

**Report On Audit**

**HOUSING AUTHORITY OF THE  
BOROUGH OF CLEMENTON**

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

**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

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

### **Opinion**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and pages 42-43 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued reports dated October 6, 2014 on our consideration of the Housing Authority of the Borough of Clementon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: October 6, 2014

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

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

**FINANCIAL HIGHLIGHTS**

Net position of the Authority's enterprise fund was \$1,803,776 greater than the liabilities, a decrease in the financial position of \$1,893 or less than 1% percent.

As noted above, the net position of the Authority exceeded its liabilities by \$1,803,776 as of June 30, 2014. Of this amount, the unrestricted net position is \$150,972 representing a decrease of \$76,450 or 34% percent from the previous year. The restricted net position decreased \$45,501 or 100% percent from the prior year for an ending balance of \$-0-. The net investment in capital assets increased \$120,058 or 8% percent for an ending balance of \$1,652,804. Additional information on the Authority's restricted and unrestricted net position can be found in Notes 15 and 16 to the financial statements, which is included in this report.

The Authority's unrestricted cash and cash equivalent at June 30, 2014 is \$189,959 representing a decrease of \$82,706 or 30% percent from the prior fiscal year. Total restricted cash decreased \$42,758 or 83% percent for an ending balance of \$8,636. The full detail of this amount can be found in the Statement of Cash Flow on page 19 of this report.

The Authority's total assets are \$1,881,784 of which capital assets net book value is \$1,652,804, leaving total current assets at \$228,980. Total current assets decreased from the previous year by \$127,793 or 36% percent. Unrestricted cash and cash equivalents decreased by \$82,706, restricted cash and cash equivalents decreased by \$42,758, accounts receivables decreased by \$1,743, and prepaid expenses decreased by \$586.

The Authority's total liabilities are reported at \$78,008, of which noncurrent liabilities are stated at \$17,509. Total liabilities decreased during the year as compared to the prior year in the amount of \$5,842 or 7% percent. Total current liabilities decreased during the year by \$8,468, leaving non-current liabilities for an increase of \$2,626 as compared to the previous year.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current liabilities decreased from the previous year by \$8,468 or 12% percent. Accounts payables decreased by \$61, accrued liabilities increased by \$2,286, tenant security deposit payable increased by \$2,743, and unearned revenue decreased \$13,436.

Total noncurrent liabilities increased by \$2,626 or 18% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$17,509, with no offsetting assets, increased \$2,626 from the previous year. An accrued other post-employment benefits (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 \$782,298 as compared to \$749,787 from the prior year for an increase of \$32,511 or 4% percent. The Authority had total operating expenses of \$959,772 as compared to \$935,149 from the previous year for an increase of \$24,623 or 3% percent, resulting in a deficiency of revenue from operations in the amount of \$177,474 for the current year as compared to a deficiency of revenue from operations in the amount of \$185,362 for a decrease in deficit of \$7,888 or 4% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$175,269 as compared to \$16,856 from the previous year for an increase of \$158,413 or 940% percent. The Authority's had capital outlays in the amount of \$175,269 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$175,269. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$680,123 for the fiscal year 2014 as compared to \$505,223 for the previous fiscal year 2013 for an increase of \$174,900 or 35% percent.

**USING THIS ANNUAL REPORT**

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

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

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, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

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

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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 17 through 19.

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

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

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 20 through 40.



**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**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 41 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
  
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Borough of Clementon are those which equal or exceeded \$300,000 in expenditures for the fiscal year ended June 30, 2014. Type B programs for the Housing Authority of the Borough of Clementon are those which are less than \$300,000 in expenditures for the fiscal year ended June 30, 2014.

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program can be found on page 42 the Section Eight Housing Choice Voucher Program on page 43.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

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

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

	Year Ended		Increase (Decrease)
	June-14	June-13	
Cash	\$ 198,595	\$ 324,059	\$ (125,464)
Other Current Assets	30,385	32,714	(2,329)
Capital Assets - Net	1,652,804	1,532,746	120,058
Total Assets	1,881,784	1,889,519	(7,735)
Less: Current Liabilities	(60,499)	(68,967)	8,468
Less: Non Current Liabilities	(17,509)	(14,883)	(2,626)
Net Position	<u>\$ 1,803,776</u>	<u>\$ 1,805,669</u>	<u>\$ (1,893)</u>
Net Investment in Capital Assets	\$ 1,652,804	\$ 1,532,746	\$ 120,058
Restricted Net Position	-	45,501	(45,501)
Unrestricted Net Position	150,972	227,422	(76,450)
	<u>\$ 1,803,776</u>	<u>\$ 1,805,669</u>	<u>\$ (1,893)</u>

Cash decreased by \$125,464 or 39% percent. Net cash used by operating activities was \$128,402, net cash provided by capital and related financing activities was \$2,626, and net cash provided by investing activities was \$312. The full detail of this amount can be found in the Statement of Cash Flow on page 19 of this audit report.

Other current assets decreased \$2,329. Account receivable decreased \$1,743 and prepaid expenses decreased \$586.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$120,058 or 8% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$175,269, less the recording of depreciation expense in the amount of \$55,211. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

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

Total current liabilities decreased from the previous year by \$8,468 or 12% percent. Accounts payables decreased by \$61, accrued liabilities increased by \$2,286, tenant security deposit payable increased by \$2,743, and unearned revenue decreased \$13,436.

Total noncurrent liabilities increased by \$2,626 or 18% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$17,509, with no offsetting assets, increased \$2,626 from the previous year.

The Authority's reported net position of \$1,803,776 is made up of three categories. The net investment in capital assets in the amount of \$1,652,804 represents 92% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance June 30, 2013	\$ 1,532,746
Acquisition in Fixed Assets	175,269
Depreciation Expense	(55,211)
Balance June 30, 2014	\$ 1,652,804

The Authority reported a restricted net position of \$-0-, a decrease of \$45,501 from the prior year. Due to funding cuts by HUD the cash restricted for the Housing Choice Voucher program has been depleted. Additional information on these funds can be found in Note 15 Restricted Net Position.

The Housing Authority of the Borough of Clementon operating results for June 30, 2014 reported a decrease in unrestricted position of \$76,450 or 34% percent for an ending balance of \$150,972. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 16.

At the end of the current year, the Authority is able to report positive balances in two categories of net position. The prior fiscal year the Authority had positive balances in all three categories of net position.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

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

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

	<u>Year Ended</u>		Increase
	June-14	June-13	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 242,575	\$ 227,729	\$ 14,846
HUD Subsidies	504,854	488,367	16,487
Other Revenues	34,869	33,691	1,178
Total Operating Income	<u>782,298</u>	<u>749,787</u>	<u>32,511</u>
<u>Expenses</u>			
Operating Expenses	904,561	887,620	16,941
Depreciation Expense	55,211	47,529	7,682
Total Operating Expenses	<u>959,772</u>	<u>935,149</u>	<u>24,623</u>
Operating Income before Non Operating Income	(177,474)	(185,362)	7,888
Interest Income	312	536	(224)
Capital Grants	<u>175,269</u>	<u>16,856</u>	<u>158,413</u>
Change in Net Position	(1,893)	(167,970)	166,077
Net Position Prior Year	1,805,669	1,973,639	(167,970)
Total Net Position	<u>\$ 1,803,776</u>	<u>\$ 1,805,669</u>	<u>\$ (1,893)</u>

Approximately 65% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 31% percent resulted from tenant revenue. Charges for various services and other governmental grants provided 4% percent of the total income.

The Housing Authority of the Borough of Clementon received from the capital fund program \$175,269 in grant money an increase of \$158,413 from the prior fiscal year. The Authority had capital expenditures of \$175,269. The current year additions included new closet doors for the apartments, apartment conversions, and new piping.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

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

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 33% percent of total operating expenses. Administrative expenses accounted for 21% percent, tenant services accounted for less than 1% percent, utilities expense accounted for 15% percent, maintenance expense accounted for 20% percent, other operating expenses accounted for 4% percent, and depreciation accounted for the remaining 6% percent of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$177,474 from operations as compared to excess expenses from operations of \$185,362 for the previous year. The key elements for the decrease in deficit in comparison to the prior year are as follow:

- The Authority reported an increase in HUD PHA operating grants in the amount of \$16,487 or 3% percent.
- Total rental revenue increased in the amount of \$14,846, or 7% percent, due to increased rent rates and collections.
- Utility expenses decreased \$26,050 or 15% percent, and housing assistance payments decreased \$4,158 or 1% percent.
- The Authority experienced increases in the expenses listed below:
  - Administrative Expenses increased \$16,654 or 9% percent.
  - Maintenance Expenses increased \$19,598 or 11% percent.
  - Other Operating Expenses increased \$10,267 or 44% percent.

Total net cash used by operating activities during the year was \$128,402 as compared to cash used in the amount of \$104,961 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flow on page 19 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

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

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

	June-14	June-13	June-12	June-11
<b>Significant Income</b>				
Total Tenant Revenue	\$ 242,575	\$ 227,729	\$ 231,188	\$ 219,530
HUD Operating Grants	504,854	488,367	603,352	678,117
HUD Capital Grants	175,269	16,856	57,270	4,350
Investment Income	312	536	923	814
Other Income	34,869	33,691	35,183	37,325
<b>Total</b>	<b>\$ 957,879</b>	<b>\$ 767,179</b>	<b>\$ 927,916</b>	<b>\$ 940,136</b>
<b>Payroll Expense</b>				
Administrative Salaries	107,083	119,446	126,576	125,775
Utilities Labor	4,882	18,820	18,160	17,581
Maintenance Labor	73,767	55,438	53,937	52,743
Employee Benefits Expense	41,910	38,863	41,587	37,578
<b>Total Payroll Expense</b>	<b>\$ 227,642</b>	<b>\$ 232,567</b>	<b>\$ 240,260</b>	<b>\$ 233,677</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	72,505	44,807	66,124	59,309
Utilities Expense	136,818	146,037	147,524	186,887
Maintenance Supplies	13,192	11,783	7,704	10,895
Maintenance Contract Cost	92,296	97,066	44,975	59,166
Insurance Premiums	23,315	24,361	21,682	20,006
Housing Assistance Payments	316,586	320,744	364,784	414,138
<b>Total</b>	<b>\$ 654,712</b>	<b>\$ 644,798</b>	<b>\$ 652,793</b>	<b>\$ 750,401</b>
<b>Total Operating Expenses</b>	<b>959,772</b>	<b>935,149</b>	<b>948,332</b>	<b>1,089,085</b>
<b>Total of Federal Awards</b>	<b>\$ 680,123</b>	<b>\$ 505,223</b>	<b>\$ 660,622</b>	<b>\$ 682,467</b>

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**THE AUTHORITY AS A WHOLE**

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

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

**HOUSING AUTHORITY OF THE 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 \$25 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.

Capital Fund Program:

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

Housing Choice Voucher Program

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

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**BUDGETARY HIGHLIGHTS**

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

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 42 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 43 of this report.

**NEW INITIATIVES**

For the fiscal year 2014 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 71% percent of its revenue from the Department of Housing and Urban Development, (2013 was 66% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of the operations, all the while increasing the 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 their responsibility to be good stewards of the public's tax dollars.

For 2013 due to budget cuts once again by Congress, HUD prorated everyone's eligibility for operating funds at 81.86%. For calendar year 2013 the Authority was eligible for \$246,218, after the proration the Authority was only able to receive \$202,125, which is a decrease in funding of \$44,093.



**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2014 was \$1,652,804 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increased during the year in the Authority's investment in capital assets was \$120,058 or 8% percent. Major capital expenditures of \$175,269 were made during the year. Major capital assets events during the fiscal year included the following:

- Closet Doors
- New Piping
- Apartment Renovations/Conversions

	June-14	June-13	Increase (Decrease)
Land	\$ 26,974	\$ 26,974	\$ -
Building	3,214,658	3,034,588	180,070
Furniture, Equipment - Administration	67,744	66,866	878
Leasehold Improvements	39,765	39,765	-
Construction in Process	-	5,679	(5,679)
Total Fixed Assets	3,349,141	3,173,872	175,269
Accumulated Depreciation	(1,696,337)	(1,641,126)	(55,211)
Net Book Value	<u>\$ 1,652,804</u>	<u>\$ 1,532,746</u>	<u>\$ 120,058</u>

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

2 - Debt Administration

The Authority had no outstanding debt to report as of June 30, 2014.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT JUNE 30, 2014**

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

The Housing Authority of the Borough of Clementon is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. Further, the need for Congress to fund the Departments of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.

The capital budgets for the 2014 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2015.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

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

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. William J Harris, 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 POSITION**  
**AS OF JUNE 30, 2014 AND 2013**

	June 30,	
	2014	2013
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents - Unrestricted	\$ 189,959	\$ 272,665
Cash and Cash Equivalents - Restricted	8,636	51,394
Accounts Receivables, Net of Allowances	817	2,560
Prepaid Expenses	29,568	30,154
Total Current Assets	228,980	356,773
<b>Noncurrent Assets</b>		
Capital Assets		
Land	26,974	26,974
Building	3,214,658	3,034,588
Furniture, Equipment - Administration	67,744	66,866
Leasehold Improvements	39,765	39,765
Construction in Process	-	5,679
Total Capital Assets	3,349,141	3,173,872
Less: Accumulated Depreciation	(1,696,337)	(1,641,126)
Net Book Value	1,652,804	1,532,746
Total Assets	1,881,784	1,889,519
<b>Deferred Outflow of Resources</b>		
Total Deferred Outflows of Resources	-	-
Total Assets and Deferred Outflow of Resources	\$ 1,881,784	\$ 1,889,519
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 20,102	\$ 20,163
Accrued Liabilities	12,386	10,100
Tenant Security Deposit Payable	8,636	5,893
Unearned Revenue	19,375	32,811
Total Current Liabilities	60,499	68,967
<b>Noncurrent Liabilities</b>		
Accrued Compensated Absences - Long-Term	17,509	14,883
Total Noncurrent Liabilities	17,509	14,883
Total Liabilities	78,008	83,850
<b>Deferred Inflow of Resources</b>		
Total Deferred Inflow of Resources	-	-
<b>Net Position:</b>		
Net Investment in Capital Assets	1,652,804	1,532,746
Restricted	-	45,501
Unrestricted	150,972	227,422
Total Net Position	1,803,776	1,805,669
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 1,881,784	\$ 1,889,519

See accompanying notes to the financial statements.

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

	June 30,	
	2014	2013
<b>Revenue:</b>		
Tenant Rental Revenue	\$ 242,575	\$ 227,729
HUD PHA Operating Grants	504,854	488,367
Other Revenue	34,869	33,691
Total Revenue	782,298	749,787
<b>Operating Expenses:</b>		
Administrative Expense	204,091	187,437
Tenant Services	3,918	3,359
Utilities Expense	142,781	168,831
Maintenance Expense	195,581	175,992
Protective Services Expense	8,200	8,120
Other Operating Expenses	33,404	23,137
Housing Assistance Payments	316,586	320,744
Depreciations Expense	55,211	47,529
Total Operating Expenses	959,772	935,149
Excess Expenses Over Revenue From Operations	(177,474)	(185,362)
<b>Non Operating Income and (Expenses):</b>		
Investment Income	312	536
Total Non Operating Income	312	536
Capital Grants	175,269	16,856
<b>Change in Net Position</b>	(1,893)	(167,970)
Beginning Net Position	1,805,669	1,973,639
Ending Net Position	\$ 1,803,776	\$ 1,805,669

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, 2014 AND 2013**

	June 30,	
	2014	2013
<b>Cash Flow From Operating Activities</b>		
Receipts from Tenants	\$ 242,938	\$ 227,612
Receipts from Federal Grants	505,889	520,463
Receipts from Miscellaneous Sources	34,869	33,691
Payments to Vendors and Suppliers	(219,126)	(187,376)
Payments for Housing Assistance Payment	(316,586)	(320,744)
Payments to Employees	(185,732)	(193,704)
Payment of Employee Benefits	(41,910)	(38,863)
Payments for Utilities	(148,744)	(146,040)
Net Cash (Used) by Operating Activities	(128,402)	(104,961)
<b>Cash Flow From Capital and Related Financing Activities</b>		
Receipts from Capital Grants	175,269	16,856
Acquisitions and Construction of Capital Assets	(175,269)	(38,355)
Increase (Decrease) in Accrued Compensated Absences	2,626	(6,346)
Net Cash Provided (Used) by Capital and Related Financing Activities	2,626	(27,845)
<b>Cash Flow From Investing Activities</b>		
Interest Income	312	536
Net Cash Provided by Investing Activities	312	536
Net (Decrease) in Cash and Cash Equivalents	(125,464)	(132,270)
<b>Beginning Cash</b>	324,059	456,329
<b>Ending Cash</b>	\$ 198,595	\$ 324,059
<u>Reconciliation of Cash Balances:</u>		
Cash and Cash Equivalents - Unrestricted	\$ 189,959	\$ 272,665
Tenant Security Deposits	8,636	5,893
HAP Reserve	-	45,501
Total Ending Cash	\$ 198,595	\$ 324,059
<b>Reconciliation of Operating Income to Net Cash</b>		
(Used) by Operating Activities		
Excess of Expenses Over Revenue	\$ (177,474)	\$ (185,362)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	55,211	47,530
(Increase) Decrease in:		
Accounts Receivables	1,743	(1,076)
Prepaid Expenses	586	(2,980)
Increase (Decrease) in:		
Accounts Payable	(61)	(697)
Accrued Liabilities	2,286	3,569
Tenant Security Deposit Payable	2,743	1,244
Unearned Revenue	(13,436)	32,811
Net Cash (Used) by Operating Activities	\$ (128,402)	\$ (104,961)

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

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

**1. Organization** - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the 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. 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 Borough 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, 2014

### **2. Significant Accounting Policies**

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

#### New Accounting Standards Adopted

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

Statement No. 65 of the Government Accounting Standards Board (“GASB 65”) *Items Previously Reported as Assets and Liabilities* was issued in March 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

### **Basis of Accounting –**

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. All assets, liabilities, net position, 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 \$25 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, 2014

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

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

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

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

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

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

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

### **Report Presentation -**

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

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

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

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

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

### Net Investment in Capital Assets.

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

### Restricted Net Position

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

### Unrestricted Net Position

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

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, 2014

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

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

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

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

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

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

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

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

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

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

10 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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, 2014

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

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

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

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

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

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

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

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

### **Budgetary and Policy Control –**

The Authority submits its annual operating and capital budgets to U.S. Department of Housing and Urban Development. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source. Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 42 the Section Eight Housing Choice Voucher Program on page 43.

**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	43

### A. Low Rent Public Housing Program

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

### B. Capital Fund Programs

Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. These programs are financed by HUD subsidies. The capital fund programs are now merged into the low rent public housing program.

### C. Housing Choice Vouchers Program

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

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

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

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

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

### **NOTE 2 – ESTIMATES**

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

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

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

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

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

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

On the web:

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

### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2014 and 2013 amounted to \$22,157 and \$22,672.

### 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 various years of service.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

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

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

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

The book balances at June 30, 2014 and 2013 for unrestricted cash were \$189,959 and \$272,665, and restricted cash of \$8,636 and \$51,394 as discussed below:

	<u>June-14</u>	<u>June-13</u>
TD Bank	\$ 198,461	\$ 200,175
Santander Bank	34	123,784
Petty Cash	100	100
Total Cash, Cash Equivalents	<u>\$ 198,595</u>	<u>\$ 324,059</u>

The Authority has total restricted cash at June 30, 2014 and 2013 in the amount of \$8,636 and \$51,394 respectively, which consists of the following:

	<u>June-14</u>	<u>June-13</u>
Tenant Security Deposits	\$ 8,636	\$ 5,893
HAP Reserve	-	45,501
Total Restricted Cash	<u>\$ 8,636</u>	<u>\$ 51,394</u>



# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

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

The restricted cash in the amount of \$-0- for June 30, 2014 and \$45,501 for June 30, 2013, was reported under the Housing Choice Voucher Program as a HAP reserve for future use.

The authority has restricted cash at June 30, 2014 in the amount of \$8,636 and \$5,893 at June 30, 2013. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at TD Bank.

### **Risk Disclosures**

#### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At June 30, 2014, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

#### Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**

Notes to Financial Statements

June 30, 2014

**NOTE 5 - ACCOUNTS RECEIVABLE**

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

	June-14	June-13
Tenants Accounts Receivable - Present	\$ 817	\$ 1,180
Accounts Receivable - HUD	-	1,035
Fraud Recovery	-	345
Total Accounts Receivables	<u>\$ 817</u>	<u>\$ 2,560</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.

**NOTE 6 - PREPAID EXPENSES**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Prepaid expenses at June 30, 2014 and 2013 consisted of prepaid insurance in the amount of \$29,568 on June 30, 2014 and \$30,154 as of June 30, 2013.

**NOTE 7 - INTERFUND ACTIVITY**

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at June 30, 2014 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

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

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

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized.

Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The Housing Authority of the 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.

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, 2014.

## HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

### Notes to Financial Statements

June 30, 2014

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

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

	June-13	Additions	Transfer	June-14
Land	\$ 26,974	\$ -	\$ -	\$ 26,974
Building	3,034,588	-	180,070	3,214,658
Furniture, Equipment - Administration	66,866	-	878	67,744
Leasehold Improvements	39,765	-	-	39,765
Construction in Process	5,679	175,269	(180,948)	-
Total Fixed Assets	\$ 3,173,872	\$ 175,269	\$ -	\$ 3,349,141
Accumulated Depreciation	(1,641,126)	(55,211)	-	(1,696,337)
Net Book Value	\$ 1,532,746	\$ 120,058	\$ -	\$ 1,652,804

	June-12	Additions	Transfer	June-13
Land	\$ 26,974	\$ -	\$ -	\$ 26,974
Building	2,909,243	-	125,345	3,034,588
Furniture, Equipment - Administration	61,708	5,158	-	66,866
Leasehold Improvements	39,765	-	-	39,765
Construction in Process	97,827	33,197	(125,345)	5,679
Total Fixed Assets	\$ 3,135,517	\$ 38,355	\$ -	\$ 3,173,872
Accumulated Depreciation	(1,593,596)	(47,530)	-	(1,641,126)
Net Book Value	\$ 1,541,921	\$ (9,175)	\$ -	\$ 1,532,746

#### **NOTE 9 - ACCOUNTS PAYABLE**

The Authority reported accounts payable on its statement of net position as of June 30, 2014 and 2013. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at June 30, 2014 and 2013 consist amounts owed to vendors in the amounts of \$20,102 and \$20,163.

#### **NOTE 10 - ACCOUNTS PAYABLE - OTHER GOVERNMENT (PILOT PAYABLE)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the 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, 2014 was \$ -0- and \$ -0- for 2013.

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

### **NOTE 11 – ACCRUED EXPENSES**

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

	<u>June-14</u>	<u>June-13</u>
Compensated Absences - Current Portion	\$ 10,089	\$ 2,626
Accrued Utilities	-	7,474
Pet Deposits	800	-
Accrued Wages and Withholdings	1,497	-
Total Accrued Liabilities	<u>\$ 12,386</u>	<u>\$ 10,100</u>

### **NOTE 12 – 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-14</u>	<u>June-13</u>
Accumulated Vacation Time	7,705	1,994
Accumulated Sick Days	16,280	13,754
Accumulated Personal Days	1,652	516
Payroll Tax Expense	1,961	1,245
Total	<u>27,598</u>	<u>17,509</u>
Compensated Absences - Current Portion	(10,089)	(2,626)
Total Compensated Absences - Noncurrent	<u>\$ 17,509</u>	<u>\$ 14,883</u>

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**

Notes to Financial Statements

June 30, 2014

**NOTE 13 – UNEARNED REVENUE**

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unearned revenue for June 30, 2014 and 2013 consisted of the following:

	June-14	June-13
Prepaid Operating Subsidy	\$ 18,285	\$ 32,811
Prepaid Roof Rental	1,090	-
Total Unearned Revenue	<u>\$ 19,375</u>	<u>\$ 32,811</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.

**NOTE 15 – RESTRICTED NET POSITION**

The Authority restricted net position account balance at June 30, 2014 is \$-0-. The detail of the restricted reserve account balances is as follows:

	HAP Reserve
Balance June 30, 2012	\$ 97,165
Decrease During the Year	<u>(51,664)</u>
Balance June 30, 2013	45,501
Decrease During the Year	<u>(45,501)</u>
Balance June 30, 2014	<u>\$ -</u>

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

### **NOTE 16 – UNRESTRICTED NET POSITION**

The Authority's unrestricted net position account balance at June 30, 2014 is \$150,972. The detail of the account balance is as follows:

	Low Rent PH Reserve	HCV ADM Reserve	Total
Balance June 30, 2012	\$ 291,051	\$ 43,502	\$ 334,553
Decrease During the Year	(93,051)	(14,080)	(107,131)
Balance June 30, 2013	198,000	29,422	227,422
Decrease During the Year	(62,111)	(14,339)	(76,450)
Balance June 30, 2014	\$ 135,889	\$ 15,083	\$ 150,972

### 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.

Below is a detail of the HCV Administrative Reserves:

	HCV Adm Reserve
Pre 2004 Administrative Reserve	\$ 37,443
Post 2003 Administrative Reserve	(22,360)
Balance June 30, 2014	\$ 15,083

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

### **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, 2014, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its building for the purpose of determining potential liability issues. During the year ended June 30, 2014, the Authority did not reduce insurance coverage's from coverage levels in place as of June 30, 2013.

### **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, 2014 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended June 30, 2014 and 2013 were \$208,693 and \$186,409, respectively.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing housing choice voucher tenants covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for June 30, 2014 and 2013 were \$296,161 and \$301,958, respectively.



# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

### **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 \$680,123 to the Authority which represents approximately 71% percent of the Authority's total revenue for the fiscal year June 30, 2014 and \$505,223 which represents approximately 66% percent for 2013.

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

		June 30,	
<u>CFDA #'s</u>	<u>2014</u>	<u>2013</u>	<u>Expenditures</u>
<u>PHA Owned Housing</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Low Rent Public Housing	14.850	\$ 208,693	\$ 186,409
Public Housing Capital Fund Program	14.872	175,269	16,856
Subtotal		383,962	203,265
<u>Rental Assistance Housing Programs</u>			
Housing Choice Vouchers	14.871	296,161	301,958
Subtotal		296,161	301,958
Total Awards		\$ 680,123	\$ 505,223

# HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

## Notes to Financial Statements

June 30, 2014

### **NOTE 20 - CONTINGENCIES**

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

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

### **NOTE 21 – SUBSEQUENT EVENTS**

Events that occur after the statement of net positions 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 October 6, 2014; 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, 2014**

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

	CFDA#	Expenditures
<b><u>PHA Owned Housing</u></b>		
Low Rent Public Housing	14.850	\$ 208,693
Public Housing Capital Fund Program	14.872	175,269
Subtotal		383,962
 <b><u>Rental Assistance Housing Programs</u></b>		
Housing Choice Vouchers	14.871	296,161
Subtotal		296,161
Total Awards		\$ 680,123

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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 the Housing Authority of the Borough of Clementon, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the 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:**

The Housing Authority of the Borough of Clementon had no outstanding debt as of June 30, 2014.

**Note 4. Sub recipients:**

Of the federal expenditures presented in the schedule above, the 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, 2014**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 242,575	\$ 250,190	\$ (7,615)
HUD PHA Operating Grants	208,693	249,911	(41,218)
Other Revenue	33,721	34,130	(409)
Total Revenue	<u>484,989</u>	<u>534,231</u>	<u>(49,242)</u>
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	101,578	95,790	(5,788)
Audit Fee's	4,000	5,050	1,050
Employee Benefit Contributions	22,482	22,206	(276)
Other Operating Administrative Expenses	35,468	50,160	14,692
Total Administrative Expenses	<u>163,528</u>	<u>173,206</u>	<u>9,678</u>
Tenant Services:			
Tenant Services - Other	3,918	5,200	1,282
Total Tenant Services	<u>3,918</u>	<u>5,200</u>	<u>1,282</u>
Utilities:			
Water	16,548	16,548	-
Electricity	55,723	55,602	(121)
Gas	23,579	35,990	12,411
Sewer	40,968	38,710	(2,258)
Labor	4,882	19,470	14,588
Employee Benefit Contributions	1,081	4,513	3,432
Total Utilities	<u>142,781</u>	<u>170,833</u>	<u>28,052</u>
Maintenance:			
Maintenance Labor	73,767	58,420	(15,347)
Materials	13,192	7,800	(5,392)
Maintenance Contract Cost	92,296	53,047	(39,249)
Employee Benefit Contributions	16,326	13,543	(2,783)
Total Maintenance	<u>195,581</u>	<u>132,810</u>	<u>(62,771)</u>
Other Operating Expenses:			
Protective Services - Other Contract	8,200	8,920	720
Insurance	23,315	28,535	5,220
Compensated Absences	10,089	-	(10,089)
Total Other Operating Expenses	<u>41,604</u>	<u>37,455</u>	<u>5,940</u>
Total Operating Expenses	<u>547,412</u>	<u>519,504</u>	<u>(19,101)</u>
Excess Expenses Over Revenue From Operations	<u>(62,423)</u>	14,727	<u>(77,150)</u>
Other Income and (Expenses):			
Nonroutine Expenditures	-	(3,100)	3,100
Interest Income	312	1,000	(688)
Total Other (Expenses)	<u>312</u>	<u>(2,100)</u>	<u>2,412</u>
Excess Expenses over Revenue (Loss)	<u>\$ (62,111)</u>	<u>\$ 12,627</u>	<u>\$ (74,738)</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, 2014**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue - Annual Contribution Required</b>			
Housing Assistance Payments	\$ 270,766	\$ 324,000	\$ (53,234)
Administrative Fee	25,395	33,924	(8,529)
Other Revenue	1,148	-	1,148
Total Revenue	<u>297,309</u>	<u>357,924</u>	<u>(60,615)</u>
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	5,505	24,694	19,189
Audit Fee's	2,080	1,500	(580)
Employee Benefits	20,210	-	(20,210)
Other Operating Administrative Expenses	12,768	7,730	(5,038)
Total Administrative Expenses	<u>40,563</u>	<u>33,924</u>	<u>(6,639)</u>
Other Operating Expenses:			
Housing Assistance Payments	316,586	324,000	7,414
Total Other Operating Expenses	<u>316,586</u>	<u>324,000</u>	<u>7,414</u>
Total Operating Expenses	<u>357,149</u>	<u>357,924</u>	<u>775</u>
Excess Expenses Over Revenue From Operations	<u>(59,840)</u>	-	<u>(59,840)</u>
Other Income and (Expenses):			
Transfer From Restricted	45,501	-	45,501
Total Other Income and (Expenses)	<u>45,501</u>	-	<u>45,501</u>
Excess Expenses over Revenue (Loss)	<u>\$ (14,339)</u>	\$ -	<u>\$ (14,339)</u>

See accompanying notes to the financial statements.

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$169,218	\$20,741	\$189,959		\$189,959
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$8,636		\$8,636		\$8,636
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$177,854	\$20,741	\$198,595	\$0	\$198,595
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$817		\$817		\$817
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0		\$0
126.2 Allowance for Doubtful Accounts - Other					
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$817	\$0	\$817	\$0	\$817
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$29,568		\$29,568		\$29,568
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From	\$438		\$438	-\$438	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$208,677	\$20,741	\$229,418	-\$438	\$228,980
161 Land	\$26,974		\$26,974		\$26,974
162 Buildings	\$3,214,658		\$3,214,658		\$3,214,658
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$67,744		\$67,744		\$67,744
165 Leasehold Improvements	\$39,765		\$39,765		\$39,765
166 Accumulated Depreciation	-\$1,696,337		-\$1,696,337		-\$1,696,337
167 Construction In Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,652,804	\$0	\$1,652,804	\$0	\$1,652,804
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$1,652,804	\$0	\$1,652,804	\$0	\$1,652,804
190 Total Assets	\$1,861,481	\$20,741	\$1,882,222	-\$438	\$1,881,784
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$1,861,481	\$20,741	\$1,882,222	-\$438	\$1,881,784
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$14,902	\$5,200	\$20,102		\$20,102
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$1,477	\$20	\$1,497		\$1,497

See accompanying notes to the financial statements

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
322 Accrued Compensated Absences - Current Portion	\$10,089		\$10,089		\$10,089
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	\$8,636		\$8,636		\$8,636
342 Unearned Revenue	\$19,375		\$19,375		\$19,375
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities	\$800		\$800		\$800
346 Accrued Liabilities - Other					
347 Inter Program - Due To		\$438	\$438	-\$438	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$55,279	\$5,658	\$60,937	-\$438	\$60,499
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$17,509		\$17,509		\$17,509
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$17,509	\$0	\$17,509	\$0	\$17,509
300 Total Liabilities	\$72,788	\$5,658	\$78,446	-\$438	\$78,008
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$1,652,804	\$0	\$1,652,804		\$1,652,804
511.4 Restricted Net Position		\$0	\$0		\$0
512.4 Unrestricted Net Position	\$135,889	\$15,083	\$150,972		\$150,972
513 Total Equity - Net Assets / Position	\$1,788,693	\$15,083	\$1,803,776	\$0	\$1,803,776
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$1,861,481	\$20,741	\$1,882,222	-\$438	\$1,881,784

See accompanying notes to the financial statements

Borough of Clementon Housing Authority (NJ073)

CLEMENTON, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$235,605		\$235,605		\$235,605
70400 Tenant Revenue - Other	\$6,970		\$6,970		\$6,970
70500 Total Tenant Revenue	\$242,575	\$0	\$242,575		\$242,575
70600 HUD PHA Operating Grants	\$208,693	\$296,161	\$504,854		\$504,854
70610 Capital Grants	\$175,269		\$175,269		\$175,269
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	\$312		\$312		\$312
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$33,721	\$1,148	\$34,869		\$34,869
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$660,570	\$297,309	\$957,879		\$957,879
91100 Administrative Salaries	\$101,578	\$5,505	\$107,083		\$107,083
91200 Auditing Fees	\$4,000	\$2,080	\$6,080		\$6,080
91300 Management Fee		\$22,978	\$22,978		\$22,978
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$22,482	\$2,021	\$24,503		\$24,503
91600 Office Expenses	\$8,659	\$2,186	\$10,845		\$10,845
91700 Legal Expense	\$7,104		\$7,104		\$7,104
91800 Travel	\$461		\$461		\$461
91810 Allocated Overhead					
91900 Other	\$19,244	\$5,793	\$25,037		\$25,037
91000 Total Operating - Administrative	\$163,528	\$40,563	\$204,091		\$204,091
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$3,918		\$3,918		\$3,918
92500 Total Tenant Services	\$3,918	\$0	\$3,918		\$3,918
93100 Water	\$16,548		\$16,548		\$16,548
93200 Electricity	\$55,723		\$55,723		\$55,723
93300 Gas	\$23,579		\$23,579		\$23,579
93400 Fuel					
93500 Labor	\$4,882		\$4,882		\$4,882
93600 Sewer					
93700 Employee Benefit Contributions - Utilities	\$1,081		\$1,081		\$1,081
93800 Other Utilities Expense	\$40,968		\$40,968		\$40,968
93000 Total Utilities	\$142,781	\$0	\$142,781		\$142,781
94100 Ordinary Maintenance and Operations - Labor	\$73,767		\$73,767		\$73,767
94200 Ordinary Maintenance and Operations - Materials and Other	\$13,192		\$13,192		\$13,192

See accompanying notes to the financial statements



Borough of Clementon Housing Authority (NJ073)  
 CLEMENTON, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
94300 Ordinary Maintenance and Operations Contracts	\$92,296		\$92,296		\$92,296
94500 Employee Benefit Contributions - Ordinary Maintenance	\$16,326		\$16,326		\$16,326
94000 Total Maintenance	\$195,581	\$0	\$195,581		\$195,581
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs	\$8,200		\$8,200		\$8,200
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$8,200	\$0	\$8,200		\$8,200
96110 Property Insurance	\$5,767		\$5,767		\$5,767
96120 Liability Insurance	\$5,766		\$5,766		\$5,766
96130 Workmen's Compensation	\$9,751		\$9,751		\$9,751
96140 All Other Insurance	\$2,031		\$2,031		\$2,031
96100 Total Insurance Premiums	\$23,315	\$0	\$23,315		\$23,315
96200 Other General Expenses					
96210 Compensated Absences	\$10,089		\$10,089		\$10,089
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96500 Bad debt - Other					
96600 Severance Expense					
96000 Total Other General Expenses	\$10,089	\$0	\$10,089		\$10,089
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	\$547,412	\$40,563	\$587,975		\$587,975
97000 Excess of Operating Revenue over Operating Expenses	\$113,158	\$256,746	\$369,904		\$369,904
97100 Extraordinary Maintenance					
97200 Casually Losses - Non-capitalized					
97300 Housing Assistance Payments		\$316,586	\$316,586		\$316,586
97350 HAP Portability-In					
97400 Depreciation Expense	\$55,211		\$55,211		\$55,211
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$602,623	\$357,149	\$959,772		\$959,772
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					

See accompanying notes to the financial statements

Borough of Clementon Housing Authority (NJ073)  
 CLEMENTON, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
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) Total Expenses	\$57,947	-\$59,840	-\$1,893		-\$1,893
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,730,746	\$74,923	\$1,805,669		\$1,805,669
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$0		\$0
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity		\$15,083	\$15,083		\$15,083
11180 Housing Assistance Payments Equity		\$0	\$0		\$0
11190 Unit Months Available	840	422	1262		1262
11210 Number of Unit Months Leased	783	494	1277		1277
11270 Excess Cash	\$78,213		\$78,213		\$78,213
11610 Land Purchases	\$1		\$1		\$1
11620 Building Purchases	\$175,269		\$175,269		\$175,269
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

See accompanying notes to the financial statements



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Borough of Clementon (hereafter referred to as the Authority), which comprise the statement of net position as of June 30, 2014 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the 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*.

### **Purpose of This Report**

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

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: October 6, 2014



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

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

**Report on Compliance**

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

**Management's Responsibility for Compliance**

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

**Auditor's Responsibility**

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

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

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

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

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

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

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

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

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

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

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

***Hymanson, Parnes & Giampaolo***

Lincroft, New Jersey

Date: October 6, 2014

**HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON**

Schedule of Findings and Questioned Cost

Year Ended June 30, 2014

**Prior Audit Findings**

None reported

**Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the financial statement of the Housing Authority of the Borough of Clementon.
2. No significant deficiencies relating to the audit of the financial statements are reported in the INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the 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 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*.
5. The auditor's report on compliance for the Public Housing Capital Fund Program expresses an Unmodified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program tested as major program was:
  - a. Public Housing Capital Fund Program, CFDA#14.872 with expenditures of \$175,269.
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, 2014, and have issued our report thereon dated October 6, 2014. 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, 2014, 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: October 6, 2014



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"/>

Firm Name	<b>Hymanson Parnes &amp; Giampaolo</b>
Employer Identification Number	<b>22-3554220</b>
Date	<b>October 6, 2014</b>
UII#	<b>#66170</b>
Contact First Name	<b>Anthony</b>
Contact Middle Initial	<b>J.</b>
Contact Last Name	<b>Giampaolo, C.P.A</b>
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