298,346	\$298,346	\$298,346

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: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
97400 Depreciation Expense	\$97,952	\$0	\$97,952	\$97,952
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,563,224	\$1,535,163	\$3,098,387	\$3,098,387
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)	-\$154,630	-\$35,027	-\$189,657	-\$189,657
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,412,768	\$203,156	\$2,615,924	\$2,615,924
11040 Prior Period Adjustments, Equity Transfers and	-\$35,968		-\$35,968	-\$35,968
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition				
11080 Changes in Special Term/Severance Benefits				
11090 Changes in Allowance for Doubtful Accounts -				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$165,920	\$165,920	\$165,920
11180 Housing Assistance Payments Equity		\$2,209	\$2,209	\$2,209
11190 Unit Months Available	1824	1332	3156	3156
11210 Number of Unit Months Leased	1803	1248	3051	3051
11270 Excess Cash	\$215,010		\$215,010	\$215,010
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$119,362		\$119,362	\$119,362
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0	\$0
11650 Leasehold Improvements Purchases	\$0		\$0	\$0
11660 Infrastructure Purchases	\$0		\$0	\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0

See accompanying notes to the financial statements



Hymanson, Parnes & Giampaolo

Certified Public Accountants

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Lincroft, NJ 07738

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of South Amboy (hereafter referred to as the Authority), which comprise the statement of net position as of June 30, 2013 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of South Amboy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: November 7, 2013



Hymanson, Parnes & Giampaolo

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance

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

Management's Responsibility for Compliance

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of South Amboy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

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

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

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

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: November 7, 2013

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Schedule of Findings and Questioned Cost

Year Ended June 30, 2013

Prior Audit Findings

None reported

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statement of the Housing Authority of the City of South Amboy.
2. No significant deficiencies relating to the audit of the financial statements are reported in the INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the 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 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*.
5. The auditor's report on compliance for the Public Housing Capital Fund Program, and the Low Rent Public Housing Program expresses an Unmodified 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 programs tested as major program were:
 - a. Public Housing Capital Fund Program, CFDA#14.872 with expenditures of \$133,076.
 - b. Low Rent Public Housing, CFDA# 14.850 with expenditures of \$415,552.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Housing Authority of the City of South Amboy qualified as a low risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



Hymanson, Parnes & Giampaolo

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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, 2013, and have issued our report thereon dated November 7, 2013. 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, 2013, 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: November 7, 2013

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	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 G3100-040)	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,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010)	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 G4000-020 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	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>	Hymanson Parnes & Giampaolo
<u>Employer Identification Number</u>	22-3554220
<u>Date</u>	November 7, 2013
<u>UFI#</u>	#66170
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