

As of December 31, 2012, the Authority had funds on deposit in money market, savings and checking accounts. These funds constitute “deposits with financial institutions” as defined by GASB Statement No. 3 and are summarized as follows:

<u>Category</u>	<u>Amount</u>
1	\$ 377,883
2	13,754
3	-
	<hr/>
	<u>\$ 391,637</u>

NOTE C – Investments

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

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

NOTE D - Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance of \$2,603 as of December 31, 2012.

NOTE E - Capital Assets

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

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

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

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

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Buildings and Improvements	3,863,153	-	-	3,863,153
Site Improvements	625,146	-	-	625,146
Furniture, Machinery and Equipment	98,746	10,096	14,090	94,752
Construction in Progress	23,412	38,975	-	62,387
	<u>4,755,457</u>	<u>49,071</u>	<u>14,090</u>	<u>4,790,438</u>
Accumulated Depreciation	<u>(3,335,466)</u>	<u>(111,146)</u>	<u>(14,090)</u>	<u>(3,432,522)</u>
Capital Assets, Net	<u>\$ 1,419,991</u>	<u>\$ (62,075)</u>	<u>\$ -</u>	<u>\$ 1,357,916</u>

Effective January 1, 2011 the Authority corrected the treatment of depreciation on certain capitalized costs as a prior period adjustment. As a result of this adjustment capital assets and net position decreased by \$49,268 as of January 1, 2011.

NOTE F - Long Term Debt

During 2004, the Authority entered into a Capital Fund Leveraging Pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A, on December 23, 2004. The Authority's share of the funds from the bond issue pool amounted to \$400,000. The related closing costs of \$10,965 were amortized over the life of the bonds prior to 2011. In accordance with GASB 65, the Authority wrote off the remaining unamortized balance of \$7,677 effective January 1, 2011 as a prior period adjustment. As a result of this adjustment, net assets as of January 1, 2011 were decreased by \$7,677 and change in net assets for the year ended December 31, 2011 was increased by \$548.

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2013	\$ 20,000	\$ 13,238	\$ 33,238
2014	20,000	12,477	32,477
2015	20,000	11,676	31,676
2016	20,000	10,801	30,801
2017	20,000	9,926	29,926
2018 - 2025	<u>200,000</u>	<u>43,548</u>	<u>243,548</u>
	<u>\$ 300,000</u>	<u>\$ 101,666</u>	<u>\$ 401,666</u>

NOTE G – Pension Plan

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

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

<u>Year</u>	<u>Amount</u>
2012	\$ 18,882
2011	18,194
2010	14,479

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

NOTE H - Compensated Absences

Employees are entitled to accumulated sick leave and vacation leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated leave in the event of retirement or termination from service. Sick leave may be compensated at the rate of 50% of the accumulated days, with a maximum of \$10,000.00. Vacation leave is payable at 100% of the accumulated days. The Authority has determined that the accrued liability for accumulated sick leave and vacation leave was \$30,704 and \$64,082 at December 31, 2012 and 2011, respectively.

NOTE I - Taxes

Under federal, state and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provisions of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended December 31, 2012 and 2011, the Borough of Freehold was entitled to PILOT of \$21,899 and \$17,920, respectively.

NOTE J - Risk Management

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

NOTE K - Commitments

As of December 31, 2012, the Authority had no construction contracts payable.

NOTE L - Contingent or other liabilities

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

NOTE M - Subsequent Events

The Authority has evaluated subsequent events occurring after the balance sheet date through April 29, 2013 which is the date of the financial statements were available to be issued. Based on this evaluation, the District has determined that there are no subsequent events that require disclosure in the financial statements.

NOTE N - GASB #54 Fund Balance Disclosure

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

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

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

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

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

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

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Line Item No.	Account Description	Project Total	Formula	Total
111	Cash - Unrestricted	\$350,992	\$0	\$350,992
113	Cash - Other Restricted	\$79	\$0	\$79
114	Cash - Tenant Security Deposits	\$40,867	\$0	\$40,867
100	Total Cash	\$391,938	\$0	\$391,938
122	Accounts Receivable - HUD Other Projects	\$4,588	\$0	\$4,588
126	Accounts Receivable - Tenants - Dwelling Rents	\$8,675	\$0	\$8,675
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$2,603)	\$0	(\$2,603)
127	Notes, Loans and Mortgages Receivable - Current	\$1,594		\$1,594
120	Total Receivables, Net of Allowance For Doubtful Accou	\$12,254	\$0	\$12,254
142	Prepaid Expenses and Other Assets	\$109	\$0	\$109
150	Total Current Assets	\$404,301	\$0	\$404,301
161	Land	\$145,000	\$0	\$145,000
162	Buildings	\$3,863,153	\$0	\$3,863,153
163	Furniture, Equipment & Machinery - Dwellings	\$94,752	\$0	\$94,752
165	Leasehold Improvements	\$625,146	\$0	\$625,146
166	Accumulated Depreciation	(\$3,432,522)	\$0	(\$3,432,522)
167	Construction in Progress	\$62,387	\$0	\$62,387
160	Total Capital Assets, Net of Accumulated Depreciation	\$1,357,916	\$0	\$1,357,916
174	Other Assets	\$0	\$0	\$0
180	Total Non-Current Assets	\$1,357,916	\$0	\$1,357,916
190	Total Assets	\$1,762,217	\$0	\$1,762,217
312	Accounts Payable <= 90 Days	\$8,881	\$0	\$8,881
321	Accrued Wage/Payroll Taxes Payable	\$556	\$0	\$556
322	Accrued Compensated Absences - Current Portion	\$11,429	\$0	\$11,429
333	Accounts Payable - Other Government	\$39,819	\$0	\$39,819
341	Tenant Security Deposits	\$40,867	\$0	\$40,867
342	Deferred Revenues	\$45	\$0	\$45
343	Current Portion of Long Term Debt - Capital Projects	\$20,000	\$0	\$20,000
346	Accrued Liabilities - Other	\$25,142	\$0	\$25,142
310	Total Current Liabilities	\$146,739	\$0	\$146,739
351	Long Term Debt, Net of Current - Capital Projects	\$280,000	\$0	\$280,000
354	Accrued Compensated Absences - Non-Current	\$19,275	\$0	\$19,275
350	Total Non-Current Liabilities	\$299,275	\$0	\$299,275
300	Total Liabilities	\$446,014	\$0	\$446,014
508.1	Invested in Capital Assets, Net of Related Debt	\$1,057,916	\$0	\$1,057,916
511.1	Restricted Net Assets	\$80	\$0	\$80
512.1	Unrestricted Net Assets	\$258,207	\$0	\$258,207
513	Total Equity/Net Assets	\$1,316,203	\$0	\$1,316,203
600	Total Liabilities and Equity/Net Assets	\$1,762,217	\$0	\$1,762,217

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Line Item No.	Account Description	Low Rent	Capital Fund	Total
703	Net Tenant Revenue	\$504,841	\$0	\$504,841
704	Tenant Revenue - Other	\$20,437	\$0	\$20,437
705	Total Tenant Revenue	\$525,278	\$0	\$525,278
706	HUD PHA Operating Grants	\$131,051	\$32,245	\$163,296
706.1	Capital Grants	\$0	\$58,975	\$58,975
711	Investment Income - Unrestricted	\$13	\$0	\$13
714	Fraud Recovery	\$3,780	\$0	\$3,780
715	Other Revenue	\$18,673	\$0	\$18,673
720	Investment Income -Restricted	\$0	\$0	\$0
700	Total Revenue	\$678,795	\$91,220	\$770,015
911	Administrative Salaries	\$75,546	\$8,816	\$84,362
912	Auditing Fees	\$4,400	\$0	\$4,400
915	Employee Benefit Contributions - Administrative	\$43,230	\$0	\$43,230
916	Office Expense - Administrative	\$18,872	\$0	\$18,872
917	Legal Expense	\$16,502	\$0	\$16,502
918	Travel	\$991	\$0	\$991
919	Other Administrative	\$22,750	\$628	\$23,378
921	Tenant Services - Salaries	\$10,000	\$0	\$10,000
923	Employee Benefit Contributions - Tenant Services	\$5,604	\$0	\$5,604
931	Water	\$16,126	\$0	\$16,126
932	Electricity	\$70,593	\$0	\$70,593
933	Gas	\$46,792	\$0	\$46,792
935	Labor	\$5,740	\$0	\$5,740
936	Sew er	\$37,586	\$0	\$37,586
937	Employee Benefit Contributions - Utilities	\$3,202	\$0	\$3,202
941	Ordinary Maintenance and Operations - Labor	\$48,271	\$0	\$48,271
942	Ordinary Maintenance and Operations - Materials and Other	\$19,401	\$0	\$19,401
943	Ordinary Maintenance and Operations - Contract Costs	\$67,812	\$0	\$67,812
945	Employee Benefit Contributions - Ordinary Maintenance	\$28,020	\$0	\$28,020
952	Protective Services - Other Contract Costs	\$504	\$0	\$504
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0
961	Insurance Premiums	\$41,826	\$0	\$41,826
962	Other General Expenses	\$0	\$0	\$0
962.1	Compensated Absences	\$5,047	\$0	\$5,047
963	Payments in Lieu of Taxes	\$21,899	\$0	\$21,899
964	Bad Debt - Tenant Rents	\$112	\$0	\$112
967.1	Interest on Mortgage Payable	\$0	\$13,978	\$13,978
967.3	Amortization of Bond Issue Cost	\$0	\$0	\$0
969	Total Operating Expenses	\$610,826	\$23,422	\$634,248
970	Excess Operating Revenue Over Operating Expenses	\$67,969	\$67,798	\$135,767
974	Depreciation Expense	\$111,146	\$0	\$111,146
900	Total Expenses	\$721,972	\$23,422	\$745,394
1010	Total Other Financing Sources (Uses)	\$8,823	\$0	\$8,823
1020	Total Other Financing Sources (Uses)	\$0	(\$8,823)	(\$8,823)
1000	Expenses	(\$34,354)	\$58,975	\$24,621

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Line Item No.	Account Description	Low Rent	Capital Fund	Total
1102	Required Annual Debt Principal Payments	\$0	\$20,000	\$20,000
1103	Beginning Equity	\$1,298,711	\$0	\$1,298,711
1104	Prior Period Adj. Equity Transfers and Correct. Of Errors	\$51,846	(\$58,975)	(\$7,129)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of Less Than Twelve Months	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0
1119	Unit Months Available	1,020	0	1,020
1121	Number of Unit Months Leased	991	0	991
1127	Excess Cash	\$206,427	0	\$206,427
1162	Building Purchases	\$18,902	0	\$18,902
1164	Furniture & Equipment - Administrative Purchases	\$20,073	0	\$20,073

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
December 31, 2012

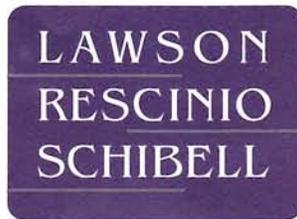
PHA Owned Programs

Capital Fund Program Number NJ39PO6950109

A. The actual costs of Capital Fund Program Number NJ39PO6950110 are as follows:

Funds approved	\$ 106,780
Funds expended	<u>106,780</u>
Excess of funds approved	<u>\$ 0</u>
Funds advanced	\$ 106,780
Funds expended	<u>106,780</u>
Excess of funds advanced	<u>\$ 0</u>

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



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

1806 ROUTE 35 • OAKHURST, NEW JERSEY 07755-2759 TEL (732) 531-8000 FAX (732) 531-8080

THE POWER OF SOUND FUNDAMENTALS

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Borough of Freehold, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Freehold's basic financial statements, and have issued our report thereon dated April 29, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations during the audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining assurance about whether the Housing Authority of the Borough of Freehold's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards".

Purpose of this Report

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

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

Oakhurst, New Jersey
April 29, 2013