

Report On Audit

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

**For the Year Ended
June 30, 2012**

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
PO Box 817
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We have audited the Statement of Net Assets of The Housing Authority of the City of South Amboy, hereafter referred to as the Authority, for the fiscal year ended June 30, 2012, and 2011, and the related statement of revenue, expenses and changes in net assets and cash flows for the year's then ended, which collectively comprise The Housing Authority of the City of South Amboy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes the examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of The Housing Authority of the City of South Amboy, as of June 30, 2012, and 2011 and the changes in financial position and, where applicable, cash flows thereof for the year's then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2013, on our consideration of The Housing Authority of the City of South Amboy's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 15 and pages 43 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Hymanson, Parnes & Giampaolo

Date: March 5, 2013

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

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 16 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

Assets of the Authority's enterprise fund were \$2,615,924 greater than the liabilities, a decrease in the financial position of \$327,483 or 11% percent.

As noted above, the assets of the Authority exceeded its liabilities by \$2,615,924 as of June 30, 2012. Of this amount, the unrestricted net asset portion is \$579,441 representing a decrease of \$152,431 or 21% percent from the previous year. The investment in fixed assets decreased \$84,781 or 4% percent for an ending balance of \$2,026,719. The restricted net assets decreased \$90,271 or 90% percent from the previous year. Additional information regarding the Authority's restricted and unrestricted net assets can be found in Note 16 and Note 17 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at June 30, 2012 is \$787,858 representing a decrease of \$32,173 or 4% percent from the prior fiscal year. The full detail of this amount can be found in the Statement of Cash Flow on page 18 of this report.

The Authority's total assets are \$2,932,815 of which capital assets net book value is \$2,026,719, leaving total current assets at \$906,096. Total current assets decreased from the previous year by \$199,737 or 18% percent. Cash and cash equivalents decreased by \$32,173, accounts receivables decreased by \$172,649, investments increased by \$172, and prepaid expenses increased \$4,913.

The Authority's total liabilities are reported at \$316,891, of which noncurrent liabilities are stated at \$188,545. Total liabilities increased during the year as compared to the prior year in the amount of \$42,965 or 16% percent. Total current liabilities increased during the year by \$9,377, leaving noncurrent liabilities for an increase of \$33,588 as compared to the previous year.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

FINANCIAL HIGHLIGHTS – CONTINUED

Total current liabilities increased from the previous year by \$9,377 or 8% percent. Accounts payables decreased by \$25,031, accrued liabilities increased by \$23,571, tenant security deposit payable increased by \$7,389, and deferred revenue increased by \$3,448.

Total non-current liabilities increased by \$33,588 or 22% percent. . The increase was made up of two accounts accrued compensated absences – long term with no offsetting assets, decreased \$9,924 or 17% from the prior fiscal year for an ending balance of \$49,535, and other post-employment benefits (OPEB) liabilities increased \$43,512 or 46% percent from the prior year. Additional information on the Authority's other post-employment benefits (OPEB) liabilities at June 30, 2012 can be found in Note 15 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$2,726,301 as compared to \$2,752,490 from the prior year for a decrease of \$26,189 or 1% percent. Total operating expenses of \$3,198,338 as compared to \$2,938,312 from the previous year for an increase of \$260,026 or 9% percent, resulting in excess expenses from operations in the amount of \$472,037 for the current year as compared to excess expenses of \$185,822 from the previous year for an increase in expenses of \$286,215 or 154% percent.

Total capital improvements contributions from HUD were in the amount of \$139,623 as compared to \$152,715 from the previous year for a decrease of \$13,092 or 9% percent.

The Authority's had capital outlays in the amount of \$196,997 for the fiscal year. These expenditures were funded by grants received from the U.S. Department of Housing and Urban Development in the amount of \$139,623 and \$57,374 from operating 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 \$1,791,161 for the fiscal year 2012 as compared to \$1,935,046 for the previous fiscal year 2011 for a decrease of \$143,885 or 7% percent.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

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 Assets,
- 2) Statement of Revenue, Expenses and Net Assets,
- 3) Statement of Cash Flow, and
- 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 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 16 through 18.

Statement of Net Assets - This statement presents information on all of the Housing Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Housing Authority is improving or deteriorating.

Statement of Revenue, Expenses, and Net Assets - This statement presents information showing how the Housing Authority's net assets increased or decreased during the current fiscal year. All changes in net assets are reported as soon as the underlying event-giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in future periods.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

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 19 through 41.

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 42 of this report.

The comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program found on page 43 the Section Eight Housing Choice Voucher Program on page 44.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Assets between June 30, 2012 and June 30, 2011:

Computations of Net Assets are as follows:

	<u>Year Ending</u>		Increase
	June-12	June-11	(Decrease)
Cash	\$ 787,858	\$ 820,031	\$ (32,173)
Other Current Assets	118,238	285,802	(167,564)
Capital Assets - Net	2,026,719	2,111,500	(84,781)
Total Assets	2,932,815	3,217,333	(284,518)
Less: Current Liabilities	(128,346)	(118,969)	(9,377)
Less: Non Current Liabilities	(188,545)	(154,957)	(33,588)
Net Assets	<u>\$ 2,615,924</u>	<u>\$ 2,943,407</u>	<u>\$ (327,483)</u>
Invested in Capital Assets	\$ 2,026,719	\$ 2,111,500	\$ (84,781)
Restricted Net Assets	9,764	100,035	(90,271)
Unrestricted Net Assets	579,441	731,872	(152,431)
	<u>\$ 2,615,924</u>	<u>\$ 2,943,407</u>	<u>\$ (327,483)</u>

Cash decreased by \$32,173 or 4% percent. Net cash used by operating activities was \$20,535, net cash used by capital and related financing activities was \$23,786, and net cash provided by investing activities was \$12,148. The full detail of this amount can be found in the Statement of Cash Flow on page 18 of this audit report.

Account receivable decreased \$172,649 which was supported mainly by a decrease in Accounts Receivable – HUD Other Projects in the amount of \$173,768.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$84,781 or 4% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$196,997, less the recording of depreciation expense in the amount of \$281,778. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

Total current liabilities increased by \$9,377 or 8% percent. Accounts payables decreased by \$25,031, accrued liabilities increased by \$23,571, tenant security deposit payable increased by \$7,389, and deferred revenue increased by \$3,448.

Total non-current liabilities increased by \$33,588 or 22% percent. . The increase was made up of two accounts accrued compensated absences – long term with no offsetting assets, decreased \$9,924 or 17% from the prior fiscal year for an ending balance of \$49,535, and other post-employment benefits (OPEB) liabilities increased \$43,512 or 46% percent from the prior year.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority's reported net assets of \$2,615,924 which is made up of three categories. The investment in capital assets in the amount of \$2,026,719 represents 77% percent of the total account balance. The investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

Balance September 30, 2011	\$ 2,111,500
Acquisition in Fixed Assets	196,997
Depreciation Expense	<u>(281,778)</u>
Balance September 30, 2012	<u><u>\$ 2,026,719</u></u>

The second largest portion of the Authority's net assets (22% percent) reflects its Unrestricted Net Assets in the amount of \$579,441. The Housing Authority of the City of South Amboy operating results for June 30, 2012 reported a decrease in Unrestricted Net Assets of \$152,431 or 21% percent for an ending balance of \$579,441.

The Authority reported restricted net assets in the amount of \$9,764, for a decrease of \$90,271 from the prior year. A full detail of these accounts can be found in the Notes to the Financial Statements section Note 16-17.

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Assets between June 30, 2012 and June 30, 2011.

Computation of Changes in Net Assets are as follows:

	<u>Year Ending</u>		Increase (Decrease)
	June-12	June-11	
<u>Revenues</u>			
Tenant Revenues	\$ 662,334	\$ 644,752	\$ 17,582
HUD Subsidies	1,651,538	1,782,331	(130,793)
Other Revenues	412,429	325,407	87,022
Total Operating Income	<u>2,726,301</u>	<u>2,752,490</u>	<u>(26,189)</u>
<u>Expenses</u>			
Operating Expenses	2,916,561	2,655,512	261,049
Depreciation Expense	281,777	282,800	(1,023)
Total Operating Expenses	<u>3,198,338</u>	<u>2,938,312</u>	<u>260,026</u>
Operating Income before Non Operating Income	(472,037)	(185,822)	(286,215)
Interest Income	4,931	10,021	(5,090)
HUD Capital Grants	139,623	152,715	(13,092)
Change in Net Assets	<u>(327,483)</u>	<u>(23,086)</u>	<u>(304,397)</u>
Net Assets Prior Year	2,943,407	2,966,493	(23,086)
Total Net Assets	<u>\$ 2,615,924</u>	<u>\$ 2,943,407</u>	<u>\$ (327,483)</u>

Approximately 61% percent of the Authority's total revenue was provided by HUD operating subsidy, while 24% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 15% percent of the total income. The Housing Authority of the City of South Amboy received capital fund improvement grant money during the year in the amount of \$139,623 as compared to \$152,715 for the previous year.

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 44% percent of total operating expenses. Administrative expenses accounted for 12% percent, tenant services expenses accounted for less than 1% percent, utilities expense accounted for 14% percent, maintenance expense accounted for 17%, and other operating expenses and depreciation accounted for the remaining 12% of the total operating expenses.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating revenue did not exceed its operating expenses resulting in excess expenses in the amount of \$472,037 from operations as compared to excess expenses from operations from operations of \$185,822 for the previous year for an increase in deficit of \$286,215 or 154% percent. The key element for the increase compared to the prior year is:

- The Authority experienced a decrease in HUD PHA operating grants in the amount of \$130,793.
- The Authority also experienced an increase in Housing Assistance Payments of \$83,541.
- The Authority also experienced an increase in Maintenance expense in the amount of \$131,872.
- The Authority offset this slightly with an increase in Other Revenue of \$103,757.

Total net cash used by operating activities during the year was \$20,535. A full detail of this amount can be found on the Statement of Cash Flow on page 18 of this report.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2012, 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 43 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 44 of this report.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's operating revenues were sufficient to cover all operating expenses.

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

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

NEW INITIATIVES

For the year 2012 and carrying over to 2013 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 62% of its revenue from the Department of Housing and Urban Development, (down from 67% in 2011) the Authority are 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.

For 2012, 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 experienced a HUD recapture of operating subsidy in the amount of \$18,180 for 2012 calendar year.

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 our responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

FINANCIAL HIGHLIGHTS AND SIGNIFICANT ITEMS

The following are financial highlights of significant items for a four year period of time ending on June 30, 2012.

	June-12	June-11	June-10	June-09
Significant Income				
Total Tenant Revenue	\$ 662,334	\$ 644,752	\$ 676,218	\$ 658,277
HUD Operating Grants	1,651,538	1,782,331	1,830,418	1,679,929
HUD Capital Grants	139,623	152,715	321,002	239,616
Investment Income	4,931	10,021	9,245	10,546
Other Income	412,429	325,407	222,147	60,045
Total	\$ 2,870,855	\$ 2,915,226	\$ 3,059,030	\$ 2,648,413
Payroll Expense				
Administrative Salaries	\$ 152,388	\$ 173,053	\$ 181,220	\$ 149,350
Utilities Labor	94,783	78,071	79,044	62,270
Maintenance Labor	240,367	207,622	203,971	157,169
Employee Benefits Expense	191,888	176,594	221,013	134,023
Total Payroll Expense	\$ 679,426	\$ 635,340	\$ 685,248	\$ 502,812
Other Significant Expenses				
Other Administrative Expenses	\$ 181,652	\$ 139,315	\$ 156,940	\$ 152,918
Utilities Expense	302,535	323,410	325,398	352,890
Maintenance Supplies	84,710	59,154	38,795	73,475
Maintenance Contract Cost	111,276	50,878	52,135	46,557
Insurance Premiums	53,298	50,884	58,998	62,819
OPEB Expense	43,512	43,512	51,986	-
Housing Assistance Payments	1,404,877	1,321,336	1,086,917	1,099,356
Total	\$ 2,181,860	\$ 1,988,489	\$ 1,771,169	\$ 1,788,015
Total Operating Expenses	\$ 3,198,338	\$ 2,938,312	\$ 2,723,758	\$ 2,596,403
Total of Federal Awards	\$ 1,791,161	\$ 1,935,046	\$ 2,151,420	\$ 1,919,545

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

THE HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY'S PROGRAMS

Public Housing Program:

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

Housing Choice Voucher Program:

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

Capital Fund Program:

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

**HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of June 30, 2012 was \$2,026,719 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets, net of related debt for the current calendar year was \$84,781 or 4%. Major capital expenditures of \$196,997 were made during the year offset by the recording of depreciation expense in the amount of \$281,778.

Major capital assets events during the calendar year included the following:

- Water Line Replacements
- Computer Software
- New Flooring in the Apartments
- Boiler Replacement
- Ranges and Refrigerators

	June-12	June-11	Increase (Decrease)
Land	\$ 137,125	\$ 137,125	\$ -
Building	7,956,294	7,830,196	126,098
Furniture, Equipment - Dwelling	355,869	277,176	78,693
Furniture, Equipment - Administration	194,606	180,142	14,464
Construction in Process	651,759	674,017	(22,258)
Total Fixed Assets	9,295,653	9,098,656	196,997
Accumulated Depreciation	(7,268,934)	(6,987,156)	(281,778)
Net Book Value	<u>\$ 2,026,719</u>	<u>\$ 2,111,500</u>	<u>\$ (84,781)</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, 2012**

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 2012 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, 2013.

- 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.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- 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 Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Larry Stratton, 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 ASSETS
AS OF JUNE 30, 2012 AND 2011

	JUNE 30,	
	2012	2011
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 787,858	\$ 820,031
Investments	26,657	26,485
Accounts Receivables, Net of Allowances	61,807	234,456
Prepaid Expenses	29,774	24,861
Total Current Assets	906,096	1,105,833
Noncurrent Assets		
Capital Assets		
Land	137,125	137,125
Building	7,956,294	7,830,196
Furniture, Equipment - Dwelling	355,869	277,176
Furniture, Equipment - Administration	194,606	180,142
Construction in Process	651,759	674,017
Total Capital Assets	9,295,653	9,098,656
Less: Accumulated Depreciation	(7,268,934)	(6,987,156)
Net Book Value	2,026,719	2,111,500
Total Assets	\$ 2,932,815	\$ 3,217,333
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 38,299	\$ 63,330
Accrued Liabilities	42,194	18,623
Tenant Security Deposit Payable	44,331	36,942
Deferred Revenue	3,522	74
Total Current Liabilities	128,346	118,969
Noncurrent Liabilities		
Accrued Compensated Absences - Long-Term	49,535	59,459
Accrued Other Post-Employment Benefits (OPEB) Liabilities	139,010	95,498
Total Noncurrent Liabilities	188,545	154,957
Total Liabilities	316,891	273,926
Net Assets:		
Investment in Capital Assets, Net of Related Debt	2,026,719	2,111,500
Restricted Net Assets	9,764	100,035
Unrestricted Net Assets	579,441	731,872
Total Net Assets	2,615,924	2,943,407
Total of Liabilities and Net Assets	\$ 2,932,815	\$ 3,217,333

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012 AND 2011

	JUNE 30,	
	2012	2011
Revenue:		
Tenant Rental Revenue	\$ 662,334	\$ 644,752
HUD PHA Operating Grants	1,651,538	1,782,331
Fraud Recovery	1,218	17,953
Other Revenue	411,211	307,454
Total Revenue	2,726,301	2,752,490
Operating Expenses:		
Administrative Expense	390,148	380,940
Tenant Services	5,213	-
Utilities Expense	440,961	430,899
Maintenance Expense	528,490	396,618
Other Operating Expenses	146,872	125,719
Housing Assistance Payments	1,404,877	1,321,336
Depreciations Expense	281,777	282,800
Total Operating Expenses	3,198,338	2,938,312
Excess Expenses Over Revenue From Operations	(472,037)	(185,822)
Non Operating Income and (Expenses):		
Investment Income	4,931	10,021
Total Non Operating Income and (Expenses)	4,931	10,021
Capital Grants	139,623	152,715
Change in Net Assets	(327,483)	(23,086)
Beginning Net Assets	2,943,407	2,966,493
Ending Net Assets	\$ 2,615,924	\$ 2,943,407

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, 2012 AND 2011

	JUNE 30,	
	2012	2011
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 665,768	\$ 642,173
Receipts from Federal Grants	1,825,306	1,665,795
Receipts from Misc. Sources	412,429	325,407
Payments to Vendors and Suppliers	(537,200)	(398,594)
Payments for Housing Assistance Payments	(1,404,877)	(1,321,336)
Payments to Employees	(487,538)	(458,746)
Payment of Employee Benefits	(191,888)	(176,954)
Payments for Utilities	(302,535)	(323,410)
Net Cash (Used) by Operating Activities	(20,535)	(45,665)
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	139,623	152,715
Acquisitions and Construction of Capital Assets	(196,997)	(155,580)
Increase in Accrued Compensated Absences	(9,924)	(7,039)
Accrued Other Post-Employment Benefits (OPEB) Liabilities	43,512	43,512
Net Cash (Used) Provided by Related Financing Activities	(23,786)	33,608
Cash Flow From Investing Activities		
(Payment) in Tenant Security Deposit	7,389	(1,137)
Interest Income	4,931	10,021
Purchase of Investments	(172)	(424)
Net Cash Provided by Investing Activities	12,148	8,460
Net (Decrease) in Cash and Cash Equivalents	(32,173)	(3,597)
Beginning Cash	820,031	823,628
Ending Cash	\$ 787,858	\$ 820,031
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Excess of Revenue Over Expenses	\$ (472,037)	\$ (185,822)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	281,777	282,800
(Increase) Decrease in:		
Accounts Receivables	172,649	(122,608)
Prepaid Expenses	(4,913)	3,310
Increase (Decrease) in:		
Accounts Payable	(25,030)	(26,386)
Accrued Liabilities	23,571	5,839
Tenant Security Deposit Payable	-	-
Deferred Revenue	3,448	(2,798)
Net Cash (Used) by Operating Activities	\$ (20,535)	\$ (45,665)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

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

1. Organization - The Authority is a non-profit corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of South Amboy in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority.

Operating and modernization subsidies are provided to the Authority by the federal government.

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

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2012

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting” addresses the applicability of the various FASB’s, and allows several options in the use of the FASB’s. The Authority has elected to use Alternative 2 of GASB-20 which states that “a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements”. Also, the Authority has elected to not follow FASB-106, FASB-112, and FASB-132, which all deal with pension reporting. Instead, the Authority follows GASB-45-“Accounting for Pensions by State and Local Governmental Employers.”

New Accounting Standards Adopted

Statement No. 45 of the Government Accounting Standards Board (“GASB 45”) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension* was issued in June 2004. This Statement requires the Authority to account for its “other postemployment benefits” (OPEB) in essentially the same way as it accounts for pension benefits. OPEB include medical, prescription drug, dental, vision, life insurance and disability benefits provided to retirees and certain terminated employees.

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

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.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

Basis of Accounting - Continued

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. 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.

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.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2012

Basis of Accounting - Continued

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.

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" and Statement No.38 "Certain Financial Statement Note Disclosures" which supplements GASB Statement No. 34.

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

GASB Statement No. 34 requires the classification of net assets into three components, Investment in Capital Assets, Net of Related Debt Restricted Net Assets, and Unrestricted Net Assets.

Net Assets Invested in Capital Assets Net of Related Debt.

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

Restricted Net Assets.

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

Report Presentation - Continued

Unrestricted Net Assets.

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

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

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

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

Other accounting policies are as follows

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

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

Other accounting policies - Continued

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

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.

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 43 the Section Eight Housing Choice Voucher Program on page 44.

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

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Low Rent Housing	14.850	NJ035	152
Capital Fund	14.872	NJ035	
<u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ035	111

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

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.

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

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

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

NOTE 2 – ESTIMATES

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

NOTE 3 - PENSION PLAN

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

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

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2012 and 2011 amounted to \$32,397 and \$36,703.

Post Employment Retirement Benefits

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

NOTE 4 – CASH, CASH EQUIVALENTS

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

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

Collateral for Deposits

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

Cash and cash equivalents at June 30, 2012 and 2011 of \$787,858 and \$820,031 and investments of \$26,657 and \$26,485, respectively, at June 30, 2012 and 2011 consist of the following financial institutions:

	<u>June-12</u>	<u>June-11</u>
Amboy National Bank	\$ 766,516	\$ 805,907
Provident Bank	44,331	36,942
Wells Fargo	3,568	3,567
Petty Cash	100	100
Total	<u>\$ 814,515</u>	<u>\$ 846,516</u>

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2012

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-12</u>	<u>June-11</u>
Insured	\$ 297,899	\$ 290,509
Collateralized held by pledging bank's trust department in the Authority's name	516,616	556,007
Total	<u>\$ 814,515</u>	<u>\$ 846,516</u>

NOTE 5 - RESTRICTED CASH

The Authority has total restricted cash at June 30, 2012 and 2011 in the amount of \$54,095 and \$136,977, respectively, which was accounted for in Note 4 and consists of the following:

	<u>June-12</u>	<u>June-11</u>
Tenant Security Deposits	\$ 44,331	\$ 36,942
HAP Reserve	9,764	100,035
Total	<u>\$ 54,095</u>	<u>\$ 136,977</u>

The restricted cash in the amount of \$9,764 for 2012 and \$100,035 for 2011 was reported under the Housing Choice Voucher Program as a HAP reserve for future use.

The remaining amount in restricted cash at June 30, 2012 was in the amount of \$44,331 and \$36,942 at June 30, 2011. 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.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2012

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2012 and 2011 consisted of the following:

	<u>June-12</u>	<u>June-11</u>
Tenants Accounts Receivable - Present	\$ 7,938	\$ 11,372
Less Allowance for Doubtful Accounts	-	(4,550)
Net Tenants Accounts Receivable	<u>7,938</u>	<u>6,822</u>
Accounts Receivable - HUD	53,764	227,532
Accrued Interest Receivable	<u>105</u>	<u>102</u>
Total Accounts Receivable	<u>\$ 61,807</u>	<u>\$ 234,456</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.

Total HUD receivables were received in first quarter of the subsequent year respectively and the Authority's management elected not to make an allowance for doubtful account.

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. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at June 30, 2012 and 2011 consisted of prepaid insurance in the amount of \$29,774 on June 30, 2012 and \$24,861 as of June 30, 2011.

NOTE 8 - INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at June 30, 2012 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

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, 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 at June 30, 2012.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2012

NOTE 9 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2012 and 2011:

	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

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

NOTE 10 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its balance sheet as of June 30, 2012 and 2011. 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, 2012 and 2011 consist of the following:

	June-12	June-11
Accounts Payable Vendors	\$ 16,162	\$ 40,593
Accounts Payable - P.I.L.O.T.	22,137	22,737
Total Accounts Payable	\$ 38,299	\$ 63,330

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

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. The total amount of PILOT payable at June 30, 2012 and 2011 consisted of the following:

	June-12	June-11
PILOT Expense for June 30, 2010	-	23,867
PILOT Expense for June 30, 2011	22,737	22,737
PILOT Expense for June 30, 2012	22,137	-
Less Payments Made	(22,737)	(23,867)
Total P.I.L.O.T. Payable	\$ 22,137	\$ 22,737

NOTE 12 – ACCRUED EXPENSES

The Authority reported accrued expenses on its balance sheet. Accrued expenses are liabilities covering expenses incurred on or before June 30, and are payable at some future date. Accrued liabilities at June 30, 2012 and 2011 consist of the following:

	June-12	June-11
Accrued Wages/Payroll Taxes	\$ 9,468	\$ 12,050
Compensated Absences - Current Portion	5,504	6,573
Accrued Liabilities - Other	27,222	-
Total Accrued Liabilities	\$ 42,194	\$ 18,623

NOTE 13 – ACCRUED COMPENSATED ABSENCES

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

NOTE 13 – ACCRUED COMPENSATED ABSENCES - CONTINUED

The Authority has determined that the potential liability for accumulated vacation and sick time are as follows:

	<u>June-12</u>	<u>June-11</u>
Accumulated Sick Time	\$ 29,054	\$ 32,947
Accumulated Vacation Time	25,985	33,085
Total	55,039	66,032
Compensated Absences - Current Portion	(5,504)	(6,573)
Total Compensated Absences - Noncurrent	<u>\$ 49,535</u>	<u>\$ 59,459</u>

NOTE 14 – DEFERRED REVENUE

The Authority reported deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized. The deferred revenue for June 30, 2012 and 2011 consisted of prepaid rents in the amount of \$3,522 and \$74.

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

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

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

	<u>June-12</u>	<u>June-11</u>
Annual Required Contribution	\$ 56,665	\$ 56,665
Amortization of Initial Unfunded Accrued Liability	10,152	6,247
Annual OPEB cost (expense)	66,817	62,912
Contributions made	(23,305)	(19,400)
Increase in net OPEB obligation	43,512	43,512
Net OPEB Obligation – beginning of year	95,498	51,986
Net OPEB Obligation – end of year	<u>\$ 139,010</u>	<u>\$ 95,498</u>

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 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

FUNDED STATUS AND FUNDING PROGRESS

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

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

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.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by 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.

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.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

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 16 – RESTRICTED NET ASSETS

The Authority Restricted Net Assets account balance at June 30, 2012 is \$9,764. The balance of \$9,764 pertains to the HAP reserve. The detail of the restricted reserve account balances is as follows:

	<u>HCV Reserve</u>
Balance June 31, 2010	\$ 80,032
Increase During the Year	20,003
Balance June 31, 2011	100,035
Decrease During the Year	(90,271)
Balance June 31, 2012	<u>\$ 9,764</u>

Housing Choice Voucher Program - Reserves

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

NOTE 17 – UNRESTRICTED NET ASSETS

The Authority Unrestricted Net Assets account balance at June 30, 2012 is \$579,441. The detail of the account balance is as follows:

	Low Rent PH Reserve	HCV Reserve	Total
Balance June 31, 2010	\$ 501,372	\$ 145,569	\$ 646,941
Increase During the Year	27,384	57,547	84,931
Balance June 31, 2011	528,756	203,116	731,872
Decrease During the Year	(142,707)	(9,724)	(152,431)
Balance June 31, 2012	<u>\$ 386,049</u>	<u>\$ 193,392</u>	<u>\$ 579,441</u>

Housing Choice Voucher Program - Reserves

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

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements
June 30, 2012

NOTE 17 – UNRESTRICTED NET ASSETS – CONTINUED

	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

NOTE 18 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended June 30, 2012, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, and public-officials errors omissions.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements June 30, 2012

NOTE 18 – RISK MANAGEMENT - CONTINUED

Periodically, but not less than once annually, the Authority conducts a physical inspection of all its buildings for the purpose of determining potential liability issues. During the year ended June 30, 2012, the Authority did not reduce insurance coverage's from coverage levels in place as of June 30, 2011. No settlements have exceeded coverage levels in place during 2010, 2011, and 2012.

The Authority participates in the New Jersey Public housing Authority Joint Insurance Fund (NJPHA –JIF), which was established in 1998 by several Housing Authority's as a means of reducing the cost of general liability insurance. The NJ-PHA JIF is a public entity risk pool currently operating as a common risk management and insurance program for the member Authority's. The main purpose of the Consortium is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit. Coverage includes all property and \$25,000,000 for liability.

No settlement has exceeded coverage since establishment of the Consortium. In 2000 NJPHA –JIF added statutory worker's compensation coverage. For the fiscal year ended June 30, 2012 and 2011 the Authority paid \$59,548 and \$58,023 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.

NOTE 19 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended June 30, 2012 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, 2012 and 2011 were \$441,771 and \$479,269, 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.

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Notes to Financial Statements

June 30, 2012

NOTE 19 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES - CONTINUED

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, 2012 and 2011 were \$1,182,315 and \$1,285,265, respectively.

NOTE 20 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

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 \$1,791,161 to the Authority which represents approximately 62% percent of the Authority's total revenue for the fiscal year June 30, 2012 and \$1,935,046 which represents approximately 67% percent for 2011.

NOTE 21 - CONTINGENCIES

Litigation – At June 30, 2012, the Authority was not involved in any threatened litigation.

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

NOTE 22 – SUBSEQUENT EVENTS

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 March 5, 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, 2012**

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	\$ 441,771
Public Housing Capital Fund Program	14.872	167,075
Subtotal		608,846
 <u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	1,182,315
Subtotal		1,182,315
Total Awards		\$ 1,791,161

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The Housing Authority of the City of South Amboy. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2. 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, 2012.

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, 2012

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 662,334	\$ 663,730	\$ (1,396)
HUD PHA Operating Grants	469,223	479,764	(10,541)
Other Revenue	160,368	106,000	54,368
Total Revenue	<u>1,291,925</u>	<u>1,249,494</u>	<u>42,431</u>
Operating Expenses:			
Administration:			
Administrative Salaries	112,309	118,580	6,271
Audit Fee's	5,460	7,200	1,740
Employee Benefit Contributions	35,044	77,926	42,882
Other Operating Administrative Expenses	125,569	67,220	(58,349)
Total Administrative Expenses	<u>278,382</u>	<u>270,926</u>	<u>(7,456)</u>
Tenant Services:			
Tenant Services - Other	5,213	3,800	(1,413)
Total Tenant Services	<u>5,213</u>	<u>3,800</u>	<u>(1,413)</u>
Utilities:			
Water	46,078	40,590	(5,488)
Electricity	118,853	126,970	8,117
Gas	76,131	146,920	70,789
Sewer	61,473	56,950	(4,523)
Labor	94,783	67,670	(27,113)
Employee Benefit Contributions	43,643	32,671	(10,972)
Total Utilities	<u>440,961</u>	<u>471,771</u>	<u>30,810</u>
Maintenance:			
Maintenance Labor	240,367	198,860	(41,507)
Materials	84,710	75,000	(9,710)
Maintenance Contract Cost	111,276	60,000	(51,276)
Employee Benefit Contributions	92,137	98,013	5,876
Total Maintenance	<u>528,490</u>	<u>431,873</u>	<u>(96,617)</u>
Other Operating Expenses:			
Insurance	52,233	63,250	11,017
Compensated Absences	2,100	-	(2,100)
Severance Expense	40,031	-	(40,031)
Payment in Lieu of Taxes	22,137	22,460	323
Bad Debt - Tenant Rents	10,871	5,000	(5,871)
Total Other Operating Expenses	<u>127,372</u>	<u>90,710</u>	<u>(36,662)</u>
Total Operating Expenses	<u>1,380,418</u>	<u>1,269,080</u>	<u>(109,925)</u>
Excess Revenue Over Expenses From Operations	<u>(88,493)</u>	<u>(19,586)</u>	<u>(68,907)</u>
Other Income and (Expenses):			
Investment Income	3,159	4,740	(1,581)
Fixed Asset Purchases	(57,373)	(20,000)	(37,373)
Total Other Income and (Expenses)	<u>(54,214)</u>	<u>(15,260)</u>	<u>(38,954)</u>
Excess Revenue over Expenses (Loss)	<u>\$ (142,707)</u>	<u>\$ (34,846)</u>	<u>\$ (107,861)</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, 2012**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	\$ 1,182,315	\$ 1,270,300	\$ (87,985)
Fraud Recovery	1,140	-	1,140
Other Income	250,921	5,000	245,921
Total Revenue	<u>1,434,376</u>	<u>1,275,300</u>	<u>159,076</u>
Operating Expenses:			
Administration:			
Administrative Salaries	40,079	33,890	(6,189)
Audit Fee's	3,640	4,800	1,160
Employee Benefit Contributions	21,064	24,000	2,936
Other Operating Administrative Expenses	46,983	42,880	(4,103)
Total Administrative Expenses	<u>111,766</u>	<u>105,570</u>	<u>(6,196)</u>
Other Operating Expenses:			
Insurance	1,065	1,500	435
Other General Expense	18,435	-	(18,435)
Housing Assistance Payments	1,404,877	1,165,500	(239,377)
Total Other Operating Expenses	<u>1,424,377</u>	<u>1,167,000</u>	<u>(257,377)</u>
Total Operating Expenses	<u>1,536,143</u>	<u>1,272,570</u>	<u>(263,573)</u>
Excess Revenue Over Expenses From Operations	<u>(101,767)</u>	2,730	<u>(104,497)</u>
Other Income and (Expenses):			
Investment Income	1,772	-	1,772
Transfer From Restricted	90,271	-	90,271
Total Other Income and (Expenses)	<u>92,043</u>	<u>-</u>	<u>92,043</u>
Excess Revenue over Expenses (Loss)	<u>\$ (9,724)</u>	<u>\$ 2,730</u>	<u>\$ (12,454)</u>

See accompanying notes to the financial statements.

South Amboy Housing Authority (NJ035)
 SOUTH AMBOY, NJ
Entity Wide Balance Sheet Summary

Submission	Audited/A-133	Fiscal Year End: 06/30/2012	
		14,871 Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$213,830	\$733,763
112	Cash - Restricted - Modernization and Development		
113	Cash - Other Restricted	\$9,764	\$9,764
114	Cash - Tenant Security Deposits		\$44,331
115	Cash - Restricted for Payment of Current Liabilities		
100	Total Cash	\$223,594	\$787,858
121	Accounts Receivable - PHA Projects		
122	Accounts Receivable - HUD Other Projects		\$53,764
124	Accounts Receivable - Other Government		\$0
125	Accounts Receivable - Miscellaneous		\$0
126	Accounts Receivable - Tenants		\$7,938
126.1	Allowance for Doubtful Accounts - Tenants		\$0
126.2	Allowance for Doubtful Accounts - Other		\$0
127	Notes, Loans, & Mortgages Receivable - Current		
128	Fraud Recovery		
128.1	Allowance for Doubtful Accounts - Fraud		\$105
129	Accrued Interest Receivable		\$61,807
120	Total Receivables, Net of Allowances for Doubtful	\$0	\$61,807
131	Investments - Unrestricted		\$26,657
132	Investments - Restricted		
135	Investments - Restricted for Payment of Current Liability		
142	Prepaid Expenses and Other Assets		\$29,774
143	Inventories		
143.1	Allowance for Obsolete Inventories		
144	Inter Program Due From		
145	Assets Held for Sale		
150	Total Current Assets	\$223,594	\$906,096
	Project Total		
		\$519,933	\$733,763
	Subtotal		
		\$9,764	\$9,764
		\$44,331	\$44,331
		\$787,858	\$787,858

See accompanying notes to the financial statements

South Amboy Housing Authority (NJ035)
 SOUTH AMBOY, NJ
Entity Wide Balance Sheet Summary

Submission Audited/A-133	Fiscal Year End: 06/30/2012	
	14,871	
	Housing Choice Vouchers	Total
Project Total	Subtotal	Total
161 Land	\$137,125	\$137,125
162 Buildings	\$7,956,294	\$7,956,294
163 Furniture, Equipment & Machinery - Dwellings	\$355,869	\$355,869
164 Furniture, Equipment & Machinery - Administration	\$194,606	\$194,606
165 Leasehold Improvements		
166 Accumulated Depreciation	-\$7,268,934	-\$7,268,934
167 Construction in Progress	\$651,759	\$651,759
168 Infrastructure		
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,026,719	\$2,026,719
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	\$2,026,719	\$2,026,719
190 Total Assets	\$2,709,221	\$2,932,815
311 Bank Overdraft		
312 Accounts Payable <= 90 Days	\$16,162	\$16,162
313 Accounts Payable >90 Days Past Due		
321 Accrued Wage/Payroll Taxes Payable	\$8,708	\$9,468
322 Accrued Compensated Absences - Current Portion	\$4,608	\$5,504
324 Accrued Contingency Liability		
325 Accrued Interest Payable		
331 Accounts Payable - HUD PHA Programs		
332 Account Payable - PHA Projects		

See accompanying notes to the financial statements

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Balance Sheet Summary

Submission	Audited/A-133	Fiscal Year End:	06/30/2012
		14,871	
		Housing Choice Vouchers	Total
333	Accounts Payable - Other Government	\$22,137	\$22,137
341	Tenant Security Deposits	\$44,331	\$44,331
342	Deferred Revenues	\$3,522	\$3,522
343	Current Portion of Long-term Debt - Capital		
344	Current Portion of Long-term Debt - Operating		
345	Other Current Liabilities		
346	Accrued Liabilities - Other	\$27,222	\$27,222
347	Inter Program - Due To		
348	Loan Liability - Current		
310	Total Current Liabilities	\$126,690	\$128,346
351	Long-term Debt, Net of Current - Capital		
352	Long-term Debt, Net of Current - Operating Borrowings		
353	Non-current Liabilities - Other	\$41,473	\$49,535
354	Accrued Compensated Absences - Non Current	\$8,062	
355	Loan Liability - Non Current		
356	FASB 5 Liabilities	\$128,290	\$139,010
357	Accrued Pension and OPEB Liabilities	\$169,763	\$188,545
350	Total Non-Current Liabilities	\$296,453	\$316,891
300	Total Liabilities	\$2,026,719	\$2,026,719
508.1	Invested in Capital Assets, Net of Related Debt	\$9,764	\$9,764
511.1	Restricted Net Assets	\$386,049	\$579,441
512.1	Unrestricted Net Assets	\$2,412,768	\$2,615,924
513	Total Equity/Net Assets	\$223,594	\$2,932,815
600	Total Liabilities and Equity/Net Assets	\$2,709,221	\$2,932,815

See accompanying notes to the financial statements

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission	Audited/A-133	Fiscal Year End:	06/30/2012
		14.871	
	Project Total	Housing Choice Vouchers	Total
70300	Net Tenant Rental Revenue	\$635,168	\$635,168
70400	Tenant Revenue - Other	\$27,166	\$27,166
70500	Total Tenant Revenue	\$662,334	\$662,334
70600	HUD PHA Operating Grants	\$1,182,315	\$1,651,538
70610	Capital Grants	\$139,623	\$139,623
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	\$1,187	\$4,346
71200	Mortgage Interest Income		
71300	Proceeds from Disposition of Assets Held for Sale		
71310	Cost of Sale of Assets	\$78	\$1,218
71400	Fraud Recovery	\$250,921	\$411,211
71500	Other Revenue		
71600	Gain or Loss on Sale of Capital Assets	\$585	\$585
72000	Investment Income - Restricted	\$1,436,148	\$2,870,855
70000	Total Revenue	\$1,434,707	\$2,870,855
91100	Administrative Salaries	\$112,309	\$152,388
91200	Auditing Fees	\$5,460	\$9,100
91300	Management Fee		
91310	Book-keeping Fee		
91400	Advertising and Marketing		

See accompanying notes to the financial statements

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission	Audited/A-133	Fiscal Year End: 06/30/2012		
		Project Total	Housing Choice Vouchers	
			14,871	
		Subtotal	Total	
91500	Employee Benefit contributions - Administrative	\$35,044	\$21,064	\$56,108
91600	Office Expenses	\$108,683	\$35,921	\$144,604
91700	Legal Expense	\$13,190	\$8,793	\$21,983
91800	Travel	\$3,696	\$2,269	\$5,965
91810	Allocated Overhead			
91900	Other			
91000	Total Operating - Administrative	\$278,382	\$111,766	\$390,148
92000	Asset Management Fee			
92100	Tenant Services - Salaries			
92200	Relocation Costs			
92300	Employee Benefit Contributions - Tenant Services			
92400	Tenant Services - Other	\$5,213		\$5,213
92500	Total Tenant Services	\$5,213	\$0	\$5,213
93100	Water	\$46,078		\$46,078
93200	Electricity	\$118,853		\$118,853
93300	Gas	\$76,131		\$76,131
93400	Fuel			
93500	Labor	\$94,783		\$94,783
93600	Sewer	\$61,473		\$61,473
93700	Employee Benefit Contributions - Utilities	\$43,643		\$43,643
93800	Other Utilities Expense			
93000	Total Utilities	\$440,961	\$0	\$440,961
94100	Ordinary Maintenance and Operations - Labor	\$240,367		\$240,367
94200	Ordinary Maintenance and Operations - Materials	\$84,710		\$84,710
94300	Ordinary Maintenance and Operations Contracts	\$111,276		\$111,276
94500	Employee Benefit Contributions - Ordinary	\$92,137		\$92,137

See accompanying notes to the financial statements

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission	Audited/A-133	Fiscal Year End: 06/30/2012	
		14,871 Housing Choice Vouchers	Total
94000	Total Maintenance	\$0	\$528,490
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
96110	Property Insurance		\$12,233
96120	Liability Insurance		\$15,000
96130	Workmen's Compensation	\$1,065	\$26,065
96140	All Other Insurance		
96100	Total Insurance Premiums	\$1,065	\$53,298
96200	Other General Expenses	\$6,463	\$6,463
96210	Compensated Absences	\$8,491	\$10,591
96300	Payments in Lieu of Taxes		\$22,137
96400	Bad debt - Tenant Rents		\$10,871
96500	Bad debt - Mortgages		
96600	Bad debt - Other		
96800	Severance Expense	\$3,481	\$43,512
96000	Total Other General Expenses	\$18,435	\$93,574
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
96900	Total Operating Expenses	\$1,380,418	\$1,511,684

See accompanying notes to the financial statements

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission	Audited/A-133	Fiscal Year End: 06/30/2012			
		Project Total	Housing Choice Vouchers	Subtotal	Total
97000	Excess of Operating Revenue over Operating	\$54,289	\$1,304,882	\$1,359,171	\$1,359,171
97100	Extraordinary Maintenance				
97200	Casualty Losses - Non-capitalized				
97300	Housing Assistance Payments		\$1,166,071	\$1,166,071	\$1,166,071
97350	HAP Portability-In		\$238,806	\$238,806	\$238,806
97400	Depreciation Expense	\$281,777		\$281,777	\$281,777
97500	Fraud Losses				
97600	Capital Outlays - Governmental Funds				
97700	Debt Principal Payment - Governmental Funds				
97800	Dwelling Units Rent Expense	\$1,662,195	\$1,536,143	\$3,198,338	\$3,198,338
90000	Total Expenses				
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	\$0	\$0	\$0	\$0
10100	Total Other financing Sources (Uses)				
10000	Excess (Deficiency) of Total Revenue Over (Under)	-\$227,488	-\$99,995	-\$327,483	-\$327,483

See accompanying notes to the financial statements

South Amboy Housing Authority (NJ035)
SOUTH AMBOY, NJ

Entity Wide Revenue and Expense Summary

Submission	Audited/A-133	Project Total	Housing Choice Vouchers	Subtotal	Total
			14,871		
					06/30/2012
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030	Beginning Equity	\$2,640,256	\$303,151	\$2,943,407	\$2,943,407
11040	Prior Period Adjustments, Equity Transfers and	\$0		\$0	\$0
11050	Changes in Compensated Absence Balance				
11060	Changes in Contingent Liability Balance				
11070	Changes in Unrecognized Pension Transition Liability				
11080	Changes in Special Term/Severance Benefits Liability				
11090	Changes in Allowance for Doubtful Accounts -				
11100	Changes in Allowance for Doubtful Accounts - Other				
11170	Administrative Fee Equity		\$193,392	\$193,392	\$193,392
11180	Housing Assistance Payments Equity		\$9,764	\$9,764	\$9,764
11190	Unit Months Available	1824	1332	3156	3156
11210	Number of Unit Months Leased	1715	1291	3006	3006
11270	Excess Cash	\$413,291		\$413,291	\$413,291
11610	Land Purchases	\$0		\$0	\$0
11620	Building Purchases	\$139,623		\$139,623	\$139,623
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



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

(No Reportable Instances of Noncompliance and No Material Weaknesses)

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

We have audited the financial statements of The Housing Authority of the City of South Amboy as of and for the fiscal year ended June 30, 2012 and have issued our report thereon dated March 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Housing Authority of the City of South Amboy'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 misstatements on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Housing Authority of the City of South Amboy'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*.

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

Hymanson, Parnes & Giampaolo

Date: March 5, 2013



Hymanson, Parnes & Giampaolo

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

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

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

Compliance

We have audited The Housing Authority of the City of South Amboy's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of The Housing Authority of the City of South Amboy major federal programs for the fiscal year ended June 30, 2012. The Housing Authority of the City of South Amboy's major federal programs are identified in the summary of the auditors result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, The Housing Authority of the City of South Amboy complied, in all material respects, with the compliance requirements referred to the above that could have a direct and material effect on each of its major federal program identified in the accompanying schedule of findings and questioned cost for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The management of The Housing Authority of the City of South Amboy is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered The Housing Authority of the City of South Amboy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

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

Hymanson, Parnes & Giampaolo

Date: March 5, 2013

HOUSING AUTHORITY OF THE CITY OF SOUTH AMBOY

Schedule of Findings and Questioned Cost
Year Ended June 30, 2012

Prior Audit Findings

None reported

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statement of the Housing Authority of the City of South Amboy.
2. No significant deficiencies relating to the audit of the financial statements are reported in the REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the City of South Amboy were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the Housing Choice Voucher Program expresses a Unqualified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program tested as major program were:
 - a. Housing Choice Voucher Program, CFDA#14.872 with expenditures of \$1,182,315.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Housing Authority of the City of South Amboy did not qualify as a low risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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Independent Accountant's Report on Agreed-Upon Procedures

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

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

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

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Housing Authority as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated March 5, 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, 2012, 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: March 5, 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>	March 5, 2013
<u>UII#</u>	#66170
<u>Contact First Name</u>	Anthony
<u>Contact Middle Initial</u>	J.
<u>Contact Last Name</u>	Giampaolo, C.P.A
<u>Street Address Line 1</u>	467 Middletown-Lincroft Rd.
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