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**HOUSING AUTHORITY OF THE**

**BOROUGH OF FREEHOLD**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**DECEMBER 31, 2011 AND 2010**

**WITH AUDITOR'S REPORT**

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**INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying financial statements of the Housing Authority of the Borough of Freehold, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Housing Authority of the Borough of Freehold as of December 31, 2011 and 2010, and the results of its operations, changes in net assets and cash flows of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the "Governmental Auditing Standards", I have also issued my report dated April 17 2012, on my consideration of the Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis, as detailed in this report, is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial data schedule and cost certifications on pages 15 to 18 are presented for purposes of additional analysis and are not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.



Christine L. Brown  
CERTIFIED PUBLIC ACCOUNTANT

April 17, 2012

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A – Financial Highlights

1. For the fiscal year ended December 31, 2011, the assets of the Authority exceeded its liabilities by \$1,298,711 (net assets). This compares to the previous year when assets exceeded liabilities by \$1,500,751.
2. For the fiscal year December 31, 2011 the Authority reported ending unrestricted net assets of \$191,519. This compares to the previous year when ending unrestricted net assets were \$256,938.
3. The Authority had total revenues of \$700,935 and total expenses of \$853,707 for the year ended December 31, 2011.
4. The Authority's capital outlays for the fiscal year were \$19,505.
5. The Authority's expenditures of federal awards amounted to \$197,044 for the fiscal year.

B – Using the Annual Report

1. Management's Discussion and Analysis

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

2. Financial Statements

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

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

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

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 7 through 9 included in this report.

### 3. Notes To Financial Statements

The accompanying notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements begin on page 10 of this report.

#### C- The Authority as a Whole

The Authority's net assets decreased during the fiscal year as detailed below. The Authority's current and other assets increased as capital acquisition costs decreased during 2010. The Authority's revenues include subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-authorized funding level. The Authority's operating revenues were sufficient to cover all operating expenses, with the exception of depreciation, during the fiscal year.

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

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

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 359,833	432,829
Capital assets	<u>1,419,991</u>	<u>1,576,071</u>
Total assets	<u>1,779,824</u>	<u>2,008,900</u>
Long-term liabilities	318,988	339,047
Other liabilities	<u>162,125</u>	<u>169,102</u>
Total liabilities	<u>481,113</u>	<u>508,149</u>
Net assets:		
Invested in capital assets, net of related debt	1,099,991	1,236,071
Restricted	7,201	7,742
Unrestricted	<u>191,519</u>	<u>256,938</u>
Total net assets	<u>\$1,298,711</u>	<u>1,500,751</u>

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

	<u>2011</u>	<u>%</u>	<u>2010</u>	<u>%</u>
Revenues:				
Tenant revenue	\$ 491,668	70.14	483,555	66.54
Government operating grants	177,540	25.32	183,286	25.22
Other revenue	12,210	1.75	12,835	1.77
Investment income	13	.01	13	.01
Capital grants	<u>19,504</u>	<u>2.78</u>	<u>47,017</u>	<u>6.46</u>
Total revenues	<u>700,935</u>	<u>100.00</u>	<u>726,706</u>	<u>100.00</u>
Expenses:				
General operating expenses	712,152	83.43	626,697	83.81
Investment expense	15,238	1.78	15,913	2.13
Depreciation	<u>126,317</u>	<u>14.79</u>	<u>105,182</u>	<u>14.06</u>
Total expenses	<u>853,707</u>	<u>100.00</u>	<u>747,792</u>	<u>100.00</u>

Increase (decrease) in net assets	(152,772)	(21,086)
Prior period adjustments	(49,268)	0
Transfers	0	0
Beginning net assets	<u>1,500,751</u>	<u>1,521,837</u>
Ending net assets	<u>\$1,298,711</u>	<u>1,500,751</u>

#### D – Budgetary Highlights

For the fiscal year ended December 31, 2011, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

#### E – Capital Assets and Debt Administration

##### 1. Capital Assets

As of December 31, 2011, the Authority's investment in capital assets for its proprietary fund was \$1,099,991 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchases of \$19,505 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. The majority of these costs were related to building renovations. These activities are funded by grants from HUD.

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

	<u>Cost of capital assets</u>	<u>Accumulated depreciation</u>	<u>Net of accum. depreciation</u>
<i>Non-depreciable assets:</i>			
Land	\$ 145,000	0	145,000
Construction in progress	23,412	0	23,412
<i>Depreciable assets:</i>			
Buildings and improvements	3,863,153	2,697,941	1,165,212
Site improvements	625,146	539,480	85,666
Furniture, machinery and equipment	<u>98,746</u>	<u>98,045</u>	<u>701</u>
Total	<u>\$4,755,457</u>	<u>3,335,466</u>	<u>1,419,991</u>

##### 2. Long Term Debt

During 2004, the Authority participated in a Capital Fund Leveraging Pool. The New Jersey Housing and Finance Agency issued tax-exempt bonds and the proceeds were distributed among the participating Authorities. As of December 31, 2011 the amount of outstanding debt was \$320,000.

F – Significant Changes From Year Ended December 31, 2010 to December 31, 2011

Capital Grants decreased as the majority of the stimulus funds were spent in 2009. Maintenance costs increased due to the inability to fund projects with grant proceeds.

The Authority's unrestricted net assets of \$191,519 appear sufficient to cover any shortfall that may occur in 2012.

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

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

H – Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the Borough of Freehold, 107 Throckmorton St. Freehold, NJ 07728.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

ASSETS

	Balance Dec. 31 2011	Balance Dec.31 2010
Current assets		
Cash and cash equivalents	\$ 286,507	375,661
Restricted cash and cash equivalents	37,511	34,952
Tenant accounts receivable, net	5,811	8,809
Due from HUD	22,727	5,588
Prepaid expenses	148	142
Total current assets	<u>352,704</u>	<u>425,152</u>
Non-current assets		
Capital assets		
Land and construction in progress	168,412	655,035
Other capital assets, net of accumulated depreciation	1,251,579	921,036
Intangible assets, net of accumulated amortization	7,129	7,677
Total non-current assets	<u>1,427,120</u>	<u>1,583,748</u>
TOTAL ASSETS	<u>\$ 1,779,824</u>	<u>2,008,900</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 2,383	34,799
Accrued liabilities		
Compensated absences, current portion	45,094	60,144
Payment in lieu of taxes	35,769	17,849
Other	20,453	1,410
Tenant security deposits	37,439	34,888
Deferred revenue	987	12
Bonds payable, current portion	20,000	20,000
Total current liabilities	<u>162,125</u>	<u>169,102</u>
Non-current liabilities		
Compensated absences, non-current	18,988	19,047
Long term debt	300,000	320,000
Total non-current liabilities	<u>318,988</u>	<u>339,047</u>
Total liabilities	<u>481,113</u>	<u>508,149</u>
Net assets		
Invested in capital assets	1,099,991	1,236,071
Restricted net assets	7,201	7,742
Unrestricted net assets	191,519	256,938
Total net assets	<u>1,298,711</u>	<u>1,500,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,779,824</u>	<u>2,008,900</u>

See accompanying notes to financial statements

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS

	Year 2011	Year 2010
<b>OPERATING REVENUES</b>		
Tenant revenue	\$ 491,668	483,555
Government operating grants	177,540	183,286
Other revenue	12,210	12,835
Total operating revenues	681,418	679,676
<b>OPERATING EXPENSES</b>		
Administrative	210,091	209,476
Tenant services	13,655	12,000
Utilities	191,971	186,904
Maintenance	223,899	143,098
Protective services	2,390	4,346
General	70,146	70,873
Depreciation	126,317	105,182
Total operating expenses	838,469	731,879
Operating income (loss)	(157,051)	(52,203)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	13	13
Investment expense	(15,238)	(15,913)
Income (loss) before contributions and transfers	(172,276)	(68,103)
Capital grants	19,504	47,017
Change in net assets	(152,772)	(21,086)
Prior period adjustments	(49,268)	0
Total net assets, beginning	1,500,751	1,521,837
<b>TOTAL NET ASSETS, ENDING</b>	<b>\$ 1,298,711</b>	<b>1,500,751</b>

See accompanying notes to financial statements