

**HOUSING AUTHORITY OF THE  
BOROUGH OF FREEHOLD**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012**

**WITH AUDITOR'S REPORT**

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THE POWER OF SOUND FUNDAMENTALS

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the  
Borough of Freehold  
Freehold, New Jersey

We have audited the accompanying financial statements of the Housing Authority of the Borough of Freehold, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Freehold's financial statements as listed in the table of contents.

### 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 entity'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 entity'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 financial position of the Housing Authority of the Borough of Freehold as of December 31, 2013 and 2012, and the results of its operations, changes in net position and cash flows of its proprietary fund types for the years then ended in conformity 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 on pages 4 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the 2013 and 2012 financial statements that collectively comprise the Housing Authority of the Borough of Freehold's financial statements. The financial data schedule and cost certifications on pages 17 to 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedule and cost certifications are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule and cost certifications are 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 the "Governmental Auditing Standards", we have also issued our report dated June 9, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Housing Authority of the Borough of Freehold's internal control over financial reporting and compliance.

*Lawson, Rescinio, Schibell & Assoc., P.C.*

Lawson, Rescinio, Schibell & Assoc., P.C.

Oakhurst, New Jersey

June 9, 2014

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2013

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A – Financial Highlights

1. For the fiscal year ended December 31, 2013, the assets of the Authority exceeded its liabilities by \$1,311,735 (net assets). This compares to the previous year when assets exceeded liabilities by \$1,334,123.
2. For the fiscal year December 31, 2013 the Authority reported ending unrestricted net assets of \$288,509. This compares to the previous year when ending unrestricted net assets were \$276,127.
3. The Authority had total revenues of \$739,703 and total expenses of \$762,091 for the year ended December 31, 2013.
4. The Authority's capital outlays for the fiscal year were \$45,007.
5. The Authority's expenditures of federal awards amounted to \$218,811 for the fiscal year.

B – Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements and notes to the financial statements included in this report were prepared in accordance with GAAP applicable to the Governmental entities for Proprietary Fund types.

2. Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position, the Statement of Activities and the Statement of Cash Flows.

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

The Statement of Activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in the net assets are included, regardless of when cash is received or paid.

The financial statements report on the Authority's activities. The 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 8 through 10 included in this report.

3. Notes To Financial Statements

The accompanying notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements begin on page 11 of this report.

C - The Authority as a Whole

The Authority's net assets decreased during the fiscal year as detailed below. The Authority's current and other assets increased as capital acquisition costs decreased during 2013. The Authority's revenues include subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-authorized funding level. The Authority's operating revenues were sufficient to cover all operating expenses, with the exception of depreciation, during the fiscal year.

By far, the largest portion of the Authority's net assets reflects its investments 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 not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

The following table provides a summary of the Authority's net assets:

	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 421,141	\$ 404,301
Capital Assets	<u>1,303,139</u>	<u>1,357,916</u>
Total Assets	<u>1,724,280</u>	<u>1,762,217</u>
Long-term Liabilities	285,759	299,275
Other Liabilities	<u>126,786</u>	<u>128,819</u>
Total Liabilities	<u>412,545</u>	<u>428,094</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	1,023,139	1,057,916
Restricted	87	80
Unrestricted	<u>288,509</u>	<u>276,127</u>
Total Net Position	<u>\$ 1,311,735</u>	<u>\$ 1,334,123</u>

The following table provides a summary of the Authority's changes in net assets:

	<u>2013</u>	<u>%</u>	<u>2012</u>	<u>%</u>
Revenues:				
Tenant Revenue	\$ 509,455	68.87	\$ 525,278	68.22
Government Operating Grants	153,804	20.79	163,296	21.21
Other Revenue	11,284	1.53	22,453	2.90
Investment Income	153	0.02	13	0.01
Capital Grants	65,007	8.79	58,975	7.66
Total Revenues	<u>739,703</u>	<u>100.00</u>	<u>770,015</u>	<u>100.00</u>
Expenses:				
General Operating Expenses	649,069	85.17	602,350	82.80
Investment Expense	13,238	1.74	13,978	1.92
Depreciation	99,784	13.09	111,146	15.28
Total Expenses	<u>762,091</u>	<u>100.00</u>	<u>727,474</u>	<u>100.00</u>
Increase (Decrease) in Net Position	(22,388)		42,541	
Beginning Net Position	<u>1,334,123</u>		<u>1,291,582</u>	
Ending Net Position	<u>\$ 1,311,735</u>		<u>\$ 1,334,123</u>	

#### D – Budgetary Highlights

For the fiscal year ended December 31, 2013, individual program or grant budgets were prepared by the Authority and were approved 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.

As indicated by the excess of revenues over expenses, when excluding depreciation expense and capital grants, the Authority's unrestricted net assets increased during the fiscal year. This increase is indicative of the Authority managing within its operating budgetary limitations.

#### E – Capital Assets and Debt Administration

##### 1. Capital Assets

As of December 31, 2013, the Authority's investment in capital assets for its proprietary fund was \$1,023,139 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.



Major capital assets purchases of \$45,007 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. The majority of these costs were related to building renovations. These activities are funded by grants from HUD.

The following table provides a summary of the Authority's capital assets:

	<u>Cost of Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net of Accumulated Depreciation</u>
Non-Depreciable Assets:			
Land	\$ 145,000	\$ -	\$ 145,000
Construction in Progress	70,897	-	70,897
Depreciable Assets:			
Building and Improvements	3,879,576	2,893,273	986,303
Site Improvements	625,146	546,324	78,822
Furniture, Machinery and Equipment	<u>114,826</u>	<u>92,709</u>	<u>22,117</u>
	<u>\$ 4,835,445</u>	<u>\$ 3,532,306</u>	<u>\$ 1,303,139</u>

## 2. Long Term Debt

During 2004, the Authority participated in a Capital Fund Leveraging Pool. The New Jersey Housing and Finance Agency issued tax-exempt bonds and the proceeds were distributed among the participating Authorities. As of December 31, 2013 the amount of outstanding debt was \$280,000.

### F – Significant Changes From Year Ended December 31, 2012 to December 31, 2013

Maintenance costs increased due to a broken water pipe and multiple snow storms.

The Authority's unrestricted net assets of \$288,509 appear sufficient to cover any shortfall that may occur in 2014.

### G – Economic Factors and Next Year's Budgets and Rates

HUD's reduction to the operating subsidy in recent years continues to cause the authority to reduce its contribution to reserves. Both Operating and Capital Fund subsidies may continue to be reduced in the future making it difficult to avoid using reserves to balance the budget.

### H – 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 the Executive Director, Housing Authority of the Borough of Freehold, 107 Throckmorton St. Freehold, NJ 07728.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
 STATEMENTS OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2013 AND 2012

ASSETS		
	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and Cash Equivalents	\$ 360,735	\$ 350,992
Restricted Cash and Cash Equivalents	39,868	40,946
Tenant Accounts Receivable, Net	11,779	7,666
Due from HUD	8,522	4,588
Prepaid Expenses	237	109
Total Current Assets	<u>421,141</u>	<u>404,301</u>
Non-Current Assets		
Capital Assets		
Land and Construction in Progress	215,897	207,387
Other Capital Assets, Net of Accumulated Depreciation	<u>1,087,242</u>	<u>1,150,529</u>
Total Non-Current Assets	<u>1,303,139</u>	<u>1,357,916</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,724,280</u></b>	<b>\$ <u>1,762,217</u></b>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 7,548	8,881
Accrued liabilities		
Compensated absences, current portion	12,301	11,429
Payment in lieu of taxes	21,899	21,899
Other	25,209	25,698
Tenant security deposits	39,780	40,867
Deferred revenue	49	45
Bonds payable, current portion	<u>20,000</u>	<u>20,000</u>
Total current liabilities	<u>126,786</u>	<u>128,819</u>
Non-current liabilities		
Compensated absences, non-current	25,759	19,275
Long term debt	<u>260,000</u>	<u>280,000</u>
Total non-current liabilities	<u>285,759</u>	<u>299,275</u>
Total liabilities	<u>412,545</u>	<u>428,094</u>
Net position		
Invested in capital assets, net of related debt	1,023,139	1,057,916
Restricted net assets:		
Capital	87	80
Unrestricted net assets:		
Undesignated	<u>288,509</u>	<u>276,127</u>
Total net position	<u>1,311,735</u>	<u>1,334,123</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>1,724,280</u></b>	<b>\$ <u>1,762,217</u></b>

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tenant revenue	\$ 509,455	\$ 525,278
Government operating grants	153,804	163,296
Other revenue	<u>11,284</u>	<u>22,453</u>
Total operating revenues	<u>674,543</u>	<u>711,027</u>
OPERATING EXPENSES		
Administrative	175,659	191,735
Tenant services	13,903	15,604
Utilities	179,467	180,039
Maintenance	209,013	145,584
Protective services	-	504
General	71,027	68,884
Depreciation	<u>99,784</u>	<u>111,146</u>
Total operating expenses	<u>748,853</u>	<u>713,496</u>
Operating income (loss)	(74,310)	(2,469)
NON-OPERATING REVENUES (EXPENSES)		
Investment income	153	13
Investment expense	<u>(13,238)</u>	<u>(13,978)</u>
Income (loss) before contributions and transfers	(87,395)	(16,434)
Capital grants	<u>65,007</u>	<u>58,975</u>
Change in net assets	(22,388)	42,541
Total net position, beginning	<u>1,334,123</u>	<u>1,291,582</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,311,735</u>	<u>\$ 1,334,123</u>

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from tenants	\$ 504,259	\$ 525,909
Cash received from HUD	149,870	181,435
Cash payments to employees and suppliers for goods and services	(643,663)	(637,816)
Other operating revenues	11,284	22,453
Net cash provided (used) by operating activities	<u>21,750</u>	<u>91,981</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants received	65,007	58,975
Repayment of loans	(20,000)	(20,000)
Purchase of fixed assets	(45,007)	(49,071)
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>(10,096)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	153	13
Investment expense	(13,238)	(13,978)
Net cash provided (used) by investing activities	<u>(13,085)</u>	<u>(13,965)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,665	67,920
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>391,938</u>	<u>324,018</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 400,603</u>	<u>\$ 391,938</u>
<b>RECONCILIATION OF RESTRICTED AND UNRESTRICTED CASH</b>		
Current cash and cash equivalents	\$ 360,735	\$ 350,992
Restricted cash and cash equivalents	<u>39,868</u>	<u>40,946</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 400,603</u>	<u>\$ 391,938</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (74,310)	\$ (2,469)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization	99,784	111,146
Changes in certain assets and liabilities		
Accounts receivable	(8,047)	16,284
Other assets	(128)	39
Accounts payable	15,500	(7,994)
Accrued liabilities	(11,053)	(24,083)
Deferred revenues	4	(942)
Net cash provided (used) by operating activities	<u>\$ 21,750</u>	<u>\$ 91,981</u>

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2013

NOTE A - Summary of Organization, Activities and Significant Accounting Policies:

1. Organization - The Authority was created through a resolution of the Borough of Freehold. It was organized as a public housing authority as defined by State Statute (N.J.S.A 40A:12A-1, et seq., the "Housing Authority Act"). The Authority functions under the supervision of HUD and the New Jersey Department of Community Affairs – Division of Local Government Services (DCA). The Authority's Board of Commissioners is a seven member board, with six members appointed locally and one member appointed by the DCA Commissioner.

The Authority has not identified any entities, which should be subject to evaluation for inclusion in the Authority's reporting entity. The Authority has concluded that it is excluded from the Borough's reporting entity since the Borough does not designate management, does not influence operations, does not have responsibility for fiscal matters and does not have a funding relationship with the Authority.

2. Activities - At December 31, 2013, the only programs or activities administered by the Authority were:

Program	Contract No.	Project No.	Units Authorized
Low-Income Housing: Management	NY-226	NJ 69-1 and 2	85

3. Significant Accounting Policies

- a. Basis of Accounting - The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under the accrual basis of accounting, revenue is recognized when it is earned regardless of when received and expenditures are recognized when incurred regardless of when paid.
- b. Report Presentation - The basic financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities for proprietary fund types, using the economic resources measurement focus and the accrual basis of accounting. The Authority applies all relevant Governmental Accounting Standards Board (GASB) Pronouncements and has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments.

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

The 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.

## NOTE B - Cash and Cash Equivalents

The Authority considers all highly liquid investments, including restricted assets, with an original maturity of three months or less when purchased to be cash equivalents.

Deposits – New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which may mature or are redeemed within one year. Twenty-five percent of the fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the fund shall not exceed one year. Collateralization of fund investments is generally not required.

In addition, New Jersey statutes permit authorities to deposit funds in Government Money Market Funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Government Unit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

The State of New Jersey Cash management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which may mature or are redeemed within one year. Twenty-five percent of the fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the fund shall not exceed one year. Collateralization of fund investments is generally not required.

Risk Category - All bank deposits, as of the balance sheets dates, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by Government Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1- Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2- Collateralized with securities held by the pledging public depository's trust department or agent in the Authority's name.

Category 3- Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Authority's name.

As of December 31, 2013, the Authority had funds on deposit in money market, savings and checking accounts. These funds constitute “deposits with financial institutions” as defined by GASB Statement No. 3 and are summarized as follows:

<u>Category</u>	<u>Amount</u>
1	\$ 430,686
2	-
3	-
	<hr/>
	<u>\$ 430,686</u>

NOTE C – Investments

New Jersey statutes permit the purchase of the following types of securities:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

NOTE D - Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance of \$5,048 as of December 31, 2013.

NOTE E - Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operations and improve facilities of the Authority and are stated at cost.

Depreciation is computed using the straight-line method for financial reporting purposes.

Expenditures are capitalized when they meet the Capitalization Policy requirements, which include a threshold of \$5,000 and estimated useful lives as follows:

Buildings and Components	20 - 40 Years
Site Improvements	15 Years
Furniture and Equipment	5 - 10 Years
Computers	3 Years

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Buildings and Improvements	3,863,153	16,423	-	3,879,576
Site Improvements	625,146	-	-	625,146
Furniture, Machinery and Equipment	94,752	20,074	-	114,826
Construction in Progress	<u>62,387</u>	<u>8,510</u>	<u>-</u>	<u>70,897</u>
	4,790,438	45,007	-	4,835,445
Accumulated Depreciation	<u>(3,432,522)</u>	<u>(99,784)</u>	<u>-</u>	<u>(3,532,306)</u>
Capital Assets, Net	<u>\$ 1,357,916</u>	<u>\$ (54,777)</u>	<u>\$ -</u>	<u>\$ 1,303,139</u>

NOTE F - Long Term Debt

During 2004, the Authority entered into a Capital Fund Leveraging Pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A, on December 23, 2004. The Authority's share of the funds from the bond issue pool amounted to \$400,000. The related closing costs of \$10,965 were amortized over the life of the bonds prior to 2011. In accordance with GASB 65, the Authority wrote off the remaining unamortized balance of \$7,677 effective January 1, 2011 as a prior period adjustment.

Repayment of the funds leveraged shall be budgeted from Capital Fund Allocations received by the Authority from the Department of Housing and Urban Development.

The following is a schedule of required payments for the next five years and thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2014	\$ 20,000	\$ 12,478	\$ 32,478
2015	20,000	11,676	31,676
2016	20,000	10,801	30,801
2017	20,000	9,926	29,926
2018	20,000	9,051	29,051
2019 - 2025	<u>180,000</u>	<u>34,497</u>	<u>214,497</u>
	<u>\$ 280,000</u>	<u>\$ 88,429</u>	<u>\$ 368,429</u>



NOTE G – Pension Plan

The Authority contributes to a cost sharing multiple-employer defined benefit plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, disability, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The plan has Board of Trustees that implements benefit provisions, which are established and amended by the State Statute. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits PO Box 295 Trenton, NJ 08625-0295.

The contribution requirements of plan members are determined by State Statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees Retirement System are required to contribute a percentage of their annual covered salary. The Authority's contributions to the plan, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 13,049
2012	18,882
2011	18,194

The Authority does not offer its employees post retirement benefits other than pension.

NOTE H - Compensated Absences

Employees are entitled to accumulated sick leave and vacation leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated leave in the event of retirement or termination from service. Sick leave may be compensated at the rate of 50% of the accumulated days, with a maximum of \$10,000.00. Vacation leave is payable at 100% of the accumulated days. The Authority has determined that the accrued liability for accumulated sick leave and vacation leave was \$38,060 and \$30,704 at December 31, 2013 and 2012, respectively.

NOTE I - Taxes

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 payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provisions 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. During the fiscal years ended December 31, 2013 and 2012, the Borough of Freehold was entitled to PILOT of \$21,899 and \$21,899, respectively.

NOTE J - Risk Management

The Authority carries commercial insurance for all risks of loss, including general liability, property, worker's compensation, unemployment and disability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage, except for deductibles.

NOTE K - Commitments

As of December 31, 2013, the Authority had no construction contracts payable.

NOTE L - Contingent or other liabilities

There are no liabilities, contingent or otherwise, which would not be covered by insurance protection.

NOTE M – Prior Period Adjustment

The Authority overstated Maintenance Costs and Accrued Liabilities – Payment in Lieu of Taxes for the year ended December 31, 2012 by \$17,920. The 2012 financial statements presented and the 2013 beginning net position have been restated to reflect the correction.

2013 beginning net position has increased by \$17,920 from \$1,316,203 to \$1,344,123.

NOTE N - Subsequent Events

The Authority has evaluated subsequent events occurring after the balance sheet date through June 9, 2014 which is the date of the financial statements were available to be issued. Based on this evaluation, the District has determined that there are no subsequent events that require disclosure in the financial statements.

NOTE O - GASB #54 Fund Balance Disclosure

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Authority classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Commissioners.

Unassigned - includes balance within the fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

PHA: NJ069 FYED: 12/31/2013

Line Item No.	Account Description	Project Total	Formula	Total
111	Cash - Unrestricted	\$360,735	\$0	\$360,735
113	Cash - Other Restricted	\$87	\$0	\$87
114	Cash - Tenant Security Deposits	\$39,781	\$0	\$39,781
100	Total Cash	\$400,603	\$0	\$400,603
122	Accounts Receivable - HUD Other Projects	\$8,522	\$0	\$8,522
126	Accounts Receivable -Tenants - Dw elling Rents	\$16,827	\$0	\$16,827
126.1	Allow ance for Doubtful Accounts - Dw elling Rents	(\$5,048)	\$0	(\$5,048)
120	Total Receivables, Net of Allow ance For Doubtful Accou	\$20,301	\$0	\$20,301
142	Prepaid Expenses and Other Assets	\$237	\$0	\$237
150	Total Current Assets	\$421,141	\$0	\$421,141
161	Land	\$145,000	\$0	\$145,000
162	Buildings	\$3,879,576	\$0	\$3,879,576
164	Furniture, Equipment & Machinery - Administration	\$114,826	\$0	\$114,826
165	Leasehold Improvements	\$625,146	\$0	\$625,146
166	Accumulated Depreciation	(\$3,532,306)	\$0	(\$3,532,306)
167	Construction in Progress	\$70,897	\$0	\$70,897
160	Total Capital Assets, Net of Accumulated Depreciation	\$1,303,139	\$0	\$1,303,139
174	Other Assets	\$0	\$0	\$0
180	Total Non-Current Assets	\$1,303,139	\$0	\$1,303,139
190	Total Assets	\$1,724,280	\$0	\$1,724,280
312	Accounts Payable <= 90 Days	\$6,900	\$0	\$6,900
321	Accrued Wage/Payroll Taxes Payable	\$648	\$0	\$648
322	Accrued Compensated Absences - Current Portion	\$12,301	\$0	\$12,301
333	Accounts Payable - Other Government	\$21,899	\$0	\$21,899
341	Tenant Security Deposits	\$39,780	\$0	\$39,780
342	Deferred Revenues	\$49	\$0	\$49
343	Current Portion of Long Term Debt - Capital Projects	\$20,000	\$0	\$20,000
346	Accrued Liabilities - Other	\$25,209	\$0	\$25,209
310	Total Current Liabilities	\$126,786	\$0	\$126,786
351	Long Term Debt, Net of Current - Capital Projects	\$260,000	\$0	\$260,000
354	Accrued Compensated Absences - Non-Current	\$25,759	\$0	\$25,759
350	Total Non-Current Liabilities	\$285,759	\$0	\$285,759
300	Total Liabilities	\$412,545	\$0	\$412,545
508.1	Invested in Capital Assets, Net of Related Debt	\$1,023,139	\$0	\$1,023,139
511.1	Restricted Net Assets	\$87	\$0	\$87
512.1	Unrestricted Net Assets	\$288,509	\$0	\$288,509
513	Total Equity/Net Assets	\$1,311,735	\$0	\$1,311,735
600	Total Liabilities and Equity/Net Assets	\$1,724,280	\$0	\$1,724,280

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Line Item No.	Account Description	Low Rent	Capital Fund	Total
703	Net Tenant Revenue	\$489,358	\$0	\$489,358
704	Tenant Revenue - Other	\$20,097	\$0	\$20,097
705	Total Tenant Revenue	\$509,455	\$0	\$509,455
706	HUD PHA Operating Grants	\$123,203	\$30,601	\$153,804
706.1	Capital Grants	\$0	\$65,007	\$65,007
711	Investment Income - Unrestricted	\$153	\$0	\$153
714	Fraud Recovery	\$200	\$0	\$200
715	Other Revenue	\$11,084	\$0	\$11,084
700	Total Revenue	\$644,095	\$95,608	\$739,703
911	Administrative Salaries	\$78,265	\$8,160	\$86,425
912	Auditing Fees	\$4,250	\$0	\$4,250
915	Employee Benefit Contributions - Administrative	\$29,550	\$0	\$29,550
916	Office Expense - Administrative	\$17,406	\$0	\$17,406
917	Legal Expense	\$13,477	\$0	\$13,477
918	Travel	\$600	\$0	\$600
919	Other Administrative	\$23,350	\$601	\$23,951
921	Tenant Services - Salaries	\$10,000	\$0	\$10,000
923	Employee Benefit Contributions - Tenant Services	\$3,903	\$0	\$3,903
931	Water	\$14,335	\$0	\$14,335
932	Electricity	\$71,122	\$0	\$71,122
933	Gas	\$52,126	\$0	\$52,126
935	Labor	\$5,351	\$0	\$5,351
936	Sewer	\$34,303	\$0	\$34,303
937	Employee Benefit Contributions - Utilities	\$2,230	\$0	\$2,230
941	Ordinary Maintenance and Operations - Labor	\$48,156	\$0	\$48,156
942	Ordinary Maintenance and Operations - Materials and Other	\$18,905	\$442	\$19,347
943	Ordinary Maintenance and Operations - Contract Costs	\$121,438	\$0	\$121,438
945	Employee Benefit Contributions - Ordinary Maintenance	\$20,072	\$0	\$20,072
961	Insurance Premiums	\$38,802	\$0	\$38,802
962.1	Compensated Absences	\$7,356	\$0	\$7,356
963	Payments in Lieu of Taxes	\$21,899	\$0	\$21,899
964	Bad Debt - Tenant Rents	\$2,970	\$0	\$2,970
967.1	Interest on Mortgage Payable	\$0	\$13,238	\$13,238
969	Total Operating Expenses	\$639,866	\$22,441	\$662,307
970	Excess Operating Revenue Over Operating Expenses	\$4,229	\$73,167	\$77,396
974	Depreciation Expense	\$99,784	\$0	\$99,784
900	Total Expenses	\$739,650	\$22,441	\$762,091
1010	Total Other Financing Sources (Uses)	\$8,160	\$0	\$8,160
1020	Total Other Financing Sources (Uses)	\$0	(\$8,160)	(\$8,160)
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$87,395)	\$65,007	(\$22,388)

PHA: NJ069 FYED: 12/31/2013

Line Item No.	Account Description	Low Rent	Capital Fund	Total
1102	Required Annual Debt Principal Payments	\$0	\$20,000	\$20,000
1103	Beginning Equity	\$1,316,203	\$0	\$1,316,203
1104	Prior Period Adj. Equity Transfers and Correct. Of Errors	\$82,927	(\$65,007)	\$17,920
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of Less Than Twelve Months	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0
1119	Unit Months Available	1,020	0	1,020
1121	Number of Unit Months Leased	978	0	978
1127	Excess Cash	\$240,709	0	\$240,709
1162	Building Purchases	\$0	45,007	\$45,007
1351	CFFP Debt Service Payments	\$0	33,839	\$33,839

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS  
December 31, 2013

PHA Owned Programs

Capital Fund Program Number NJ39PO6950111

A. The actual costs of Capital Fund Program Number NJ39PO6950111 are as follows:

Funds approved	\$ 88,162
Funds expended	<u>88,162</u>
Excess of funds approved	<u><u>\$ 0</u></u>

Funds advanced	\$ 88,162
Funds expended	<u>88,162</u>
Excess of funds advanced	<u><u>\$ 0</u></u>

- B. The distribution of costs by project and account classification accompanying the Actual Modernization Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
- C. All Modernization costs have been paid and all related liabilities have been discharged through payment.



LAWSON, RESCINIO, SCHIBELL & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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THE POWER OF SOUND FUNDAMENTALS

**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"**

Board of Commissioners  
Housing Authority of the  
Borough of Freehold  
Freehold, New Jersey

We have audited in accordance with the auditing standards generally accepted in the United States of American 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 Freehold, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Freehold's basic financial statements, and have issued our report thereon dated June 9, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority of the Borough of Freehold's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Housing Authority of the Borough of Freehold's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the Borough of Freehold's internal control.

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 control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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 significant deficiencies or material weaknesses. Given these limitations during the audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining assurance about whether the Housing Authority of the Borough of Freehold's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lawson, Rescinio, Schibell & Assoc., P.C.*

Lawson, Rescinio, Schibell & Assoc., PC

Oakhurst, New Jersey  
June 9, 2014