

**Report On Audit**

**HOUSING AUTHORITY  
OF THE BOROUGH OF  
CLEMENTON**

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

**Housing Authority of the Borough of Clementon**  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the Borough of Clementon  
22 Gibbsboro Road  
Clementon, NJ 08021

We have audited the Statement of Net Assets of Housing Authority of the Borough of Clementon, 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 Housing Authority of the Borough of Clementon'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. The financial statement of the Housing Authority of the Borough of Clementon, as of June 30, 2011, was audited by other auditors whose report dated December 19, 2011 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of Housing Authority of the Borough of Clementon, 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 7, 2013, on our consideration of Housing Authority of the Borough of Clementon'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 14 and page 39 thru 40 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 Housing Authority of the Borough of Clementon. 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 7, 2013

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

As Management of the Housing Authority of the Borough of Clementon (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 15 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 \$1,973,639 greater than the liabilities, a decrease in the financial position of \$23,376 related to current year operations or 1% percent.

As noted above, the assets of the Authority exceeded its liabilities by \$1,973,639 as of June 30, 2012. Of this amount, the unrestricted net asset portion is \$334,553 representing a decrease of \$69,203 or 17% percent from the previous year. The investment in fixed assets increased \$57,881 or 4% percent for an ending balance of \$1,541,921. The restricted net assets decreased \$12,054 from the previous year. Additional information regarding the Authority's restricted and unrestricted net assets can be found in Note 15 and Note 16 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at June 30, 2012 is \$456,329 representing a decrease of \$88,255 or 16% percent from the prior fiscal year. The full detail of this amount can be found in the Statement of Cash Flow on page 17 of this report.

The Authority's total assets are \$2,026,908 of which capital assets net book value is \$1,541,921, leaving total current assets at \$484,987. Total current assets decreased from the previous fiscal year by \$82,338 or 15% percent. Cash and cash equivalents decreased by \$88,255, accounts receivables decreased by \$899, and prepaid expenses increased \$6,816.

The Authority's total liabilities are reported at \$53,269, of which noncurrent liabilities are stated at \$21,229. Total liabilities decreased during the fiscal year as compared to the prior fiscal year in the amount of \$1,081 or 2% percent. Total current liabilities decreased during the year by \$4,268, leaving noncurrent liabilities for an increase of \$3,187 as compared to the previous fiscal year.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current liabilities decreased from the previous fiscal year by \$4,268 or 12% percent. Accounts payables increased by \$172, accrued liabilities decreased by \$6,773, and tenant security deposit payable increased by \$2,333.

Total noncurrent liabilities increase from the previous fiscal year by \$3,187 or 18% percent. The increase was made up of one account, long-term obligations such as compensated absences of \$21,229, with no offsetting assets, increased \$3,187 or 18% percent from the prior fiscal year. An accrued pension and OPEB liabilities entry was not made, since the Authority does not pay for any retirees benefits once the employee leaves the Authority.

The Authority had total operating revenue of \$869,723 as compared to \$934,972 from the prior year for a decrease of \$65,249 or 7% percent. Total operating expenses are \$948,332, as compared to \$1,089,085 from the previous year for a decrease of \$140,753 or 13% percent.

The Authority's had capital outlays in the amount of \$100,341 for the fiscal year. Some of these expenditures were funded by grants received from the U.S. Department of Housing and Urban Development and some were funded 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 \$660,622 for the fiscal year as compared to \$682,467 for the previous year.

**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.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

**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
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 15 through 17.

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

Statement of Revenue, Expenses and Changes in Net Assets – This statement presents information showing how the 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 the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflow in the future periods.

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 18 through 37.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

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

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 38 of this report.

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program found on page 39 the Section Eight Housing Choice Voucher Program on page 40.

**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 Ended</u>		Increase
	June-12	June-11	(Decrease)
Cash	\$ 456,329	\$ 544,584	\$ (88,255)
Other Current Assets	28,658	22,741	5,917
Capital Assets - Net	1,541,921	1,484,040	57,881
Total Assets	2,026,908	2,051,365	(24,457)
Less: Current Liabilities	(32,040)	(36,308)	4,268
Less: Non Current Liabilities	(21,229)	(18,042)	(3,187)
Net Assets	<u>\$ 1,973,639</u>	<u>\$ 1,997,015</u>	<u>\$ (23,376)</u>
Invested in Capital Assets	\$ 1,541,921	\$ 1,484,040	\$ 57,881
Restricted Net Assets	97,165	109,219	(12,054)
Unrestricted Net Assets	334,553	403,756	(69,203)
	<u>\$ 1,973,639</u>	<u>\$ 1,997,015</u>	<u>\$ (23,376)</u>

Cash decreased by \$88,255 or 16% percent. Net cash used by operating activities was \$46,333, net cash used by capital and related financing activities was \$42,845, and net cash provided by investing activities was \$923. The full detail of this amount can be found in the Statement of Cash Flow on page 17 of this audit report.

Account receivable decreased \$899 which was supported mainly by a decrease in tenant's accounts receivable. Prepaid expense experienced an increase mainly pertains to prepaid insurance premiums at year end.



**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

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

Capital assets reported an increase in the net book value of the capital assets in the amount of \$57,881 or 4% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$100,341, less the recording of depreciation expense in the amount of \$42,460. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

Total current liabilities decreased from the previous year by \$4,268 or 12% percent. Accounts payables increased by \$172, accrued liabilities decreased by \$6,773, and tenant security deposit payable increased by \$2,333.

Total noncurrent liabilities increase from the previous fiscal year by \$3,187 or 18% percent. The increase was made up of one account, long-term obligations such as compensated absences of \$21,229, with no offsetting assets, increased \$3,187 or 18% percent from the prior fiscal year.

The Authority's reported net assets of \$1,973,639 which is made up of three categories. The investment in capital assets represents 78% percent of the total account balance. The investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance June 30, 2011	\$ 1,484,040
Acquisition in Fixed Assets	100,341
Depreciation Expense	(42,460)
Balance June 30, 2012	<u>\$ 1,541,921</u>

The Authority reported restricted net assets in the amount of \$97,165, for a decrease of \$12,054 from the prior year. This balance represents available resources that may be used only for specific purposes stipulated from the grantor. The account balance consists of the amount of cash that is restricted for the Housing Choice Voucher program. Additional information on these funds can be found in Note 5 Restricted Cash and Note 15 Restricted Net Assets.

The Authority operating results for June 30, 2012 reported a decrease in Unrestricted Net Assets of \$69,203 or a decrease of 17% percent for an ending balance of \$334,553. Additional information on the Authority's unrestricted net assets can be found in Note 16 to the financial statements, which is included in this report.

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 BOROUGH OF CLEMENTON  
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 Ended</u>		Increase
	June-12	June-11	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 231,188	\$ 219,530	\$ 11,658
HUD Subsidies	603,352	678,117	(74,765)
Other Revenues	35,183	37,325	(2,142)
Total Operating Income	<u>869,723</u>	<u>934,972</u>	<u>(65,249)</u>
<u>Expenses</u>			
Operating Expenses	905,871	1,010,937	(105,066)
Depreciation Expense	42,461	78,148	(35,687)
Total Operating Expenses	<u>948,332</u>	<u>1,089,085</u>	<u>(140,753)</u>
Operating Income before Non Operating Income	(78,609)	(154,113)	75,504
Interest Income	923	814	109
Extraordinary Maintenance	(2,960)	(5,855)	2,895
Capital Grants	57,270	4,350	52,920
Change in Net Assets	(23,376)	(154,804)	131,428
Net Assets Prior Year	1,997,015	2,151,819	(154,804)
Total Net Assets	<u>\$ 1,973,639</u>	<u>\$ 1,997,015</u>	<u>\$ (23,376)</u>

Approximately 69% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 27% percent resulted from tenant revenue. Charges for various services provided less than 4% percent of the total operating income.

The Housing Authority of the Borough of Clementon received from the capital fund program \$57,270 in grant money an increase of \$52,920 from the prior fiscal year. The Authority had capital expenditures of \$100,341; the additional \$43,167 was funded from management's reserves. The current year additions included security camera's system, additional lighting around the development, and a keyless entry system.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

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

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payments accounted for 38% percent of total operating expenses. Administrative expenses accounted for 23%, tenant services accounted for less than 1%, utility expenses accounted for 18%, maintenance expenses accounted for 13%, protective services accounted for 1%, other operating expenses accounted for 2%, and depreciation accounted for the remaining 4% of the total operating expenses.

The Authority's operating revenue did not exceed its operating expenses resulting in excess expenses in the amount of \$78,609 from operations as compared to excess expenses from operations of \$154,113 for the previous year for a decrease in excess expenses of \$75,504 or 49% percent. The key elements for the decrease compared to the prior year are:

- The Authority experienced an increase in tenant's rental income by \$11,658.
- The Authority experienced a decrease in total utilities expense in the amount of \$38,197.
- The Authority experienced a decrease in total maintenance expense in the amount of \$14,549.
- The Authority experienced a decrease in HUD operating grants in the amount of \$74,765.
- The Authority also experienced a decrease in the depreciation expense of \$35,687 as compared to the prior period.

Total net cash used by operating activities during the year was \$46,333. A full detail of this amount can be found on the Statement of Cash Flow on page 17 of this report.

Overall the Authority operating results for June 30, 2012 reported a decrease in Unrestricted Net Assets of \$69,203 or a decrease of 17% percent for an ending balance of \$334,553. Additional information on the Authority's unrestricted net assets can be found in Note 16 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

**FINANCIAL ANALYSIS**

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
<b>Significant Income</b>				
Total Tenant Revenue	\$ 231,188	\$ 219,530	\$233,879	\$217,957
HUD Operating Grants	603,352	678,117	700,677	689,807
HUD Capital Grants	57,270	4,350	154,719	193,548
Investment Income	923	814	-	6,357
Other Income	35,183	37,325	77,117	19,621
<b>Total</b>	<b>\$927,916</b>	<b>\$940,136</b>	<b>\$1,166,392</b>	<b>\$1,127,290</b>
<b>Payroll Expense</b>				
Administrative Salaries	126,576	125,775	120,075	\$ 115,367
Utilities Labor	18,160	17,581	18,144	16,359
Maintenance Labor	53,937	52,743	59,340	49,077
Employee Benefits Expense	41,587	37,578	30,469	24,283
<b>Total Payroll Expense</b>	<b>\$ 240,260</b>	<b>\$ 233,677</b>	<b>\$ 228,028</b>	<b>\$ 205,086</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	30,715	20,930	26,007	\$ 11,506
Utilities Expense	147,524	186,887	180,099	169,684
Maintenance Supplies	7,704	10,895	9,209	8,309
Maintenance Contract Cost	44,975	59,166	50,533	56,987
Insurance Premiums	21,682	20,006	22,256	26,490
Housing Assistance Payments	364,784	414,138	429,514	379,804
<b>Total</b>	<b>\$ 617,384</b>	<b>\$ 712,022</b>	<b>\$ 717,618</b>	<b>\$ 652,780</b>
<b>Total Operating Expenses</b>	<b>948,332</b>	<b>1,089,085</b>	<b>1,062,313</b>	<b>\$ 986,761</b>
<b>Total of Federal Awards</b>	<b>\$ 660,622</b>	<b>\$ 682,467</b>	<b>\$855,396</b>	<b>\$883,355</b>

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

**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 39 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 40 of this report.

**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 arising 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.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

**THE HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON 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 Borough of Clementon flat rent amount.

Housing Choice Voucher Program

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

Capital Fund Program

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

**NEW INITIATIVES**

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 71% of its revenue from the Department of Housing and Urban Development, (down from 73% 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.

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 Borough of Clementon all the while being mindful of our responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

As of June 30, 2012, the Authority's investment in capital assets was \$1,541,921 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, leasehold improvements and construction in progress.

Major capital expenditures of \$100,341 were made during the year offset by the recording of depreciation expense in the amount of \$42,460. Capital assets reported an increase in the net book value of the capital assets in the amount of \$57,881 or 4% percent. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets. Major capital assets events during the calendar year included the following:

- Upgrades to the Security Camera System
- Additional Lighting Around the Development
- A Keyless Entry System

	June-12	June-11	Increase (Decrease)
Land	\$ 26,974	\$ 26,974	\$ -
Building	2,909,243	2,906,729	2,514
Furniture, Equipment - Administration	61,708	61,708	-
Leasehold Improvements	39,765	39,765	-
Construction in Progress	97,827	-	97,827
Total Fixed Assets	3,135,517	3,035,176	100,341
Accumulated Depreciation	(1,593,596)	(1,551,136)	(42,460)
Net Book Value	<u>\$1,541,921</u>	<u>\$1,484,040</u>	<u>\$ 57,881</u>

2 – Long Term Debt

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

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2012**

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

The Housing Authority of the Borough of Clementon's 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.
- 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 Mrs. Sheila K. Wooster, Executive Director, Housing Authority of the Borough of Clementon, 22 Gibbsboro Road, Clementon, N.J. 08021, or call (856) 784-1134.



**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2012 AND 2011**

	JUNE 30,	
	2012	2011
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 456,329	\$ 544,584
Accounts Receivables, Net of Allowances	1,484	2,383
Prepaid Expenses	27,174	20,358
Total Current Assets	484,987	567,325
<b>Noncurrent Assets</b>		
Capital Assets		
Land	26,974	26,974
Building	2,909,243	2,906,729
Furniture, Equipment - Administration	61,708	61,708
Leasehold Improvements	39,765	39,765
Construction In Process	97,827	-
Total Capital Assets	3,135,517	3,035,176
Less: Accumulated Depreciation	(1,593,596)	(1,551,136)
Net Book Value	1,541,921	1,484,040
Total Assets	\$ 2,026,908	\$ 2,051,365
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 20,860	\$ 20,688
Accrued Liabilities	6,531	13,304
Tenant Security Deposit Payable	4,649	2,316
Total Current Liabilities	32,040	36,308
<b>Noncurrent Liabilities</b>		
Accrued Compensated Absences - Long-Term	21,229	18,042
Total Noncurrent Liabilities	21,229	18,042
Total Liabilities	53,269	54,350
<b>Net Assets:</b>		
Investment in Capital Assets, Net of Related Debt	1,541,921	1,484,040
Restricted Net Assets	97,165	109,219
Unrestricted Net Assets	334,553	403,756
Total Net Assets	1,973,639	1,997,015
Total of Liabilities and Net Assets	\$ 2,026,908	\$ 2,051,365

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2012 AND 2011**

	JUNE 30,	
	2012	2011
<b>Revenue:</b>		
Tenant Rental Revenue	\$ 231,188	\$ 219,530
HUD PHA Operating Grants	603,352	678,117
Fraud Recovery	440	2,448
Other Revenue	34,743	34,877
Total Revenue	869,723	934,972
<b>Operating Expenses:</b>		
Administrative Expense	216,647	208,591
Tenant Services	4,621	3,961
Utilities Expense	169,789	207,986
Maintenance Expense	118,808	133,357
Protective Services	8,197	19,713
Other Operating Expenses	23,025	23,191
Housing Assistance Payments	364,784	414,138
Depreciations Expense	42,461	78,148
Total Operating Expenses	948,332	1,089,085
Excess Expenses Over Revenue From Operations	(78,609)	(154,113)
<b>Non Operating Income and (Expenses):</b>		
Investment Income	923	814
Extraordinary Maintenance	(2,960)	(5,855)
Total Non Operating Income and (Expenses)	(2,037)	(5,041)
Capital Grants	57,270	4,350
<b>Change in Net Assets</b>	(23,376)	(154,804)
Beginning Net Assets	1,997,015	2,151,819
Ending Net Assets	\$ 1,973,639	\$ 1,997,015

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**  
**STATEMENT OF CASH FLOW**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2012 AND 2011**

	JUNE 30,	
	2012	2011
<b>Cash Flow From Operating Activities</b>		
Receipts from Tenants	\$ 230,495	\$ 260,702
Receipts from Federal Grants	603,352	622,026
Receipts from Misc. Sources	35,183	37,325
Payments to Vendors and Suppliers	(164,138)	(193,239)
Payments for Housing Assistance Payments	(364,784)	(414,138)
Payments to Employees	(198,673)	(196,099)
Payment of Employee Benefits	(40,244)	(37,578)
Payments for Utilities	(147,524)	(207,986)
Net Cash (Used) by Operating Activities	(46,333)	(128,987)
<b>Cash Flow From Capital and Related Financing Activities</b>		
Receipts from Capital Grants	57,270	4,350
Acquisitions and Construction of Capital Assets	(100,341)	(13,542)
Increase (Payment) in Accrued Compensated Absences	3,186	(423)
Extraordinary Maintenance Expense	(2,960)	(5,855)
Net Cash (Used) by and Related Financing Activities	(42,845)	(15,470)
<b>Cash Flow From Investing Activities</b>		
Interest Income	923	814
Net Cash Provided by Investing Activities	923	814
Net (Decrease) in Cash and Cash Equivalents	(88,255)	(143,643)
<b>Beginning Cash</b>	544,584	688,227
<b>Ending Cash</b>	\$ 456,329	\$ 544,584
<b>Reconciliation of Operating Income to Net Cash</b>		
Provided by Operating Activities		
Excess of Revenue Over Expenses	\$ (78,609)	\$ (154,113)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	42,461	78,148
(Increase) Decrease in:		
Accounts Receivables	899	3,451
Prepaid Expenses	(6,816)	2,412
Increase (Decrease) in:		
Accounts Payable	172	(1,365)
Accrued Liabilities	(6,773)	(1,825)
Tenant Security Deposit Payable	2,333	1,616
Deferred Revenue	-	(57,311)
Net Cash (Used) by Operating Activities	\$ (46,333)	\$ (128,987)

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## 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 Borough of Clementon in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in Clementon, New Jersey. 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 Clementon 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 Borough of Clementon 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 BOROUGH OF CLEMENTON

## 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.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2012

### **Basis of Accounting –**

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. Non-operating revenue and expenses consist of 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 Borough of Clementon's flat rent amount.

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements June 30, 2012

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

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

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

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

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

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

### **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.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2012

### **Report Presentation - Continued**

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.

#### 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 are which are included as Supplemental information.



# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2012

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

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

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

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

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

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

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

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

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

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

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2012

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

11-continued

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

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

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

### **Fair Value Measurements -**

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

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements June 30, 2012

### **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 39 the Section Eight Housing Choice Voucher Program on page 40.

**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	NJ-073	70
Capital Fund	14.872	NJ-073	
<u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ073	69

**Taxes** - Under federal, state, and local law, the Authority's program are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2012

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

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

### **NOTE 2 - ESTIMATES**

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

### **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.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2012

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

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 \$21,780 and \$20,339.

#### Post Employment Retirement Benefits

The Authority does not provide post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with at least 25 years of service.

### **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.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**

Notes to Financial Statements

June 30, 2012

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

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

The bank balances at June 30, 2012 and 2011 of \$456,329 and \$544,584 respectively, which were either insured or collateralized with securities held by pledging financial institutions in the Authority's name as discussed below:

	<u>June-12</u>	<u>June-11</u>
TD Bank	\$ 272,974	\$ 435,265
Soverign Bank	183,255	109,219
Petty Cash	100	100
Total	<u>\$ 456,329</u>	<u>\$ 544,584</u>

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	\$ 433,355	\$ 359,319
Collateralized held by pledging bank's trust department in the Authority's name	22,974	185,265
Total	<u>\$ 456,329</u>	<u>\$ 544,584</u>

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**

Notes to Financial Statements  
June 30, 2012

**NOTE 5 - RESTRICTED CASH**

The Authority has total restricted cash at June 30, 2012 and 2011 in the amount of \$101,814 and \$111,535, respectively, which was accounted for in Note 4 and consists of the following:

	<u>June-12</u>	<u>June-11</u>
Tenant Security Deposits	\$ 4,649	\$ 2,316
HAP Reserve	97,165	109,219
Total	<u>\$ 101,814</u>	<u>\$ 111,535</u>

The restricted cash in the amount of \$97,165 for 2012 and \$109,219 for 2011 was reported under the Housing Choice Voucher Program as a HAP reserve for future use.

**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	\$ 1,063	\$ 230
Less Allowance for Doubtful Accounts	-	-
Net Tenants Accounts Receivable	<u>1,063</u>	<u>230</u>
Fraud Recovery	1,325	5,095
Less Allowance for Doubtful Accounts	<u>(1,224)</u>	<u>(2,942)</u>
Net Fraud Recovery	<u>101</u>	<u>2,153</u>
Accounts Receivable - HUD	320	-
Total	<u>\$ 1,484</u>	<u>\$ 2,383</u>

The Housing Authority of the Borough of Clementon 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.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements June 30, 2012

### **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 \$27,174 on June 30, 2012 and \$20,358 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.

### **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 Borough of Clementon 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.



**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**

Notes to Financial Statements

June 30, 2012

**NOTE 9 - FIXED ASSETS - CONTINUED**

The carrying value of long-live assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. . The Authority has not recognized any impairment in the carry value of its fixed assets at June 30, 2012.

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	\$ 26,974	\$ -	\$ -	\$ 26,974
Building	2,906,729	2,514	-	2,909,243
Furniture, Equipment - Administration	61,708	-	-	61,708
Leasehold Improvements	39,765	-	-	39,765
Construction in Process	-	97,827	-	97,827
Total Fixed Assets	\$ 3,035,176	\$ 100,341	\$ -	\$ 3,135,517
Accumulated Depreciation	(1,551,136)	(42,460)	-	(1,593,596)
Net Book Value	\$ 1,484,040	\$ 57,881	\$ -	\$ 1,541,921

	June-10	Additions	Transfer	June-11
Land	\$ 26,974	\$ -	\$ -	\$ 26,974
Building	2,700,755	-	205,974	2,906,729
Furniture, Equipment - Administration	61,708	-	-	61,708
Leasehold Improvements	39,765	-	-	39,765
Construction in Process	192,432	13,542	(205,974)	-
Total Fixed Assets	3,021,634	13,542	-	3,035,176
Accumulated Depreciation	(1,472,988)	(78,148)	-	(1,551,136)
Net Book Value	\$ 1,548,646	\$ (64,606)	\$ -	\$ 1,484,040

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**

Notes to Financial Statements

June 30, 2012

**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:

	<u>June-12</u>	<u>June-11</u>
Accounts Payable Vendors	\$ 20,860	\$ 20,688

**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 Borough of Clementon. 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 expense for June 30, 2012 was \$ -0- and \$ -0- for 2011.

**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:

	<u>June-12</u>	<u>June-11</u>
Accrued Wages/Payroll Taxes	\$ -	\$ 3,205
Compensated Absences - Current Portion	1,342	3,185
Accrued Utilities	5,189	6,914
Total Accrued Liabilities	<u>\$ 6,531</u>	<u>\$ 13,304</u>

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2012

### **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 be compensated for accumulated vacation leave in the event of retirement or termination from service. Employees may be compensated for sick leave at retirement or termination from service at a rate of 50% percent of the sick leave balanced accrued.

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 Vacation Time	5,485	5,392
Accumulated Sick Days	14,653	14,189
Accumulated Personal Days	829	-
Payroll Tax Expense	1,604	1,646
Total	<u>22,571</u>	<u>21,227</u>
Compensated Absences - Current Portion	<u>(1,342)</u>	<u>(3,185)</u>
Total Compensated Absences - Noncurrent	<u>\$ 21,229</u>	<u>\$ 18,042</u>

### **NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Authority does not have annual other postemployment benefit ("OPEB") cost. The Authority elected not to pay for any future retiree benefits other than current pension cost resulting in a zero amount to be reported for the GASB Statement No. 45 obligations.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2012

### **NOTE 15 - RESTRICTED NET ASSETS**

The Authority Restricted Net Assets account balance at June 30, 2012 is \$97,165. The balance pertains to the HAP reserve. The detail of the restricted reserve account balances is as follows:

	HCV Reserve
Balance June 30, 2010	\$ 125,292
Decrease During the Year	(16,073)
Balance June 30, 2011	109,219
Decrease During the Year	(12,054)
Balance June 30, 2012	\$ 97,165

### 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.

### **NOTE 16 - UNRESTRICTED NET ASSETS**

The Authority Unrestricted Net Assets account balance at June 30, 2012 is \$334,553. The detail of the account balance is as follows:

	Low Rent PH Reserve	HCV Reserve	Total
Balance June 30, 2010	\$ 413,989	\$ 63,891	\$ 477,880
Decrease During the Year	(67,934)	(6,190)	(74,124)
Balance June 30, 2011	346,055	57,701	403,756
Decrease During the Year	(55,004)	(14,199)	(69,203)
Balance June 30, 2012	\$ 291,051	\$ 43,502	\$ 334,553

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**

Notes to Financial Statements

June 30, 2012

**NOTE 16- UNRESTRICTED NET ASSETS - CONTINUED**

Housing Choice Voucher Program - Reserves

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

	Pre 2004 Unrestricted Reserves	Post 2003 Unrestricted Reserves	Total Unrestricted Reserves
Balance 6/30/2004	\$ 37,443	\$ 9,240	\$ 46,683
Net Admin. Fee Operating Income for the year ended 6/30/2005	-	7,042	7,042
Balance 6/30/2005	37,443	16,282	53,725
Net Admin. Fee Operating Income for the year ended 6/30/2006	-	10,709	10,709
Balance 6/30/2006	37,443	26,991	64,434
Net Admin. Fee Operating Income for the year ended 6/30/2007	-	1,667	1,667
Balance 6/30/2007	37,443	28,658	66,101
Net Admin. Fee Operating Income for the year ended 6/30/2008	-	(2,925)	(2,925)
Balance 6/30/2008	37,443	25,733	63,176
Net Admin. Fee Operating Income for the year ended 6/30/2009	-	2,595	2,595
Balance 6/30/2009	37,443	28,328	65,771
Net Admin. Fee Operating Income for the year ended 6/30/2010	-	(1,879)	(1,879)
Balance 6/30/2010	37,443	26,449	63,892
Net Admin. Fee Operating Income for the year ended 6/30/2011	-	(6,191)	(6,191)
Balance 6/30/2011	37,443	20,258	57,701
Net Admin. Fee Operating Income for the year ended 6/30/2012	-	(14,199)	(14,199)
Balance 6/30/2012	\$ 37,443	\$ 6,059	\$ 43,502

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements June 30, 2012

### **NOTE 17 - 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, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its building for the purpose of determining potential liability issues. 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.

### **NOTE 18 - 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 \$213,582 and \$230,211 respectively.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. The Authority is also eligible to receive reimbursement for preliminary expenses prior to lease up. HUD contributions for the Housing Choice Voucher for June 30, 2012 and 2011 were \$389,770 and \$447,906, respectively.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2012

### **NOTE 19 - 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 \$660,622 to the Authority which represents approximately 71% percent of the Authority's total revenue for the fiscal year June 30, 2012 and \$682,467 which represents approximately 73% percent for 2011.

### **NOTE 20 - 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 21 - 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 7, 2013; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
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	\$ 213,582
Public Housing Capital Fund Program	14.872	57,270
Subtotal		270,852
 <u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	389,770
Subtotal		389,770
Total Awards		\$ 660,622

**Note 1. Presentation:**

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

**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:**

Housing Authority of the Borough of Clementon had no outstanding loans as of June 30, 2012.

**Note 4. Sub recipients:**

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



**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**  
**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)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 231,188	\$ 252,110	\$ (20,922)
HUD PHA Operating Grants	213,582	217,830	(4,248)
Other Revenue	34,743	36,706	(1,963)
Total Revenue	<u>479,513</u>	<u>506,646</u>	<u>(27,133)</u>
<b>Operating Expenses:</b>			
<b>Administration:</b>			
Administrative Salaries	89,371	92,590	3,219
Audit Fee's	3,000	5,050	2,050
Employee Benefit Contributions	20,202	19,955	(247)
Other Operating Administrative Expenses	52,533	44,410	(8,123)
Total Administrative Expenses	<u>165,106</u>	<u>162,005</u>	<u>(3,101)</u>
<b>Tenant Services:</b>			
Tenant Services - Other	4,621	7,700	3,079
Total Tenant Services	<u>4,621</u>	<u>7,700</u>	<u>3,079</u>
<b>Utilities:</b>			
Water	15,269	14,784	(485)
Electricity	64,432	70,414	5,982
Gas	31,388	39,474	8,086
Sewer	36,435	35,770	(665)
Labor	18,160	18,820	660
Employee Benefit Contributions	4,105	3,990	(115)
Total Utilities	<u>169,789</u>	<u>183,252</u>	<u>13,463</u>
<b>Maintenance:</b>			
Maintenance Labor	53,937	56,470	2,533
Materials	7,704	8,500	796
Maintenance Contract Cost	44,975	47,650	2,675
Employee Benefit Contributions	12,192	15,965	3,773
Total Maintenance	<u>118,808</u>	<u>128,585</u>	<u>9,777</u>
<b>Other Operating Expenses:</b>			
Protective Services - Other Contract	8,197	12,520	4,323
Insurance	21,682	27,255	5,573
Payment in Lieu of Taxes	-	-	-
Compensated Absences	1,206	-	(1,206)
Total Other Operating Expenses	<u>31,085</u>	<u>39,775</u>	<u>9,896</u>
Total Operating Expenses	<u>489,409</u>	<u>521,317</u>	<u>30,035</u>
Excess Revenue Over Expenses From Operations	<u>(9,896)</u>	<u>(14,671)</u>	<u>4,775</u>
<b>Other Income and (Expenses):</b>			
Extraordinary Maintenance	(2,960)	(1,600)	(1,360)
Interest Income	923	1,000	(77)
Fixed Asset Purchases	(43,071)	(6,500)	(36,571)
Total Other Income and (Expenses)	<u>(45,108)</u>	<u>(7,100)</u>	<u>(38,008)</u>
Excess Revenue over Expenses (Loss)	<u>\$ (55,004)</u>	<u>\$ (21,771)</u>	<u>\$ (33,233)</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
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)
<b>Revenue - Annual Contribution Required</b>			
Housing Assistance Payments	\$ 352,290	\$ 366,708	\$ (14,418)
Administrative Fee	37,480	36,204	1,276
Fraud Recovery	440	-	440
Total Revenue	<u>390,210</u>	<u>402,912</u>	<u>(12,702)</u>
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	37,205	36,063	(1,142)
Audit Fee's	2,795	1,150	(1,645)
Employee Benefits	3,745	-	(3,745)
Other Operating Administrative Expenses	7,797	9,055	1,258
Total Administrative Expenses	<u>51,542</u>	<u>46,268</u>	<u>(5,274)</u>
Other Operating Expenses:			
Comensated Absences	137	-	(137)
Housing Assistance Payments	364,784	366,708	1,924
Total Other Operating Expenses	<u>364,921</u>	<u>366,708</u>	<u>1,787</u>
Total Operating Expenses	<u>416,463</u>	<u>412,976</u>	<u>(3,487)</u>
Excess Revenue Over Expenses From Operations	<u>(26,253)</u>	<u>(10,064)</u>	<u>(16,189)</u>
Other Income and (Expenses):			
Investment Income	-	-	-
Transfer From Restricted	12,054	-	12,054
Total Other Income and (Expenses)	<u>12,054</u>	<u>-</u>	<u>12,054</u>
Excess Revenue over Expenses (Loss)	<u>\$ (14,199)</u>	<u>\$ (10,064)</u>	<u>\$ (4,135)</u>

See accompanying notes to the financial statements.

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$298,924	\$55,591	\$354,515		\$354,515
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$97,165	\$97,165		\$97,165
114 Cash - Tenant Security Deposits	\$4,649		\$4,649		\$4,649
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$303,573	\$152,756	\$456,329	\$0	\$456,329
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$320		\$320		\$320
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$1,063		\$1,063		\$1,063
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery	\$1,325		\$1,325		\$1,325
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,224		-\$1,224		-\$1,224
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful	\$1,484	\$0	\$1,484	\$0	\$1,484
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$27,174		\$27,174		\$27,174
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From	\$3,660		\$3,660	-\$3,660	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$335,891	\$152,756	\$488,647	-\$3,660	\$484,987
161 Land	\$26,974		\$26,974		\$26,974
162 Buildings	\$2,909,243		\$2,909,243		\$2,909,243
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$61,708		\$61,708		\$61,708
165 Leasehold Improvements	\$39,765		\$39,765		\$39,765
166 Accumulated Depreciation	-\$1,593,596		-\$1,593,596		-\$1,593,596
167 Construction in Progress	\$97,827		\$97,827		\$97,827
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,541,921	\$0	\$1,541,921	\$0	\$1,541,921
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	\$1,541,921	\$0	\$1,541,921	\$0	\$1,541,921
190 Total Assets	\$1,877,812	\$152,756	\$2,030,568	-\$3,660	\$2,026,908
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$15,005	\$5,855	\$20,860		\$20,860
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion	\$1,205	\$137	\$1,342		\$1,342
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits	\$4,649		\$4,649		\$4,649
342 Deferred Revenues					
343 Current Portion of Long-term Debt - Capital					

See notes to accompanying financial statements

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
344 Current Portion of Long-term Debt - Operating					
345 Other Current Liabilities	\$5,189		\$5,189		\$5,189
346 Accrued Liabilities - Other					
347 Inter Program - Due To		\$3,660	\$3,660	-\$3,660	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$26,048	\$9,652	\$35,700	-\$3,660	\$32,040
351 Long-term Debt, Net of Current - Capital					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$18,792	\$2,437	\$21,229		\$21,229
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$18,792	\$2,437	\$21,229	\$0	\$21,229
300 Total Liabilities	\$44,840	\$12,089	\$56,929	-\$3,660	\$53,269
508.1 Invested In Capital Assets, Net of Related Debt	\$1,541,921		\$1,541,921		\$1,541,921
511.1 Restricted Net Assets		\$97,165	\$97,165		\$97,165
512.1 Unrestricted Net Assets	\$291,051	\$43,502	\$334,553		\$334,553
513 Total Equity/Net Assets	\$1,832,972	\$140,667	\$1,973,639	\$0	\$1,973,639
600 Total Liabilities and Equity/Net Assets	\$1,877,812	\$152,756	\$2,030,568	-\$3,660	\$2,026,908

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$223,888		\$223,888		\$223,888
70400 Tenant Revenue - Other	\$7,300		\$7,300		\$7,300
70500 Total Tenant Revenue	\$231,188	\$0	\$231,188		\$231,188
70600 HUD PHA Operating Grants	\$213,582	\$389,770	\$603,352		\$603,352
70610 Capital Grants	\$57,270		\$57,270		\$57,270
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	\$923		\$923		\$923
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery		\$440	\$440		\$440
71500 Other Revenue	\$34,743		\$34,743		\$34,743
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$537,706	\$390,210	\$927,916		\$927,916
91100 Administrative Salaries	\$89,371	\$37,205	\$126,576		\$126,576
91200 Auditing Fees	\$3,000	\$2,795	\$5,795		\$5,795
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$20,202	\$3,745	\$23,947		\$23,947
91600 Office Expenses	\$14,484	\$2,647	\$17,131		\$17,131
91700 Legal Expense	\$12,470		\$12,470		\$12,470
91800 Travel	\$13		\$13		\$13
91810 Allocated Overhead					
91900 Other	\$25,565	\$5,150	\$30,715		\$30,715
91000 Total Operating - Administrative	\$165,105	\$51,542	\$216,647		\$216,647
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$4,621		\$4,621		\$4,621
92500 Total Tenant Services	\$4,621	\$0	\$4,621		\$4,621
93100 Water	\$15,269		\$15,269		\$15,269
93200 Electricity	\$64,432		\$64,432		\$64,432
93300 Gas	\$31,388		\$31,388		\$31,388
93400 Fuel					
93500 Labor	\$18,160		\$18,160		\$18,160
93600 Sewer	\$36,435		\$36,435		\$36,435
93700 Employee Benefit Contributions - Utilities	\$4,105		\$4,105		\$4,105
93800 Other Utilities Expense					
93000 Total Utilities	\$169,789	\$0	\$169,789		\$169,789
94100 Ordinary Maintenance and Operations - Labor	\$53,937		\$53,937		\$53,937
94200 Ordinary Maintenance and Operations - Materials	\$7,704		\$7,704		\$7,704
94300 Ordinary Maintenance and Operations Contracts	\$44,975		\$44,975		\$44,975
94500 Employee Benefit Contributions - Ordinary	\$12,192		\$12,192		\$12,192
94000 Total Maintenance	\$118,808	\$0	\$118,808		\$118,808
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs	\$8,197		\$8,197		\$8,197

See accompanying notes to the financial statements

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$8,197	\$0	\$8,197		\$8,197
96110 Property Insurance	\$7,330		\$7,330		\$7,330
96120 Liability Insurance	\$7,330		\$7,330		\$7,330
96130 Workmen's Compensation	\$6,772		\$6,772		\$6,772
96140 All Other Insurance	\$250		\$250		\$250
96100 Total Insurance Premiums	\$21,682	\$0	\$21,682		\$21,682
96200 Other General Expenses					
96210 Compensated Absences	\$1,206	\$137	\$1,343		\$1,343
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$1,206	\$137	\$1,343		\$1,343
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0		\$0
96900 Total Operating Expenses	\$489,408	\$51,679	\$541,087		\$541,087
97000 Excess of Operating Revenue over Operating	\$48,298	\$338,531	\$386,829		\$386,829
97100 Extraordinary Maintenance	\$2,960		\$2,960		\$2,960
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$364,784	\$364,784		\$364,784
97350 HAP Portability-In					
97400 Depreciation Expense	\$42,461		\$42,461		\$42,461
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$534,829	\$416,463	\$951,292		\$951,292
10010 Operating Transfer In					
10020 Operating transfer Out					
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$2,877	-\$26,253	-\$23,376		-\$23,376
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,830,095	\$166,920	\$1,997,015		\$1,997,015
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					

See accompanying notes to the financial statements

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
11090 Changes in Allowance for Doubtful Accounts -					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity		\$43,502	\$43,502		\$43,502
11180 Housing Assistance Payments Equity		\$97,165	\$97,165		\$97,165
11190 Unit Months Available	840	584	1424		1424
11210 Number of Unit Months Leased	781	602	1383		1383
11270 Excess Cash	\$241,885		\$241,885		\$241,885
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$100,342		\$100,342		\$100,342
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

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND GRANT COST  
AS OF JUNE 30, 2012**

	NJ39P073501-09		
	Approved Budget	Actual Cost	Overrun
Fees and Costs	\$ 1,200	\$ 1,200	\$ -
Dwelling Structures	76,949	76,949	-
Total	\$ 78,149	\$ 78,149	\$ -
Funds Advanced	\$ 78,149		
Funds Expended	78,149		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-09 was completed on March 8, 2012.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.



**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND RECOVERY GRANT COST  
AS OF JUNE 30, 2012**

	NJ39S073501-09		
	Approved Budget	Actual Cost	Overrun
Dwelling Structures	\$ 99,241	\$ 99,241	\$ -
Total	\$ 99,241	\$ 99,241	\$ -
Funds Advanced	\$ 99,241		
Funds Expended	99,241		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Recovery Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund Recovery costs have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Recovery Grant Program 501-09 was completed on March 12, 2012.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.



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

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

Board of Commissioners  
Housing Authority of the Borough of Clementon  
22 Gibbsboro Road  
Clementon, NJ 08021

We have audited the financial statements of Housing Authority of the Borough of Clementon as of and for the fiscal year ended June 30, 2012 and have issued our report thereon dated March 7, 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 Housing Authority of the Borough of Clementon'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 Housing Authority of the Borough of Clementon'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 Housing Authority of the Borough of Clementon'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 & Gianpaolo*

Date: March 7, 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  
ON 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 Borough of Clementon  
22 Gibbsboro Road  
Clementon, NJ 08021

**Compliance**

We have audited Housing Authority of the Borough of Clementon'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 Housing Authority of the Borough of Clementon major federal programs for the fiscal year ended June 30, 2012. Housing Authority of the Borough of Clementon'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 Housing Authority of the Borough of Clementon'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, Housing Authority of the Borough of Clementon 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 Housing Authority of the Borough of Clementon 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 Housing Authority of the Borough of Clementon'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 7, 2013

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

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 Housing Authority of the Borough of Clementon.
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 Housing Authority of the Borough of Clementon 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 DIRECT AND 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 Low Rent Public Housing Program expressed 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 Low Rent Public Housing Program, CFDA#14.850 with expenditures of \$213,582.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Housing Authority of the Borough of Clementon qualified 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 Borough of Clementon  
22 Gibbsboro Road  
Clementon, New Jersey 08021

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the Borough of Clementon 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 7, 2013. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule (FDS) dated June 30, 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 Borough of Clementon 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 7, 2013

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule,all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>

<u>Firm Name</u>	<b>Hymanson Parnes &amp; Giampaolo</b>
<u>Employer Identification Number</u>	<b>22-3554220</b>
<u>Date</u>	<b>March 7, 2013</b>
<u>UII#</u>	<b>#66170</b>
<u>Contact First Name</u>	<b>Anthony</b>
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