

PERTH AMBOY HOUSING AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEARS ENDED MARCH 31, 2013 AND 2012

**PERTH AMBOY HOUSING AUTHORITY
TABLE OF CONTENTS
YEARS ENDED MARCH 31, 2013 AND 2012**

<u>Contents</u>	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-10
Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13-14
Notes to Financial Statements	15-31
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	32-33
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	34-36
Supplementary Information:	
Schedule of Expenditures of Federal Awards	37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-40
Schedule of Capital Fund Program Costs and Advances	41
Schedule of ROSS Program Costs and Advances	42
Financial Data Schedule	43-46



INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Perth Amboy Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Perth Amboy Housing Authority ("the Authority") as of and for the years ended March 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying 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 opinions on these financial statements based on our audits. We conducted our audits 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits 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 opinions.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perth Amboy Housing Authority as of March 31, 2013 and 2012, and the respective changes in financial position and cash flows for the years 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 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perth Amboy Housing Authority's basic financial statements. The Schedule of Expenditures of Federal awards, as required by 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 basic financial statements. The accompanying Schedule of Capital Fund Program Costs and Advances, Schedule of ROSS Program Costs and Advances and the financial data schedule are also not required parts of the financial statements and are presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards, notes to schedule of expenditures of federal awards, schedule of findings and questioned costs, schedule of capital fund program costs and advances, schedule of ROSS program costs and advances and the financial data schedule are the responsibility of management and were derived from and relates 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 audits 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 schedule of expenditures of federal awards, notes to schedule of expenditures of federal awards, schedule of findings and questioned costs, schedule of capital fund program costs and advances, schedule of ROSS program costs and advances and the financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2013 on our consideration of the Perth Amboy Housing Authority's internal control over financial reporting and on 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 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 Perth Amboy Housing Authority's internal control over financial reporting and compliance.

November 21, 2013
Toms River, New Jersey

Fallon & Larsen LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2013

As Management of the Perth Amboy Housing Authority (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 March 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. The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$22,590,955 (net position) as opposed to \$24,494,524 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$3,516,959 a decrease of \$833,719 from the prior fiscal year.
3. The Authority's unrestricted cash and cash equivalents balance at March 31, 2013 was \$4,130,072 representing a decrease of \$763,415 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$15,653,410 and Total Operating Expenses of \$18,395,184 (including depreciation of \$1,198,746) for the year ended March 31, 2013.
5. The Authority's capital outlays for the fiscal year were \$774,932.
6. The Authority's Expenditures of Federal Awards amounted to \$14,762,130 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 basic financial statements. The Authority's basic financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2013

B. Using the Annual Report (continued)

2. Financial Statements

The 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 Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows.

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

The Statements of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent 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 unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

Statements of Cash Flows report the Authority's cash flows from operating, investing, capital and non-capital activities.

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 basic financial statements can be found on pages 11 through 14.

3. Notes to Financial Statements

The 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 can be found in this Report after the financial statements.

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2013

B. Using the Annual Report (continued)

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes 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 37 of this report.

C. The Authority as a Whole

The Authority's net position decreased during the fiscal year as detailed on the following page. The Authority's revenues are primarily 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 sufficient to cover all expenses, excluding depreciation during the fiscal year.

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 not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2013

Computations of Net Position are as follows:

	As of	
	3/31/2013	3/31/2012
Cash and Other Assets	\$ 8,951,635	\$ 10,544,944
Capital Assets – Net	18,229,477	18,653,291
Total Assets	27,181,112	29,198,235
Less: Current Liabilities	814,356	746,963
Less: Long Term Liabilities	3,775,801	3,956,748
Net Position	\$ 22,590,955	\$ 24,494,524
Net Investment in Capital Assets	\$ 16,169,477	\$ 16,478,291
Restricted Net Position	2,904,519	3,665,555
Unrestricted Net Position	3,516,959	4,350,678
Net Position	\$ 22,590,955	\$ 24,494,524

Computations of Changes in Net Position are as follows:

	Year Ended	
	3/31/2013	3/31/2012
<u>Operating Revenues</u>		
Tenant Revenues	\$ 1,767,643	\$ 1,675,757
HUD and other Government Subsidies	10,737,930	11,527,150
Other Revenues	3,147,837	3,033,807
Total Operating Revenues	15,653,410	16,236,714
<u>Operating Expenses</u>		
Other Operating Expenses	5,901,470	5,577,651
Housing Assistance Payments	11,294,968	11,202,517
Depreciation Expense	1,198,746	1,058,838
Total Operating Expenses	18,395,184	17,839,006
Operating Income (Loss)	(2,741,774)	(1,602,292)
Non-Operating Revenues:		
Interest on Investments	43,869	56,464
Loss on Disposal of Fixed Assets	-	(2,918,787)
Interest Expense	(95,569)	(99,515)
HUD Capital Grants	889,932	902,783
Total Non-oper-Rev (Expenses)	(51,727)	(2,059,055)
Change in Net Position	(1,903,569)	(3,661,347)
Net Position – Beginning of Year	24,494,524	28,155,871
Net Position - End of Year	\$ 22,590,955	\$ 24,494,524

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2013

C. The Authority as a Whole (continued)

1. Cash and cash equivalents decreased \$763,415 from March 31, 2012 to March 31, 2013. This decrease is primarily from the low rent public housing program and as a result of HUD cutting subsidy to the Authority and requiring the use of program reserves.
2. Restricted cash and cash equivalents decreased \$743,775 primarily due to the Authority utilizing \$467,851 of housing assistance payment reserves for current operations and utilizing \$312,933 in program reserves for the Park View development.
3. Capital assets, net decreased \$423,814 as \$774,932 in Authority capital purchases were offset by \$1,198,746 in annual depreciation expense.
4. Capital revenue bonds payable decreased \$115,000 as the Authority paid the current principal amount due on the bonds.
5. Other Government Grants increased \$19,238 due to receipt of a grant in 2012 from the Department of Homeland Security for Hurricane Sandy relief.
6. Loss on disposition of assets in 2012 represents the disposal and demolition costs regarding the demolition of the John A. Delaney Homes project. There were no costs associated with the project in 2013.
7. Administrative expenses increased \$133,206 from 2012 to 2013 primarily due to an increase in employee benefit costs.
8. General expenses increased \$130,792 as a full year of pass through subsidy for Park View is included in 2013 expenses.

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2013

D. Budgetary Highlights

For the year ended March 31, 2013, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. These budgets were primarily used as a management tool and have no legal stature. Also, the Authority adopted a comprehensive annual budget for the General Fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

E. Capital Assets and Debt Administration

1. Capital Assets

As of March 31, 2013, the Authority's investment in capital assets for its Proprietary Fund was \$18,229,477 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs.

2. Long Term Debt

In December 2004, the Authority financed a portion of their future capital fund allocation to participate in a debt leveraging pool with various Housing Authorities in the State of New Jersey. The Capital Fund Program Revenue Bonds 2004 Series A "The Bonds" were sponsored by the New Jersey Housing and Mortgage Finance Agency. The leveraging provided the Authority with \$2,753,259 after closing costs to be used to fund various capital improvements throughout the Authority. The debt service on the bonds will be paid from future capital grants funded by the United States Department of Housing and Urban Development. The bonds will begin to mature in November, 2005 and continue to be paid through November 2025. Bonds maturing during the fiscal year ended March 31st, 2013 amounted to \$115,000.

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2013

F. Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2013.

1. The state of the economy, particularly the current recession.
2. The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.
3. The Authority's Unrestricted Net Position of \$3,516,959 may be used to fund any shortfalls arising from a possible economic turndown and reduced subsidies and grants. The Authority's Unrestricted Net Position appear sufficient to cover any shortfall.

G. 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 Douglas Dzema, Executive Director, Housing Authority of the City of Perth Amboy, 881 Amboy Ave., Perth Amboy, N.J. 08862.

FINANCIAL STATEMENTS

**PERTH AMBOY HOUSING AUTHORITY
STATEMENTS OF NET POSITION
AS OF MARCH 31, 2013 AND 2012**

ASSETS		
	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 4,130,072	\$ 4,893,487
Accounts receivable - HUD	15,047	80,479
Accounts receivable - tenants, net	24,309	33,611
Accounts receivable - miscellaneous, net	48,929	42,580
Prepaid expenses	<u>238,081</u>	<u>275,510</u>
Total current assets	<u>4,456,438</u>	<u>5,325,667</u>
Non-current assets:		
Restricted cash and cash equivalents	1,221,002	1,964,777
Notes receivable	1,989,195	1,969,500
Investment in leased property	1,285,000	1,285,000
Capital assets, net	<u>18,229,477</u>	<u>18,653,291</u>
Total non-current assets	<u>22,724,674</u>	<u>23,872,568</u>
Total assets	<u>27,181,112</u>	<u>29,198,235</u>
LIABILITIES		
Current liabilities:		
Accounts payable	242,482	190,869
Accrued expenses	51,895	46,501
Accrued compensated absences, current	261,992	260,640
Tenant security deposits	112,665	108,150
Prepaid rents and leases, current portion	25,322	25,803
Current portion of capital fund revenue bonds	<u>120,000</u>	<u>115,000</u>
Total current liabilities	<u>814,356</u>	<u>746,963</u>
Non-current liabilities:		
Accrued compensated absences, net of current portion	403,551	431,519
Capital fund revenue bonds, net of current portion	1,940,000	2,060,000
Prepaid rents and leases, net of current portion	1,139,350	1,191,997
FSS escrows	<u>292,900</u>	<u>273,232</u>
Total non-current liabilities	<u>3,775,801</u>	<u>3,956,748</u>
Total liabilities	<u>4,590,157</u>	<u>4,703,711</u>
NET POSITION		
Net position:		
Net investment in capital assets	16,169,477	16,478,291
Restricted	2,904,519	3,665,555
Unrestricted	<u>3,516,959</u>	<u>4,350,678</u>
Total net position	<u>\$ 22,590,955</u>	<u>\$ 24,494,524</u>

See accompanying notes to financial statements

**PERTH AMBOY HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Tenant revenue	\$ 1,767,643	\$ 1,675,757
HUD grants	10,718,692	11,527,150
Other government grants	19,238	-
Other revenues	<u>3,147,837</u>	<u>3,033,807</u>
Total operating revenue	<u>15,653,410</u>	<u>16,236,714</u>
Operating expenses:		
Administrative	2,345,373	2,212,167
Tenant services	211,103	161,523
Utilities	1,378,941	1,387,828
Ordinary maintenance and operations	1,273,323	1,254,195
General expenses	692,730	561,938
Housing assistance payments	11,294,968	11,202,517
Depreciation	<u>1,198,746</u>	<u>1,058,838</u>
Total operating expenses	<u>18,395,184</u>	<u>17,839,006</u>
Operating gain (loss)	<u>(2,741,774)</u>	<u>(1,602,292)</u>
Non-operating revenues (expenses):		
Interest expense	(95,596)	(99,515)
Loss on disposal of capital assets	-	(2,918,787)
Investment income	<u>43,869</u>	<u>56,464</u>
Net non-operating revenues (expenses)	<u>(51,727)</u>	<u>(2,961,838)</u>
Income (loss) before capital grants	(2,793,501)	(4,564,130)
Capital grants	<u>889,932</u>	<u>902,783</u>
Changes in net position	(1,903,569)	(3,661,347)
Total net position, beginning of year (as restated)	<u>24,494,524</u>	<u>28,155,871</u>
Total net position, end of year	<u>\$ 22,590,955</u>	<u>\$ 24,494,524</u>

See accompanying notes to financial statements

**PERTH AMBOY HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash received from grantors	\$ 10,803,362	\$ 11,499,479
Cash received from tenants	4,865,305	5,208,079
Cash paid to suppliers	(14,946,640)	(14,694,506)
Cash paid to employees	<u>(2,157,795)</u>	<u>(2,206,624)</u>
Net cash flows provided (used) by operating activities	<u>(1,435,768)</u>	<u>(193,572)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(774,932)	(2,115,877)
Principal payments on long term debt	(115,000)	(110,000)
Interest payments on long term debt	(95,596)	(99,515)
Loan advance to mixed finance property	-	-
Proceeds from capital grants	<u>889,932</u>	<u>902,783</u>
Net cash flows provided (used) by capital and related financing activities	<u>(95,596)</u>	<u>(1,422,609)</u>
Cash Flows from Investing Activities:		
Interest received on investments	<u>24,174</u>	<u>36,964</u>
Net cash flows provided (used) by investing activities	<u>24,174</u>	<u>36,964</u>
Net increase (decrease) in cash	(1,507,190)	(1,579,217)
Cash and cash equivalents at beginning of year	<u>6,858,264</u>	<u>8,437,481</u>
Cash and cash equivalents at end of year	<u>\$ 5,351,074</u>	<u>\$ 6,858,264</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Cash and cash equivalents	\$ 4,130,072	\$ 4,893,487
Restricted cash	<u>1,221,002</u>	<u>1,964,777</u>
Cash and cash equivalents at end of year	<u>\$ 5,351,074</u>	<u>\$ 6,858,264</u>

See accompanying notes to financial statements

PERTH AMBOY HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:		
Operating gain (loss)	\$ (2,741,774)	\$ (1,602,292)
Items which did not (provide) use cash:		
Depreciation	1,198,746	1,058,838
Bad debt	7,982	307
Changes in operating assets and liabilities:		
Accounts receivable	60,403	167,761
Prepaid expenses	37,429	(34,587)
Accounts payable	51,613	(32,907)
Accrued expenses	(21,222)	(70,051)
Tenant security deposits	4,515	4,591
Deferred revenues	(53,128)	302,776
Other liabilities	<u>19,668</u>	<u>11,992</u>
Net cash provided (used) by operating activities	<u>\$ (1,435,768)</u>	<u>\$ (193,572)</u>

See accompanying notes to financial statements

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Perth Amboy ("Perth Amboy Housing Authority") or (the "Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Perth Amboy. The Authority is responsible for operating certain low-rent housing programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

B. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Low Rent Public Housing Program

The Public Housing Program is designed to provide low-cost housing within the City of Perth Amboy. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Housing Assistance Payments Program - Section 8

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Description of Programs (continued)

Community Development Block Grants / Entitlement Grants

The primary objective of the Community Development Block Grant Entitlement Program is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income.

Resident Opportunity and Supportive Services

The purpose of the Resident Opportunity and Support Services Program is to programmatically address the needs of public housing residents by providing supportive services, resident empowerment activities and/or assisting residents in becoming economically self-sufficient. The primary focus of the program is on a spectrum of services for families leading to homeownership.

Housing Counseling Assistance Program

The purpose of the Housing Counseling Assistance Program is to counsel homeowners, homebuyers, prospective renters and tenants under HUD programs, and conventional and other government programs in improving their housing conditions and in meeting the responsibilities of tenancy and homeownership.

C. Reporting Entity

In accordance with statement No. 39 Government Accounting Standards Board ("GASB"), the Authority's financial statements include those of the Perth Amboy Housing Authority and any component units. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

- ◆ The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority.
- ◆ The Authority has the ability to access a majority of the economic resources held by the separate organization.
- ◆ The economic resources referred to above are significant to the Authority.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered Enterprise Funds that are used to account for activities that are operated in a manner similar to those found in the private sector.

All enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, ("GASB 34"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and Statement Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplemental Information.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board pronouncements, Accounting Principles Board Opinions and Accounting Research Bulletins issued that do not conflict with or contradict GASB Pronouncements.

On January 30, 2008, HUD issued *PIH Notice 2008-9* which among other things clarifies HUD's reporting position that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net assets, with the associated cash and investments also being reported on HUD's Financial Data Schedule ("FDS") as restricted.

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, the aforementioned funds are treated as restricted cash and cash equivalents on the Authority's Statements of Net Position and Cash Flows.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

Any investment income earned on these funds is reflected in the net asset account on which the investment income was earned. Investment income earned on HAP cash balances is credited to the HAP restricted net position account and investment income earned on administrative fee cash balances is credited to the unrestricted net asset account.

E. Use of Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

F. Cash, Cash Equivalents and Investments

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash, Cash Equivalents and Investments (continued)

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC 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.

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. Investments are carried at cost plus accrued interest which approximates market value. Income from investments is recognized on the accrual basis.

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

G. Accounts Receivable - tenants, net

Rents are due from tenants on the first day of each month. As a result, tenants' accounts receivable balances primarily consist of rents past due and vacated tenants. Also included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled, but earned as of year-end.

H. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

I. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

◆ Furniture and Equipment	3 - 5 Years
◆ Leasehold Improvements	15 Years
◆ New Buildings	40 Years

The Authority has established a capitalization threshold of \$1,000.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Employees may be compensated for sick leave at retirement or termination at one half of the earned, accrued and unused sick leave at the current salary to a maximum of 150 days.

K. Prepaid Rents and Leases

Prepaid rents and leases consist of rent payments made by tenants and land lease payments that apply to future periods.

L. Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, inter-program receivables and payables are eliminated for financial statement purposes.

M. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues as non-operating.

N. Taxes

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

O. Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Equity Classifications

Equity is classified as net assets and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

NOTE 2. CASH AND CASH EQUIVALENTS

At March 31, 2013 and 2012, the Authority had funds on deposit in checking, money market and investment accounts.

For the fiscal years ended March 31, 2013 and 2012, the carrying amount of the Authority's cash and cash equivalents and restricted cash was \$5,351,074 and \$6,858,264, respectively, and the bank balances approximated \$5,429,452 and \$6,989,443, respectively.

Of the bank balances, \$1,235,534 and \$1,234,776 were covered by federal depository insurance and the remaining \$4,193,918 and \$5,754,667 were collateralized with the pledging financial institution for the fiscal years ended March 31, 2013 and 2012, respectively.

<u>Cash Account</u>	<u>2013</u>	<u>2012</u>
Insured:		
FDIC	\$ 1,235,534	\$ 1,234,776
Collateralized:		
Collateralized amount held by pledging financial institution	<u>4,193,918</u>	<u>5,754,667</u>
	<u>\$ 5,429,452</u>	<u>\$ 6,989,443</u>

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of March 31, 2013 and 2012, the Authority's bank balances were not exposed to custodial credit risk.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 3. ACCOUNTS RECEIVABLE - HUD

HUD accounts receivable represents amounts due to the Authority for operating grants receivable which amounted to \$15,047 and \$80,479 for the years ended March 31, 2013 and 2012, respectively. The Authority considers these amounts fully collectible and accordingly, have made no allowance for doubtful accounts.

NOTE 4. ACCOUNTS RECEIVABLE - TENANTS

Tenant accounts receivable are stated net of an allowance of \$22,881 and \$27,217 at March 31, 2013 and 2012, respectively.

NOTE 5. ACCOUNTS RECEIVABLE - MISCELLANEOUS

Accounts receivable - miscellaneous contains amounts due from portable tenants and receivables for services provided by the Authority's staff at other local authorities. Accounts receivable - miscellaneous are stated at \$48,929 and \$42,580 at March 31, 2013 and 2012, respectively. The Authority has made an allowance for doubtful accounts of \$- and \$4,111, respectively.

NOTE 6. RESTRICTED CASH

Restricted cash consists of the following at March 31, 2013 and 2012:

<u>Cash Category</u>	<u>2013</u>	<u>2012</u>
Housing assistance payment reserves	\$ 712,179	\$ 1,180,030
Family Self Sufficiency program escrows	305,678	268,722
The Park View program reserves	202,721	515,654
Capital fund debt leveraging proceeds	<u>424</u>	<u>371</u>
	<u>\$ 1,221,002</u>	<u>\$ 1,964,777</u>

Housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Program for tenant rents.

Family Self Sufficiency ("FSS") program escrows are restricted for use in the Housing Choice Voucher Program and Low Rent Public Housing by FSS program participants.

The Park View program reserves are restricted for affordable housing purposes.

Capital fund debt leveraging proceeds are restricted for use in the Low Rent Public Housing Program in accordance with the Authority's annual plan.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 7. CAPITAL ASSETS

A summary of the changes in fixed assets during 2013 and 2012 were as follows:

Description	March 31, 2012	Additions	Disposals	Transfers	March 31, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,135,864	\$ -	\$ -	\$ -	\$ 1,135,864
Construction in progress	<u>1,914,072</u>	<u>774,932</u>	<u>-</u>	<u>(1,764,197)</u>	<u>924,807</u>
Total	<u>3,049,936</u>	<u>774,932</u>	<u>-</u>	<u>(1,764,197)</u>	<u>2,060,671</u>
<u>Depreciable capital assets:</u>					
Buildings	25,213,330	-	-	1,622,356	26,835,686
Furniture and equipment	643,089	-	-	61,612	704,701
Leasehold improvements	<u>3,416,797</u>	<u>-</u>	<u>-</u>	<u>80,229</u>	<u>3,497,026</u>
Total	<u>29,273,216</u>	<u>-</u>	<u>-</u>	<u>1,764,197</u>	<u>31,037,413</u>
Less: accumulated deprec.	<u>13,669,861</u>	<u>1,198,746</u>	<u>-</u>	<u>-</u>	<u>14,868,607</u>
Net capital assets	<u>\$ 18,653,291</u>	<u>\$ (423,814)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,229,477</u>

Description	March 31, 2011	Additions	Disposals	Transfers	March 31, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,135,864	\$ 1,303,496	\$ (1,303,496)	\$ -	\$ 1,135,864
Construction in progress	<u>3,956,570</u>	<u>798,390</u>	<u>-</u>	<u>(2,840,888)</u>	<u>1,914,072</u>
Total	<u>5,092,434</u>	<u>2,101,886</u>	<u>(1,303,496)</u>	<u>(2,840,888)</u>	<u>3,049,936</u>
<u>Depreciable capital assets:</u>					
Buildings	31,548,413	5,722	(8,803,963)	2,463,158	25,213,330
Furniture and equipment	644,696	8,269	(9,876)	-	643,089
Leasehold improvements	<u>4,565,877</u>	<u>-</u>	<u>(1,526,810)</u>	<u>377,730</u>	<u>3,416,797</u>
Total	<u>36,758,986</u>	<u>13,991</u>	<u>(10,340,649)</u>	<u>2,840,888</u>	<u>29,273,216</u>
Less: accumulated deprec.	<u>21,336,381</u>	<u>1,058,838</u>	<u>(8,725,358)</u>	<u>-</u>	<u>13,669,861</u>
Net capital assets	<u>\$ 20,515,039</u>	<u>\$ 1,057,039</u>	<u>\$ (2,918,787)</u>	<u>\$ -</u>	<u>\$ 18,653,291</u>

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 8. LOAN RECEIVABLE

Notes receivable at March 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
<p>The Authority advanced a loan to Parkview Senior Housing, LLC in the amount of \$1,950,000 in connection with the development of an 84 unit building of which 31 units will be operated as public housing. The loan accrues interest at 1% per annum. Principal and interest is payable only out of "Net Cash Flow" as defined in the partnership agreement. The principal balance is due on April 17, 2040. The loan is secured by the underlying land and building. Management expects the current portion of the loan to be nil.</p>	\$ <u>1,989,195</u>	\$ <u>1,969,500</u>

Included in the note receivable balance is \$39,195 and \$19,500, respectively of accrued interest on the loan.

NOTE 9. PENSION PLAN

A. Description of the Plan

All employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

B. Public Employees Retirement System ("PERS")

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. Medical benefits are now provided by the State Health Benefits Program.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 9. PENSION PLAN (continued)

C. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

D. Contribution Requirements – PERS

The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007 for most PERS state employees and effective July 1, 2008 for PERS local employees, based on Chapter 103, P.L. 2007. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) is 8.5% of base salary effective July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366 P.L. 2001) will be increased from 8.5% of base salary to 10%. For fiscal year 2012, the member contribution rate will increase in October 2011. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers to contribute 50% of the normal and accrued liability contribution amounts certified by PERS for payment due in State fiscal year 2009. This law also provided that a local employer may pay 100% of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 9. PENSION PLAN (continued)

D. Contribution Requirements – PERS (continued)

Three Year Trend Information for PERS			
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
March 31, 2011	\$ <u>235,987</u>	<u>100</u>	\$ <u>-</u>
March 31, 2012	\$ <u>236,910</u>	<u>100</u>	\$ <u>-</u>
March 31, 2013	\$ <u>233,276</u>	<u>100</u>	\$ <u>-</u>

NOTE 10. POST-RETIREMENT BENEFITS

The Authority participates New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

A retiree may also receive Authority-paid health benefits in accordance with the Authority's personnel policy if they have twenty-five (25) or more years with the Authority or are sixty-two (62) years of age and have fifteen (15) years or more with the Authority.

A. Contribution Requirements – SHBP

Contributions to pay for the health premiums of participating employees in the SHBP – Local are collected from the State of New Jersey, participating local employers, active members, and retired members. Local employer payments and active and retired member contributions are generally received on a monthly basis.

Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996. Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health care benefits coverage by all active public employees. Employees of the State, local governments, and boards of education who become a member of a State or locally-administered retirement system on or after the law's effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 10. POST-RETIREMENT BENEFITS (continued)

A. Contribution Requirements – SHBP (continued)

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. At March 31, 2013, the Authority had approximately 32 active and 7 retired participants in the system. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions to the SHBP:

<u>Year</u>	<u>Amount</u>
2013	\$ <u>97,691</u>
2012	\$ <u>57,721</u>
2011	\$ <u>63,808</u>

NOTE 11. LONG TERM OBLIGATIONS

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 funds from the bond issue pool amounted to \$2,830,000. Interest accrues at 3.544% and is payable semi-annually on May 1st and November 1st. Repayment of the funds shall be paid solely from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development. The bonds mature in November, 2025.

The funds received from the leveraging pool are restricted and must be spent in accordance with the Authority's Capital Fund budget within four years and as such are recorded as restricted cash on the Statements of Net Position.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 11. LONG TERM OBLIGATIONS (continued)

Outstanding balances at March 31, 2013 and 2012 totaled \$2,060,000 and \$2,175,000, respectively. Annual debt service for principal and interest over the next five years and in five year increments are as follows:

Year	Principal	Interest	Total
2014	120,000	91,247	211,247
2015	125,000	86,688	211,688
2016	130,000	81,576	211,576
2017	135,000	76,432	211,432
2018	140,000	69,873	209,873
2019 - 2023	815,000	247,499	1,062,499
2024 - 2025	<u>595,000</u>	<u>49,705</u>	<u>644,705</u>
	<u>\$ 2,060,000</u>	<u>\$ 703,020</u>	<u>\$ 2,763,020</u>

Long term debt activity for the years ended March 31, 2013 and 2012 consisted of the following:

	March 31, 2012	Additions	Retirements	March 31, 2013	Due in One Year
Capital fund revenue bonds	\$ 2,175,000	\$ -	\$ 115,000	\$ 2,060,000	\$ 120,000
Accrued compensated absences	692,159	103,824	130,440	665,543	261,992
FSS escrows	273,232	40,985	21,317	292,900	-
Prepaid rents and leases	<u>1,217,800</u>	<u>-</u>	<u>53,128</u>	<u>1,164,672</u>	<u>25,322</u>
	<u>\$ 4,358,191</u>	<u>\$ 144,809</u>	<u>\$ 319,885</u>	<u>\$ 4,183,115</u>	<u>\$ 407,314</u>
	March 31, 2011	Additions	Retirements	March 31, 2012	Due in One Year
Capital fund revenue bonds	\$ 2,285,000	\$ -	\$ 110,000	\$ 2,175,000	\$ 115,000
Accrued compensated absences	699,601	108,500	115,942	692,159	260,640
FSS escrows	261,240	37,457	25,465	273,232	-
Prepaid rents and leases	<u>915,012</u>	<u>322,560</u>	<u>19,772</u>	<u>1,217,800</u>	<u>25,803</u>
	<u>\$ 4,160,853</u>	<u>\$ 468,517</u>	<u>\$ 271,179</u>	<u>\$ 4,358,191</u>	<u>\$ 401,443</u>

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 12. PAYMENTS IN LIEU OF 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 a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of Perth Amboy. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended March 31, 2013 and 2012, PILOT expense that was incurred amounted to \$46,103 and \$34,521, respectively.

NOTE 13. RESTRICTED NET ASSETS

As of March 31, 2013 and 2012, restricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest earned on debt leveraging funds	\$ 424	\$ 371
The Park View program reserves	202,721	515,654
Mixed finance loan receivable	1,989,195	1,969,500
Housing assistance payments	<u>712,179</u>	<u>1,180,030</u>
Total restricted net assets	<u>\$ 2,904,519</u>	<u>\$ 3,665,555</u>

Accumulated interest earned on debt leveraging funds is restricted for use in the capital fund program.

The Park View program reserves are restricted for affordable housing purposes.

Mixed finance loan receivable reserves are restricted for affordable housing purposes upon collection of the loan and the satisfaction of regulatory requirements.

Accumulated earnings in connection with the overpayment of housing assistance payments are restricted for rent payments to landlords as part of the Housing Choice Voucher Program.

NOTE 14. LEASING ACTIVITIES

The Authority is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD. Although residents may opt for a flat rent, leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Tenant Revenue". Tenant revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions which impact personal income and local job availability.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 15. ECONOMIC DEPENDENCY

The Housing Choice Voucher and the Low Rent Public Housing Programs are economically dependent on annual grants from HUD.

NOTE 16. GROUND LEASE AGREEMENT

On August 17, 2010, the Authority has entered into a 65 year ground lease with Parkview Senior Housing, LLC in furtherance of the Authority's redevelopment objectives. Under terms of the agreement, the Authority leases land it owns to a third party and that party owns the improvements built on the land. In accordance with Generally Accepted Accounting Principles, this lease is classified as an operating lease which is accounted for as follows:

The leased property will be included near property, plant and equipment but separately identified on the Authority's Statement of Net Assets as "Investment in Leased Property". Since land has an indefinite useful life, no depreciation will be charged on the property.

Rent will be reported as income over the lease term as it becomes receivable according to the provisions of the lease. However, if the rentals vary from the straight-line basis, the Authority will recognize the income on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit from the leased property is diminished, in which case that basis will be used.

Initial indirect costs will be deferred and allocated over the lease term in proportion to the recognition of rental income. However, initial direct costs may be charged to expense as incurred if the effect is not materially different from that which would have resulted from the use of the method prescribed in the preceding sentence.

If the fair value of the property is less than its cost or carrying amount, then a loss equal to that difference will be recognized at the inception of the lease. The carrying amount of the property exceeded its fair value by \$2 and as such is included as a non-operating expense in the Authority's financial statements.

NOTE 17. RETROSPECTIVE CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

The Authority adopted GASB 65 "*Items previously Reported as Assets and Liabilities*" for the fiscal years ended March 31, 2013 and 2012. The Authority had previously accounted for loan origination costs as an asset as defined by GASB Concepts Statement No. 4, and had maintained records that are adequate to apply GASB 65 retrospectively. GASB 65 requires that loan origination costs be reported as an outflow of resources in the period in which they are realized. The Authority concluded that GASB 65 was the preferable method to account for loan origination fees currently and retrospectively because implementation becomes mandatory in the next accounting cycle and management wanted to take the more conservative and proactive accounting approach.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 17. RETROSPECTIVE CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT (continued)

The effects of the change in accounting principle on net position is that other assets and unrestricted net position decreased \$53,917 as of April 1, 2011.

Beginning unrestricted net position as of April 1, 2011 has also been restated to correct an error in reporting construction in progress. As a result of the correction, unrestricted net position and construction in progress decreased \$62,874.

NOTE 18. RISK MANAGEMENT

The Authority is exposed to various risks related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. Significant losses are covered by commercial insurance for all major programs, there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

NOTE 19. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of March 31, 2013 and 2012, the Authority estimates that no material liabilities will result from such audits.

NOTE 20. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through November 21, 2013 (the date the financial statements were available to be issued) 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.



**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
Perth Amboy Housing Authority:

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 Perth Amboy Housing Authority, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Perth Amboy Housing Authority's basic financial statements, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Perth Amboy Housing Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Perth Amboy Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Perth Amboy Housing Authority'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 a combination of 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 (continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perth Amboy Housing Authority's financial statements are free from 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 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.

November 21, 2013
Toms River, New Jersey

Fallon & Larsen LLP



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

Board of Commissioners
Perth Amboy Housing Authority:

Report on Compliance for Each Major Federal Program

We have audited the Perth Amboy Housing Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Perth Amboy Housing Authority's major federal programs for the year ended March 31, 2013. Perth Amboy Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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 each of Perth Amboy Housing Authority'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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perth Amboy Housing Authority'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 Perth Amboy Housing Authority's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)**

Opinion on Each Major Federal Program

In our opinion, Perth Amboy Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2013.

Report on Internal Control Over Compliance

Management of Perth Amboy Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Perth Amboy Housing Authority's internal control over compliance with the types 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 circumstances 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 Perth Amboy Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 over compliance that might be material weaknesses or significant deficiencies. 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)**

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Perth Amboy Housing Authority as of and for the year ended March 31, 2013, and have issued our report thereon dated November 21, 2013, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

November 21, 2013
Toms River, New Jersey

Fallon & Larsen LLP

**PERTH AMBOY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2013**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Expenditures</u>
U.S. Department of Housing and Urban Development:			
Low Rent Public Housing	14.850a		\$ 935,572
Section 8 Housing Choice Voucher Program	14.871		12,372,971
Public Housing Capital Fund Program	14.872		1,320,432
Housing Counseling Assistance Program	14.169		33,935
Resident Opportunity and Supportive Services	14.870		69,405
Community Development Block Grant	14.218		<u>10,577</u>
Total U.S. Department of Housing and Urban Development			14,742,892
U.S. Department of Homeland Security:			
Public Assistance Grant	97.036	023-UYBV9-00	<u>19,238</u>
Total Expenditures of Federal Awards			<u>\$ 14,762,130</u>

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2013**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Perth Amboy Housing Authority under programs of the federal government for the year ended March 31, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Perth Amboy Housing Authority, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Perth Amboy Housing Authority.

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 principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribes, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3. SUBRECIPIENTS

The Authority did not pass through any federal awards to subrecipients

NOTE 4. NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended March 31, 2013.

**PERTH AMBOY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2013**

I. Summary of Auditor's Results

Financial Statement Section

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| | a. Material Weakness(es) identified? | No |
| | b. Were significant deficiencies identified not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | |
|----|---|------------|
| 1. | Dollar threshold used to distinguish between Type A and Type B programs: | \$442,287 |
| 2. | Auditee qualified as low-risk auditee? | Yes |
| 3. | Type of auditor's report on compliance for major programs: | Unmodified |
| 4. | Internal Control over compliance: | |
| | a. Material weakness(es) identified? | No |
| | b. Were significant deficiencies identified not considered to be material weaknesses? | No |
| | c. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | No |

5. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Voucher Program

PERTH AMBOY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
MARCH 31, 2013

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with government auditing standards generally accepted in the United States of America.

III. Federal Award Findings and Questioned Costs

None.

IV. Schedule of Prior Year Federal Audit Findings

None.

**PERTH AMBOY HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND
PROGRAM COSTS AND ADVANCES
FOR THE YEAR ENDED MARCH 31, 2013**

	<u>R502-09</u>	<u>501-08</u>	<u>501-09</u>	<u>501-10</u>	<u>501-11</u>	<u>501-12</u>	<u>Totals</u>
Budget	<u>\$ 275,633</u>	<u>\$ 1,197,433</u>	<u>\$ 1,275,729</u>	<u>\$ 1,282,882</u>	<u>\$ 1,059,190</u>	<u>\$ 980,463</u>	<u>\$ 6,071,330</u>
Advances:							
Cumulative through 3/31/12	\$ 216,432	\$ 1,197,433	\$ 1,171,426	\$ 744,033	\$ 250,535	\$ -	\$ 3,579,859
Current Year	<u>59,201</u>	<u>-</u>	<u>104,303</u>	<u>465,706</u>	<u>501,655</u>	<u>189,567</u>	<u>1,320,432</u>
Cumulative through 3/31/13	<u>275,633</u>	<u>1,197,433</u>	<u>1,275,729</u>	<u>1,209,739</u>	<u>752,190</u>	<u>189,567</u>	<u>4,900,291</u>
Costs:							
Cumulative through 3/31/12	216,432	1,197,433	1,171,426	744,033	250,535	-	3,579,859
Current Year	<u>59,201</u>	<u>-</u>	<u>104,303</u>	<u>465,706</u>	<u>501,655</u>	<u>189,567</u>	<u>1,320,432</u>
Cumulative through 3/31/13	<u>275,633</u>	<u>1,197,433</u>	<u>1,275,729</u>	<u>1,209,739</u>	<u>752,190</u>	<u>189,567</u>	<u>4,900,291</u>
Excess / (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Summary							
Soft Costs:							
Cumulative through 3/31/12	\$ 62,874	\$ 331,378	\$ 377,407	\$ 408,883	\$ 167,971	\$ -	\$ 1,348,513
Current Year	<u>-</u>	<u>-</u>	<u>179</u>	<u>14,741</u>	<u>268,981</u>	<u>146,599</u>	<u>430,500</u>
Cumulative through 3/31/13	<u>62,874</u>	<u>331,378</u>	<u>377,586</u>	<u>423,624</u>	<u>436,952</u>	<u>146,599</u>	<u>1,779,013</u>
Hard Costs:							
Cumulative through 3/31/12	153,558	866,055	794,019	335,150	82,564	-	2,231,346
Current Year	<u>59,201</u>	<u>-</u>	<u>104,124</u>	<u>450,965</u>	<u>232,674</u>	<u>42,968</u>	<u>889,932</u>
Cumulative through 3/31/13	<u>212,759</u>	<u>866,055</u>	<u>898,143</u>	<u>786,115</u>	<u>315,238</u>	<u>42,968</u>	<u>3,121,278</u>
Cumulative	<u>\$ 275,633</u>	<u>\$ 1,197,433</u>	<u>\$ 1,275,729</u>	<u>\$ 1,209,739</u>	<u>\$ 752,190</u>	<u>\$ 189,567</u>	<u>\$ 4,900,291</u>

NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

The total amount of Capital Fund Program Costs and Advances incurred and earned by the Perth Amboy Housing Authority as of and for the year ended March 31, 2013 are provided above.

- 1) Capital Fund Grant No. 501-08 with approved funding of \$1,197,433 has been fully drawn down and expended as per Capital Fund Grant Regulations.

**PERTH AMBOY HOUSING AUTHORITY
SCHEDULE OF ROSS PROGRAM COSTS AND ADVANCES
FOR THE YEAR ENDED MARCH 31, 2013**

	<u>A010</u>	<u>A011</u>	<u>Totals</u>
Budget	\$ <u>68,673</u>	\$ <u>55,652</u>	\$ <u>124,325</u>
<u>Advances:</u>			
Cumulative through 3/31/12	\$ 36,014	\$ -	\$ 36,014
Current Year	<u>32,659</u>	<u>21,699</u>	<u>54,358</u>
Cumulative through 3/31/13	<u>68,673</u>	<u>21,699</u>	<u>90,372</u>
<u>Costs:</u>			
Cumulative through 3/31/12	36,014	-	36,014
Current Year	<u>32,659</u>	<u>36,746</u>	<u>69,405</u>
Cumulative through 3/31/13	<u>68,673</u>	<u>36,746</u>	<u>105,419</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>(15,047)</u>	\$ <u>(15,047)</u>
<u>Summary</u>			
<u>Soft Costs:</u>			
Cumulative through 3/31/12	\$ 36,014	\$ -	\$ 36,014
Current Year	<u>32,659</u>	<u>36,746</u>	<u>69,405</u>
Cumulative through 3/31/13	<u>68,673</u>	<u>36,746</u>	<u>105,419</u>
<u>Hard Costs:</u>			
Cumulative through 3/31/12	-	-	-
Current Year	<u>-</u>	<u>-</u>	<u>-</u>
Cumulative through 3/31/13	<u>-</u>	<u>-</u>	<u>-</u>
Cumulative	\$ <u>68,673</u>	\$ <u>36,746</u>	\$ <u>105,419</u>

NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

The total amount of ROSS Grant Program Costs and Advances incurred and earned by the Perth Amboy Housing Authority as of and for the year ended March 31, 2013:

- 1) ROSS Grant No. A010 with approved funding of \$68,673 has been fully drawn down and expended as per ROSS Grant Regulations.

Perth Amboy Housing Authority

N1006

Financial Data Schedule (FDS)

March 31, 2013

Line Item #	Account Description	OPERATING FUND TOTALS	CAPITAL FUND TOTALS	PROJECTS TOTAL	CBG ENTITLEMENT GRANT	RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	HOUSING COUNSELING ASSISTANCE PROGRAM	HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER OPERATING	BUSINESS ACTIVITIES	ELIMINATION	TOTAL
ASSETS:												
CURRENT ASSETS:												
111	Cash - unrestricted	\$ 2,653,388	\$ -	\$ 2,653,388	\$ -	\$ -	\$ -	\$ 1,173,974	\$ 146,969	\$ 43,076	\$ -	\$ 4,017,407
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-
113	Cash - other restricted	276,579	-	276,579	-	-	-	941,233	3,388	-	-	1,221,002
114	Cash - tenant security deposits	112,685	-	112,685	-	-	-	-	-	-	-	112,685
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-	-	-	-	-	-
100	Total cash	3,042,652	-	3,042,652	-	-	-	2,115,209	190,357	43,076	-	5,351,074
Accounts and notes receivable												
121	Accounts receivable - HFA projects	-	-	-	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other project	-	-	-	-	15,047	-	-	-	-	-	15,047
124	Accounts receivable - other government	19,238	-	19,238	2,312	-	-	-	-	-	-	26,806
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	16,111	5,256	-	-	16,111
126	Accounts receivable - tenant	17,597	-	17,597	-	-	-	-	-	-	-	17,597
126.1	Allowance for doubtful accounts - tenant	(3,957)	-	(3,957)	-	-	-	-	-	-	-	(3,957)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	-
127	Notes and mortgages receivable - current	-	-	-	-	-	-	-	-	-	-	-
128	Fraud recovery	18,108	-	18,108	-	-	-	11,485	-	-	-	29,593
128.1	Allowance for doubtful accounts - fraud	(8,201)	-	(8,201)	-	-	-	(10,723)	-	-	-	(18,924)
129	Accrued interest receivable	-	-	-	-	-	-	121	5,891	-	-	6,012
120	Total receivables, net of allowances for doubtful account	42,785	-	42,785	2,312	15,047	-	16,994	11,147	-	-	88,285
Current investments												
131	Investments - non-statewide	-	-	-	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	207,338	-	207,338	-	-	-	7,340	23,403	-	-	238,081
143	Inventories	-	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventory	-	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	20,007	-	20,007	-	-	-	2,312	93,598	-	-	115,917
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	3,312,562	-	3,312,562	2,312	15,047	-	2,141,855	278,505	43,076	-	5,677,440
NONCURRENT ASSETS:												
Fixed assets:												
161	Land	1,135,864	-	1,135,864	-	-	-	-	-	-	-	1,135,864
162	Buildings	26,835,688	-	26,835,688	-	-	-	-	-	-	-	26,835,688
163	Furniture, equipment & machinery - devaluing	187,137	-	187,137	-	-	-	44,713	-	-	-	414,713
164	Furniture, equipment & machinery - administration	3,497,036	-	3,497,036	-	-	-	107,535	-	-	-	3,604,571
165	Accumulated depreciation	(14,824,051)	-	(14,824,051)	-	-	-	(44,536)	-	-	-	(14,868,587)
167	Construction in progress	915,519	-	915,519	5,288	-	-	-	-	-	-	920,807
168	Infrastructure	-	-	-	-	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	18,161,190	-	18,161,190	5,288	-	-	-	63,999	-	-	18,229,477
Other non-current assets:												
171	Notes and mortgages receivable - non-current	-	-	-	-	-	-	-	-	-	-	-
172	Notes and mortgages receivable-non-current - past due	1,980,195	-	1,980,195	-	-	-	-	-	-	-	1,980,195
174	Other assets	1,285,000	-	1,285,000	-	-	-	-	-	-	-	1,285,000
175	Undistributed debts	-	-	-	-	-	-	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-	-	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	3,274,195	-	3,274,195	7,600	15,047	-	2,141,855	341,504	43,076	-	3,274,195
190	TOTAL ASSETS	24,747,947	\$ -	24,747,947	\$ 7,600	\$ 15,047	\$ -	\$ 2,141,855	\$ 341,504	\$ 43,076	\$ (115,917)	\$ 27,181,112

Perth Amboy Housing Authority

Line Item #	Account Description	OPERATING FUND TOTALS	CAPITAL FUND TOTALS	PROJECTS TOTAL	CDBG ENTITLEMENT GRANT	RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	HOUSING COUNSELING ASSISTANCE PROGRAM	HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER OPERATING	BUSINESS ACTIVITIES	ELIMINATION	TOTAL
LIABILITIES AND EQUITY:												
Liabilities:												
311	Current Liabilities:											
312	Accounts payable - 90 days	26,961		26,961								26,961
313	Accounts payable > 90 days past due	163,811		163,811					3,607			169,418
321	Accrued compensated absences - current portfolio	24,209		24,209				7,550	20,116			51,895
322	Accrued compensated absences - other portfolio	128,024		128,024				27,784	106,184			261,992
325	Accrued interest payable											
331	Accounts payable - HUD PHA program											
332	Accounts payable - PHA program											
333	Accounts payable - other government	46,103		46,103								46,103
341	Tenant security deposits	112,665		112,665								112,665
342	Deferred revenue	25,322		25,322								25,322
343	Current portion of L-T debt - capital projects	120,000		120,000								120,000
344	Current current liabilities											
345	Other current liabilities											
346	Accrued liabilities - other											
347	Interprogram - due to				2,312	15,047		98,258			(115,917)	
310	TOTAL CURRENT LIABILITIES	649,095		649,095	2,312	15,047		133,892	120,927			814,356
NONCURRENT LIABILITIES:												
351	Long-term debt, net of current - capital project	1,940,000		1,940,000								1,940,000
352	Long-term debt, net of current - operating borrowing											
353	Non-current liabilities - other	1,217,424		1,217,424				214,826				1,432,250
354	Accrued compensated absences - noncurrent	233,929		233,929				32,609	137,013			403,551
355	Tenant Liability - Non-Current											
356	PHAS 5 Liabilities											
357	Accrued pension and OPEB liabilities	3,391,353		3,391,353				247,435	137,013			3,775,801
360	TOTAL NONCURRENT LIABILITIES	4,940,448		4,940,448	2,312	15,047		381,327	266,980			4,990,157
EQUITY:												
508.1	Invested in Capital Assets, Net of Related Debt	16,101,190		16,101,190	5,288				63,999			16,169,477
511.1	Restricted Net Assets	2,192,340		2,192,340				712,179				2,904,519
512.1	Unrestricted Net Assets	2,413,969		2,413,969				1,048,349	11,565	43,076		3,516,959
513	TOTAL EQUITY	20,707,499		20,707,499	5,288	15,047		1,760,528	74,564	43,076		22,390,955
600	TOTAL LIABILITIES AND EQUITY	24,747,947		24,747,947	7,600	15,047		2,141,655	341,504	43,076	(115,917)	27,181,112
Proof of concept												

Perth Anchoy Housing Authority

NJ006

Financial Data Schedule (FDS)

March 31, 2013

Line Item #	Account Description	OPERATING FUND TOTALS	CAPITAL FUND TOTALS	PROJECTS TOTAL	ODBG FUND TOTALS	RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	HOUSING COUNSELING AND ASSISTANCE PROGRAM	HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	BUSINESS ACTIVITIES	ELIMINATION	TOTAL
REVENUE:												
70500	Net rental revenue	\$ 1,722,805	\$ -	\$ 1,722,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,722,805
70600	Tenant revenue - other	44,838	-	44,838	-	-	-	-	-	-	-	44,838
70500	Total tenant revenue	1,767,643	-	1,767,643	-	-	-	-	-	-	-	1,767,643
70600	HUD PHA grants	935,572	430,500	1,366,072	10,577	69,405	33,935	9,238,703	59,201	-	-	10,718,692
70700	Capital grants	-	830,731	830,731	-	-	-	-	367,200	-	-	830,932
70710	Management fee	-	-	-	-	-	-	-	43,200	-	-	43,200
70720	Asset management fee	-	-	-	-	-	-	-	121,806	-	-	121,806
70730	Book keeping fee	-	-	-	-	-	-	-	-	-	-	-
70740	Other services fee	-	-	-	-	-	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-	-	-	-	-	-
70800	Other government grants	19,238	-	19,238	-	-	-	-	-	-	-	19,238
71000	Investment income - unrestricted	20,510	-	20,510	-	-	-	4,109	15,638	-	-	40,257
71200	Mortgage interest income	-	-	-	-	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	-	-	-
71400	Cost of sale of assets	-	-	-	-	-	-	-	-	-	-	-
71500	Prized recovery	12,451	-	12,451	-	-	-	6,740	-	-	-	19,191
71501	Other revenue	607,261	-	607,261	-	-	2,730	2,707,433	30,209	146,747	-	3,693,454
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-	3,612	-	-	-	3,612
70000	TOTAL REVENUE	3,863,375	1,261,231	4,624,606	10,577	69,405	36,665	11,954,617	838,374	146,747	(1,093,780)	16,587,211
EXPENSES:												
Administrative												
91000	Administrative salaries	338,367	-	338,367	9,625	-	22,331	285,397	47,829	90,590	-	1,244,569
91200	Auditing fees	6,000	-	6,000	-	-	-	6,000	1,040	-	-	13,040
91300	Outside management fees	282,735	98,200	380,935	-	-	-	186,584	-	-	-	567,520
91310	Book keeping fee	32,018	-	32,018	-	-	-	32,018	-	-	-	32,018
91400	Advertising and marketing	6,205	-	6,205	-	-	-	6,205	-	-	-	6,205
91500	Employee benefit contributions - administrative	202,841	-	202,841	952	-	9,483	182,508	192,639	36,256	-	7,233
91600	Office expenses	10,454	-	10,454	-	-	-	10,454	14,887	-	-	25,341
91700	Legal fees	20,085	1,438	21,523	-	-	-	20,085	4,851	-	-	26,379
91800	Travel	22,474	-	22,474	-	-	-	22,474	3,350	-	-	25,824
91810	Allocated overhead	-	-	-	-	-	-	-	-	-	-	-
91900	Other	5,469	200,466	205,935	-	-	-	1,330	698	-	-	24,844
92000	Asset Management Fee	43,200	-	43,200	-	-	-	-	-	-	-	43,200
Tenant services												
92100	Tenant services - salaries	-	-	-	-	30,748	-	86,853	-	-	-	117,601
92200	Relocation costs	-	-	-	-	29,590	-	-	-	-	-	29,590
92300	Employee benefit contributions - tenant service	-	-	-	-	-	-	-	-	-	-	-
92400	Tenant services - other	5,892	-	5,892	-	-	-	46,943	-	-	-	52,835
Utilities												
93100	Water	398,131	-	398,131	-	-	-	-	-	-	-	398,131
93200	Electricity	400,778	-	400,778	-	-	-	-	-	-	-	400,778
93300	Gas	311,017	-	311,017	-	-	-	-	-	-	-	311,017
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-
93500	Laundry	-	-	-	-	-	-	-	-	-	-	-
93600	Sewer	235,170	-	235,170	-	-	-	-	-	-	-	235,170
93700	Employee benefit contributions - utilities	3,845	-	3,845	-	-	-	-	-	-	-	3,845
93800	Other utilities expense	-	-	-	-	-	-	-	-	-	-	-
Ordinary maintenance & operator												
94100	Ordinary maintenance and operations - labor	652,032	-	652,032	-	-	-	-	-	-	-	652,032
94200	Ordinary maintenance and operations - materials & other	119,464	-	119,464	-	-	-	-	-	-	-	119,464
94300	Ordinary maintenance and operations - contract cost	320,509	-	320,509	-	-	-	-	-	-	-	320,509
94300	Employee benefit contributions - ordinary maintenance	338,596	-	338,596	-	-	-	-	-	-	-	338,596

Perth Amboy Housing Authority												
N3006												
Financial Data Schedule (FDS)												
March 31, 2013												
Line Item #	Account Description	OPERATING FUND TOTALS	CAPITAL FUND TOTALS	PROJECTS TOTAL	CDRE ENTITLEMENT GRANT	RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	HOUSING COUNSELING ASSISTANCE PROGRAM	HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	BUSINESS ACTIVITIES	ELIMINATION	TOTAL
	Proactive services											
95100	Proactive services - law											
95200	Proactive services - other court cost											
95300	Proactive services - other											
95500	Employee benefit contributions - proactive service											
	General expenses											
96100	Insurance premiums	105,611							22,840	948		107,400
96200	Other general expenses	4,939							2,731			4,939
96310	Contractual services	10,517							3,662			10,517
96300	Payments in lieu of taxes	46,103										46,103
96400	Bad debt - tenant rents	6,661										6,661
96500	Bad debt - mortgages											
96600	Bad debt - other	1,321										1,321
96700	Interest expense											
96710	Interest on Mortgage		95,596									95,596
96780	Amortization of Bond Issue Costs											
96900	Revenue expense											
96900	Revenue expense					69,405	36,665	1,073,176	846,944	134,110	(1,093,789)	5,986,137
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	4,513,540	395,500	4,909,040	10,577	69,405	36,665	1,073,176	846,944	134,110	(1,093,789)	5,986,137
		(1,150,165)	865,731	(284,434)				16,881,441	(8,570)	12,637		10,601,074
97100	Extraordinary maintenance											
97200	Casualty losses - non capitalised	3,260										3,260
97300	Housing assistance payments			3,260				8,796,542				8,796,542
97400	Other HUD related expenses							2,498,126				2,498,126
97500	Depreciation expense	1,177,235							21,511			1,198,746
97600	Fund losses	2,842						4,837				7,679
97800	Dwelling units rent expense											
98000	TOTAL EXPENSES	5,696,877	395,500	6,092,377	10,577	69,405	36,665	12,372,271	868,455	134,110	(1,093,789)	18,490,780
	OTHER FINANCING SOURCES (USES)											
10010	Operating transfers in		35,000									
10020	Operating transfers out		(35,000)								(35,000)	
10030	Operating transfers from/to primary government											
10040	Operating transfers from/to component unit											
10070	Extraordinary items net gain/loss											
10080	Special items (net gain/loss)											
10091	Inter Project excess cash transfer in	700,000										700,000
10092	Inter Project excess cash transfer out		(700,000)									(700,000)
10093	Transfers between program and project in											
10094	Transfers between program and project out											
10100	TOTAL OTHER FINANCING SOURCES (USES)	700,000	(700,000)									
		735,000	(735,000)									
10300	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(1,598,502)	130,731	(1,467,771)				(418,354)	(30,081)	12,637		(1,903,560)
	MEMO ACCOUNT INFORMATION:											
11020	Required annual debt principal payments	115,000										115,000
11030	Beginning equity	22,225,533			5,288							24,607,661
11040	Prior period adjustments and equity transfers	780,468	(830,731)	(50,263)								(113,137)
11170	Administrative fee equity							1,048,349				1,048,349
11180	Housing assistance payments equity							712,179				712,179
11190	Unit months available	4,692		4,692								14,532
11210	Number of unit months leased	4,641		4,641				9,749				14,390
	Equity Roll Forward Test											
	Calculation from R02 Statement				5,288			1,760,528	74,564	43,076		1,883,456
	BFS Line 513				5,288			1,760,528	74,564	43,076		1,883,456