

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
(A Component Unit of Haddon Township, State of New Jersey)

Financial Statements and Supplementary Schedules

For the years ended December 31, 2013 and 2012

(With Independent Auditors' Report thereon)

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
(A Component Unit of Haddon Township, State of New Jersey)
Table of Contents
December 31, 2013 and 2012

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10-11
Notes to Financial Statements	12-20
Schedule I – Financial Data Schedules	21-26
Schedule II - Detailed Statement of Revenues, Expenses, and Changes in Net Position Compared to Budget	27
Schedule III - Statement and Certification of Actual Capital Fund Grant Costs	28
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
General Comments and Recommendations	31-33



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the Township of Haddon

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Housing Authority of the Township of Haddon, a component unit of the Township of Haddon, State of New Jersey, as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the Township of Haddon as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof 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 and budgetary comparison information on pages 4-7 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the Township of Haddon's basic financial statements as a whole. The accompanying financial data schedules and the statement and certification of actual Capital Fund Grant costs, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedules and the statement and certification of actual Capital Fund Grant costs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules and the statement and certification of actual Capital Fund Grant costs are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014 on our consideration of the Housing Authority of the Township of Haddon'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 the Housing Authority of the Township of Haddon's internal control over financial reporting and compliance.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 30, 2014
Toms River, New Jersey

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Management's Discussion and Analysis
December 31, 2013

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2013. This narrative and analysis is intended to provide context and support to the financial statements provided in this report.

Using the Annual Report

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 Financial Statements included in this report were prepared in accordance with generally accepted accounting principles applicable to governmental entities in the United States of America for Proprietary Funds.

Financial Statements

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

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

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent 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 time).

The financial statements report on the Authority's activities. The activities are primarily supported by subsidies and grants from the United States Department of Housing and Urban Development. The Authority's function is to provide decent, safe and sanitary housing to lower income individuals who are 62 years old and older.

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 general purpose financial statements. They appear in this report after the basic financial statements.

Budgetary Highlights

For the year ended December 31, 2013, individual program and grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The Authority prepares a budget to be submitted to the Bureau of Authority Regulation, Department of Community Affairs. The budget was prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

Financial Highlights

- As of the close of the year, the Authority reported unrestricted net position of \$446,123 compared to \$428,002 at the close of the prior year.
- Rent revenue from tenant for the year was \$407,613 compared to \$405,321 for the prior year.
- Operating expenses for the year were \$770,062 compared to \$731,782 for the prior year.
- The total HUD PHA operating grant for the year ended December 31, 2013 was \$230,576 compared to \$299,989 for the prior year.

Computation of net position at December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash and other current assets	\$ 1,113,404	\$ 1,122,083	\$ 762,220
Capital assets, net	<u>1,777,549</u>	<u>1,782,686</u>	<u>1,353,295</u>
Total assets	2,890,953	2,904,769	2,115,515
Current liabilities	112,066	106,473	291,576
Long-term liabilities	<u>555,215</u>	<u>587,608</u>	<u>22,255</u>
Total liabilities	667,281	694,081	313,831
Invested in capital assets	1,777,549	1,782,686	1,353,295
Unrestricted net position	<u>446,123</u>	<u>428,002</u>	<u>448,389</u>
Total net position	<u>\$ 2,223,672</u>	<u>\$ 2,210,688</u>	<u>\$ 1,801,684</u>

A summary of the Statements of Revenues, Expenses and Changes in Net Position is analyzed on the following page.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPERATING REVENUES			
Tenant rents	\$ 407,613	\$ 405,321	\$ 391,421
HUD PHA operating grant	230,576	299,989	281,880
Other	<u>55,571</u>	<u>68,368</u>	<u>97,286</u>
Total operating revenues	693,760	773,678	770,587
OPERATING EXPENSES			
Administrative	221,005	199,070	186,258
Tenant services	7,737	8,421	3,824
Utilities	217,791	205,251	236,826
Maintenance and operation	164,446	183,550	172,158
Protective services	1,773	2,975	-
General expenses	55,797	60,352	63,965
Extraordinary maintenance	24,505	3,855	-
Depreciation	<u>77,008</u>	<u>68,308</u>	<u>54,657</u>
Total operating expenses	<u>770,062</u>	<u>731,782</u>	<u>717,688</u>
Operating income/(loss)	(76,302)	41,896	52,899
NON-OPERATING REVENUES/(EXPENSES)			
Interest income	4,381	7,807	6,117
Other government grants	-	200,000	-
Capital grants	<u>84,905</u>	<u>159,301</u>	<u>255,435</u>
Total non-operating revenues/(expenses)	<u>89,286</u>	<u>367,108</u>	<u>261,552</u>
Change in net assets	12,984	409,004	314,451
Net position, beginning of year	<u>2,210,688</u>	<u>1,801,684</u>	<u>1,487,233</u>
Net position, end of year	<u>\$ 2,223,672</u>	<u>\$ 2,210,688</u>	<u>\$ 1,801,684</u>

Total operating revenues of \$693,760 decreased \$79,918 or 10.33% compared to 2012 as decreases in HUD PHA operating grant and other revenues were offset by a slight increase in tenant rental revenue.

Tenant rents of \$407,613 increased by \$2,292 or 0.57% compared to 2012, the HUD operating grant of \$230,576 decreased by \$69,413 or 23.14% compared to 2012, and other revenue (primarily cell tower rental income) of \$55,571 decreased \$12,797 or 18.72% compared to 2012.

Total operating expenses of \$770,062 increased by a net amount of \$38,280 or 5.23% compared to 2012. Increases in Administration, Utilities and Depreciation expense were offset by reductions in Maintenance expenses.

Depreciation expense of \$77,008 increased \$8,700 or 12.74% compared to 2012 due to the value of fixed asset additions in FY2012 and FY2013. Utilities continued to decrease in FY2013 due in part to the installation of energy efficiency windows and doors.

Building occupancy levels were at or near capacity throughout 2013 and 2012.

During 2012, grant funds of \$159,301 were spent for the replacement of the roof and installation of replacement windows.

Capital Assets and Debt Administration

As of December 31, 2013, the Authority's capital assets net of accumulated depreciation were \$1,777,549.

The Authority had no long-term debt outstanding at December 31, 2013.

Economic Factors for the Current Year

The Authority has had an operating surplus for three of the past four years. This is the combination of sustained high occupancy, increased HUD operating grant subsidies and cost controls, including replacement of the boilers resulting in decreased utility expense. The Authority is committed to operating in an efficient manner while maintaining a suitable living environment for its tenants and maintaining a balanced financial position.

The Authority was awarded a score of 97 out of a possible 100 for the recently completed REAC evaluation.

The Authority was awarded a \$200,000 Block Grant in December 2012 from the State of New Jersey to be used to defray the cost of replacing the roof.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Haddon Township Housing Authority, 25 Wynnewood Avenue, Haddon Township, New Jersey 08108.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Statements of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,083,055	\$ 1,047,181
Accounts receivable - PHA projects	-	74,902
Accounts receivable - HUD other projects	30,349	-
Total current assets	1,113,404	1,122,083
Capital assets, net	1,777,549	1,782,686
Total assets	2,890,953	2,904,769
LIABILITIES		
Current liabilities:		
Accrued wages and payroll taxes	8,006	7,712
Accrued compensated absences, current	1,729	1,729
Tenant security deposits	35,159	32,316
Other accrued liabilities	20,712	18,256
Current portion of unearned revenue	34,160	34,160
Other current liabilities	12,300	12,300
Total current liabilities	112,066	106,473
Long-term liabilities:		
Accrued compensated absences, less current portion	1,767	-
Unearned revenue, net of current portion	553,448	587,608
Total liabilities	667,281	694,081
NET POSITION		
Net position:		
Invested in capital assets, net of related debt	1,777,549	1,782,686
Unrestricted	446,123	428,002
Total net position	\$ 2,223,672	\$ 2,210,688

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Statements of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Tenant rental revenue	\$ 407,613	\$ 405,321
HUD operating grants	230,576	299,989
Other revenues	<u>55,571</u>	<u>68,368</u>
Total operating revenues	<u>693,760</u>	<u>773,678</u>
Operating expenses:		
Administrative	221,005	199,070
Tenant services	7,737	8,421
Utilities	217,791	205,251
Ordinary repairs and maintenance	164,446	183,550
Protective services	1,773	2,975
General expenses	55,797	60,352
Extraordinary maintenance	24,505	3,855
Depreciation	<u>77,008</u>	<u>68,308</u>
Total operating expenses	<u>770,062</u>	<u>731,782</u>
Operating income/(loss)	<u>(76,302)</u>	<u>41,896</u>
Non-operating revenues:		
Investment income	4,381	7,807
Other government grants	<u>-</u>	<u>200,000</u>
Income before capital grants	<u>(71,921)</u>	<u>249,703</u>
Capital grants	<u>84,905</u>	<u>159,301</u>
Change in net position	12,984	409,004
Net position, beginning of year	<u>2,210,688</u>	<u>1,801,684</u>
Net position, end of year	<u>\$ 2,223,672</u>	<u>\$ 2,210,688</u>

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Statements of Cash Flows
For the years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from tenants	\$ 410,456	\$ 407,666
Cash received from HUD	275,129	225,087
Cash received from other sources	21,411	464,778
Cash paid to vendors	(488,418)	(474,781)
Cash paid to employees	(187,085)	(207,198)
Net cash flows from operating activities	31,493	415,552
Cash flows from capital activities:		
Purchases of capital assets	(84,905)	(497,699)
Proceeds from grants	84,905	359,301
Net cash flows from capital activities	-	(138,398)
Cash flows from investing activities:		
Interest received on investments	4,381	7,807
Net cash flows from investing activities	4,381	7,807
Net change in cash	35,874	284,961
Cash and cash equivalents, beginning of year	1,047,181	762,220
Cash and cash equivalents, end of year	\$ 1,083,055	\$ 1,047,181
Reconciliation to Statements of Position:		
Cash and cash equivalents	\$ 1,083,055	\$ 1,047,181

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Statements of Cash Flows (continued)
For the years ended December 31, 2013 and 2012

	2013	2012
Reconciliation of operating income/(loss) to net cash flows from operating activities:		
Operating income/(loss)	\$ (76,302)	\$ 41,896
Items which did not use cash:		
Depreciation	77,008	68,308
Working capital changes which provided/(used) cash:		
Accounts receivable - PHA projects	74,902	(74,902)
Accounts receivable - HUD other projects	(30,349)	-
Accrued wages and payroll taxes	294	733
Accrued compensated absences	1,767	(20,526)
Tenant security deposits	2,843	2,345
Deferred revenue	(34,160)	396,410
Other accrued liabilities	15,490	(11,012)
Other current liabilities	-	12,300
Net cash flows from operating activities	\$ 31,493	\$ 415,552

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements
For the years ended December 31, 2013 and 2012

NOTE 1: ORGANIZATION AND PURPOSE

The Housing Authority of the Township of Haddon (the "Authority") is a governmental public housing agency located in the Township of Haddon (the "Township"), County of Camden, State of New Jersey. The Township is located in southwest New Jersey approximately five miles east of the City of Philadelphia, Pennsylvania. The Authority was organized on January 21, 1965 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 providing and operating cost-effective, decent, safe and sanitary dwellings for lower income individuals who are 62 years old or older through an authorized local public housing agency. The Authority is responsible for operating a low-rent housing program, consisting of 100 private dwelling units and several public areas for the tenants' social activities, 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, Public Law 93-383.42 U.S.C. 1439.

The Authority is governed by a board of seven commissioners. The officers of the Authority consist of a chairperson and vice chairperson elected from the board and an executive director who is appointed by the board. The executive director manages the day-to-day operations of the Authority. No commissioner is eligible to hold the position of executive director, except on a temporary basis with the approval of the United States Department of Housing and Urban Development.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

- 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 considered a component unit of the Township of Haddon.

B. Basis of Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

As permitted by generally accepted accounting standards, the Authority has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, the Authority had previously implemented this Statement for the year ended December 31, 2012.

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 position (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 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.

C. 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, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

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 of America 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 of America, certificates of deposit, or any other federally insured investment.

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 of America 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 Statements 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 acquisition.

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

E. Accounts Receivable - Tenants

Rents are due from tenants on the first day of each month. As a result, tenants' receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all accounts which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

F. Prepaid Expenses

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

G. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues,

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets (continued)

Expenses, and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the asset groups shown on the following page:

Equipment	7 years
Site improvements	15 years
Buildings	30 years

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

H. 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. See Note 7 for a description of these circumstances.

I. Unearned Revenue

The Authority's unearned revenue primarily consists of the prepayment of lease space for cell towers, prepayment of rent by residents and the receipt of HUD and other program funding applicable to future periods.

J. 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.

K. Taxes

The Housing Authority of the Township of Haddon is exempt by statute from federal and state income taxes.

L. Net Position Classifications

Net position is classified in three components as follows:

Invested in capital assets, net of related debt - 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.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Position Classifications (continued)

Restricted net position - Consists of net positions 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 net position - All other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." This component includes net positions that may be allocated for specific purposes by the Board.

M. Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with the U.S. Department of Housing and Urban Development (HUD) and N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year with the approval of HUD. The budget is adopted on the accrual basis of accounting with provisions for cash payments for capital outlays. Depreciation expense is not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses, and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

N. Subsequent Events

Housing Authority of the Township of Haddon has evaluated subsequent events through April 30, 2014, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2013 and 2012, and reported at fair value are as follows:

	<u>2013</u>	<u>2012</u>
Deposits:		
Demand deposits	\$ <u>1,083,054</u>	\$ <u>1,047,181</u>
Total deposits	\$ <u>1,083,054</u>	\$ <u>1,047,181</u>
Reconciliation to Statements of Net Position:		
Cash and cash equivalents	\$ <u>1,083,054</u>	\$ <u>1,047,181</u>
Total	\$ <u>1,083,054</u>	\$ <u>1,047,181</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2013 and 2012, the Authority's bank balances of \$1,084,558 and \$1,076,094 was insured or collateralized as follows:

	<u>2013</u>	<u>2012</u>
Insured	\$ 250,000	\$ 250,000
Collateralized in the Authority's name under GUDPA	<u>834,558</u>	<u>826,094</u>
Total deposits	<u>\$ 1,084,558</u>	<u>\$ 1,076,094</u>

NOTE 4: CAPITAL ASSETS, NET

A summary of the changes in capital assets during 2013 and 2012 is as follows:

<u>Description</u>	<u>December 31,</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2013</u>
Land	\$ 170,304	\$ -	\$ -	\$ 170,304
Buildings and improvements	3,725,991	71,871	-	3,797,862
Furniture and equipment	<u>16,097</u>	<u>-</u>	<u>-</u>	<u>16,097</u>
Total capital assets	3,912,392	71,871	-	3,984,263
Less: accumulated depreciation	<u>(2,129,706)</u>	<u>(77,008)</u>	<u>-</u>	<u>(2,206,714)</u>
Capital assets, net	<u>\$ 1,782,686</u>	<u>\$ (5,137)</u>	<u>\$ -</u>	<u>\$ 1,777,549</u>

<u>Description</u>	<u>December 31,</u> <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2012</u>
Land	\$ 170,304	\$ -	\$ -	\$ 170,304
Buildings and improvements	3,232,965	493,026	-	3,725,991
Furniture and equipment	<u>11,424</u>	<u>4,673</u>	<u>-</u>	<u>16,097</u>
Total capital assets	3,414,693	497,699	-	3,912,392
Less: accumulated depreciation	<u>(2,061,398)</u>	<u>(68,308)</u>	<u>-</u>	<u>(2,129,706)</u>
Capital assets, net	<u>\$ 1,353,295</u>	<u>\$ 429,391</u>	<u>\$ -</u>	<u>\$ 1,782,686</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$77,008 and \$68,308, respectively.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 5: UNEARNED REVENUE

On September 29, 2006, the Authority agreed to lease cell tower space to Wireless Capital Partners for a period of 20 years for a lump-sum payment of \$300,480. On June 25, 2012, the Authority agreed to lease cell tower space to Communications Capital Group for a period of 22 years for a lump-sum payment of \$421,000.

These amounts have been capitalized and are being recognized over the life of the respective leases. During the years ended December 31, 2013 and 2012, the Authority recognized \$34,160 and \$24,592, respectively, as revenue. At December 31, 2013 and 2012, \$587,608 and \$621,768, respectively was unearned.

NOTE 6: 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 Haddon Township. 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. For the year ended December 31, 2013 and 2012, the Authority incurred PILOT expenses in the amount of \$20,712 and \$21,789, respectively.

NOTE 7: COMPENSATED ABSENCES

A. Annual Leave

The employees of the Authority are entitled to annual leave based on length of service:

<u>Length of Service</u>	<u>Number of Days</u>
7 months - 1 year	5
2 years - 5 years	10
6 years - 10 years	15
11 years - 20 years	20
21 years - and thereafter	25

Annual leave not taken by employees may be accumulated but cannot exceed 60 working days in addition to that accrued in the current calendar year. An employee who is permanently separated shall be paid in a lump sum for any accumulated annual leave at his/her current rate of pay, except where his/her dismissal is due to malfeasance. In no other event shall an employee be paid for annual leave not taken.

B. Sick Leave

Employees may be paid for leave taken because of illness or accident. Sick leave will accrue for regular full time employees at the rate of one day per month during the first year of employment and one and one-quarter days per month in every calendar year thereafter and shall accumulate from year to year. Sick leave for part time employees shall accrue at the same rate as that for full time employees, except that it shall be pro-rated on the basis of the percentage of the weekly hours actually worked during a scheduled week divided by 40 hours for maintenance personnel or 35 hours for staff personnel.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 7: COMPENSATED ABSENCES (continued)

B. Sick Leave (continued)

Sick leave may be accumulated indefinitely. In no event shall an employee be paid for sick leave not taken.

The total value of compensated absences at December 31, 2013 and 2012 were \$3,496 and \$1,729, respectively.

NOTE 8: PENSION PLAN

A. Plan Description

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement System (PERS) of New Jersey, which is part of the Division of Pensions in the Department of Treasury, State of New Jersey. It provides retirement, disability, annual cost-of-living and death benefits to plan members and beneficiaries. The State administered funds were established by an Act of the State Legislature, which assigns the authority to establish and amend benefit provisions to the plan's board of trustees. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS.

B. Funding Status and Progress

Plan members were required to contribute 5.5% of their annual covered salary through June 30, 2012 and 5.64% thereafter. The Authority is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the Authority are established and may be amended by the plan's board of trustees. The Authority contributed \$22,178 and \$21,612 to PERS for the years ended December 31, 2013 and 2012, respectively.

NOTE 9: POST EMPLOYMENT BENEFITS

The Authority participates in the New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement No. 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 the 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 a group rate) for themselves and their eligible dependents.

The State of New Jersey, Department of 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 Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 9: POST EMPLOYMENT BENEFITS (continued)

The SHBP is established under the authority of the N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution is determined on an annual pay-as-you-go basis.

NOTE 10: RISK MANAGEMENT

The Authority is a member of New Jersey Public Housing Authority Joint Insurance Fund. The Fund provides the Authority with Property - Blanket Building and Grounds, Boiler and Machinery, General and Automobile Liability, Workers Compensation, and Public Officials coverages. Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$200,000 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2013, which can be obtained from Public Entity Risk Management Administration Inc., Park 80 West, Plaza One, Saddle Brook, NJ 07663.

NOTE 11: ECONOMIC DEPENDENCY

The Low Rent Public Housing program is economically dependent on annual grants from the United States Department of Housing and Urban Development.

NOTE 12: 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 December 31, 2013, the Authority estimates that no material liabilities will result from such audits.

There is no ongoing litigation that could have an adverse impact regarding the Authority's financial condition.

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules
For the year ended December 31, 2013

	NJ064000001	Total
111 Cash - Unrestricted	\$1,047,896	\$1,047,896
112 Cash - Restricted - Modernization and Development		
113 Cash - Other Restricted		
114 Cash - Tenant Security Deposits	\$35,159	\$35,159
115 Cash - Restricted for Payment of Current Liabilities		
100 Total Cash	\$1,083,055	\$1,083,055
121 Accounts Receivable - PHA Projects		
122 Accounts Receivable - HUD Other Projects	\$30,349	\$30,349
124 Accounts Receivable - Other Government		
125 Accounts Receivable - Miscellaneous		
126 Accounts Receivable - Tenants		
126.1 Allowance for Doubtful Accounts - Tenants		
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current		
128 Fraud Recovery		
128.1 Allowance for Doubtful Accounts - Fraud		
129 Accrued Interest Receivable		
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$30,349	\$30,349
131 Investments - Unrestricted		
132 Investments - Restricted		
135 Investments - Restricted for Payment of Current Liability		
142 Prepaid Expenses and Other Assets		
143 Inventories		
143.1 Allowance for Obsolete Inventories		
144 Inter Program Due From		
145 Assets Held for Sale		
150 Total Current Assets	\$1,113,404	\$1,113,404
161 Land	\$170,304	\$170,304
162 Buildings	\$3,790,306	\$3,790,306
163 Furniture, Equipment & Machinery - Dwellings		
164 Furniture, Equipment & Machinery - Administration	\$16,097	\$16,097
165 Leasehold Improvements	\$7,556	\$7,556
166 Accumulated Depreciation	-\$2,206,714	-\$2,206,714
167 Construction in Progress		
168 Infrastructure		
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,777,549	\$1,777,549
171 Notes, Loans and Mortgages Receivable - Non-Current		
172 Notes, Loans, & Mortgages Receivable - Non Current - Past		
173 Grants Receivable - Non Current		
174 Other Assets		
176 Investments in Joint Ventures		

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules
For the year ended December 31, 2013

Schedule I
(continued)

	NJ064000001	Total
180 Total Non-Current Assets	\$1,777,549	\$1,777,549
190 Total Assets	\$2,890,953	\$2,890,953
200 Deferred Outflow of Resources		
290 Total Assets and Deferred Outflow of Resources	\$2,890,953	\$2,890,953
311 Bank Overdraft		
312 Accounts Payable <= 90 Days		
313 Accounts Payable >90 Days Past Due		
321 Accrued Wage/Payroll Taxes Payable	\$8,006	\$8,006
322 Accrued Compensated Absences - Current Portion	\$1,729	\$1,729
324 Accrued Contingency Liability		
325 Accrued Interest Payable		
331 Accounts Payable - HUD PHA Programs		
332 Account Payable - PHA Projects		
333 Accounts Payable - Other Government	\$20,712	\$20,712
341 Tenant Security Deposits	\$35,159	\$35,159
342 Unearned Revenue	\$587,608	\$587,608
343 Current Portion of Long-term Debt - Capital		
344 Current Portion of Long-term Debt - Operating Borrowings		
345 Other Current Liabilities		
346 Accrued Liabilities - Other	\$12,300	\$12,300
347 Inter Program - Due To		
348 Loan Liability - Current		
310 Total Current Liabilities	\$665,514	\$665,514
351 Long-term Debt, Net of Current - Capital Projects/Mortgage		
352 Long-term Debt, Net of Current - Operating Borrowings		
353 Non-current Liabilities - Other		
354 Accrued Compensated Absences - Non Current	\$1,767	\$1,767
355 Loan Liability - Non Current		
356 FASB 5 Liabilities		
357 Accrued Pension and OPEB Liabilities		
350 Total Non-Current Liabilities	\$1,767	\$1,767
300 Total Liabilities	\$667,281	\$667,281
400 Deferred Inflow of Resources		
508.4 Net Investment in Capital Assets	\$1,777,549	\$1,777,549
511.4 Restricted Net Position		
512.4 Unrestricted Net Position	\$446,123	\$446,123
513 Total Equity - Net Assets / Position	\$2,223,672	\$2,223,672

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules
For the year ended December 31, 2013

Schedule I
(continued)

	NJ064000001	Total
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets /	\$2,890,953	\$2,890,953
70300 Net Tenant Rental Revenue	\$407,612	\$407,612
70400 Tenant Revenue - Other	\$17,302	\$17,302
70500 Total Tenant Revenue	\$424,914	\$424,914
70600 HUD PHA Operating Grants	\$230,576	\$230,576
70610 Capital Grants	\$84,905	\$84,905
70710 Management Fee		
70720 Asset Management Fee		
70730 Book Keeping Fee		
70740 Front Line Service Fee		
70750 Other Fees		
70700 Total Fee Revenue		
70800 Other Government Grants		
71100 Investment Income - Unrestricted	\$4,381	\$4,381
71200 Mortgage Interest Income		
71300 Proceeds from Disposition of Assets Held for Sale		
71310 Cost of Sale of Assets		
71400 Fraud Recovery		
71500 Other Revenue	\$38,269	\$38,269
71600 Gain or Loss on Sale of Capital Assets		
72000 Investment Income - Restricted		
70000 Total Revenue	\$783,045	\$783,045
91100 Administrative Salaries	\$106,052	\$106,052
91200 Auditing Fees	\$12,300	\$12,300
91300 Management Fee		
91310 Book-keeping Fee		
91400 Advertising and Marketing		
91500 Employee Benefit contributions - Administrative	\$37,569	\$37,569
91600 Office Expenses	\$27,906	\$27,906
91700 Legal Expense	\$13,615	\$13,615
91800 Travel		
91810 Allocated Overhead		
91900 Other	\$23,562	\$23,562
91000 Total Operating - Administrative	\$221,004	\$221,004
92000 Asset Management Fee		
92100 Tenant Services - Salaries		
92200 Relocation Costs		
92300 Employee Benefit Contributions - Tenant Services		
92400 Tenant Services - Other	\$7,737	\$7,737
92500 Total Tenant Services	\$7,737	\$7,737

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules
For the year ended December 31, 2013

Schedule I
(continued)

	NJ064000001	Total
93100 Water	\$22,359	\$22,359
93200 Electricity	\$92,243	\$92,243
93300 Gas	\$40,532	\$40,532
93400 Fuel		
93500 Labor	\$14,663	\$14,663
93600 Sewer	\$42,800	\$42,800
93700 Employee Benefit Contributions - Utilities	\$5,194	\$5,194
93800 Other Utilities Expense		
93000 Total Utilities	\$217,791	\$217,791
94100 Ordinary Maintenance and Operations - Labor	\$83,093	\$83,093
94200 Ordinary Maintenance and Operations - Materials and Other	\$2,155	\$2,155
94300 Ordinary Maintenance and Operations Contracts	\$49,762	\$49,762
94500 Employee Benefit Contributions - Ordinary Maintenance	\$29,436	\$29,436
94000 Total Maintenance	\$164,446	\$164,446
95100 Protective Services - Labor		
95200 Protective Services - Other Contract Costs	\$1,773	\$1,773
95300 Protective Services - Other		
95500 Employee Benefit Contributions - Protective Services		
95000 Total Protective Services	\$1,773	\$1,773
96110 Property Insurance	\$16,060	\$16,060
96120 Liability Insurance	\$9,217	\$9,217
96130 Workmen's Compensation	\$6,719	\$6,719
96140 All Other Insurance	\$1,322	\$1,322
96100 Total insurance Premiums	\$33,318	\$33,318
96200 Other General Expenses		
96210 Compensated Absences	\$1,767	\$1,767
96300 Payments in Lieu of Taxes	\$20,712	\$20,712
96400 Bad debt - Tenant Rents		
96500 Bad debt - Mortgages		
96600 Bad debt - Other		
96800 Severance Expense		
96000 Total Other General Expenses	\$22,479	\$22,479
96710 Interest of Mortgage (or Bonds) Payable		
96720 Interest on Notes Payable (Short and Long Term)		
96730 Amortization of Bond Issue Costs		
96700 Total Interest Expense and Amortization Cost	\$0	\$0
96900 Total Operating Expenses	\$668,548	\$668,548
97000 Excess of Operating Revenue over Operating Expenses	\$114,497	\$114,497

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules
For the year ended December 31, 2013

Schedule I
(continued)

	NJ064000001	Total
97100 Extraordinary Maintenance	\$24,505	\$24,505
97200 Casualty Losses - Non-capitalized		
97300 Housing Assistance Payments		
97350 HAP Portability-In		
97400 Depreciation Expense	\$77,008	\$77,008
97500 Fraud Losses		
97600 Capital Outlays - Governmental Funds		
97700 Debt Principal Payment - Governmental Funds		
97800 Dwelling Units Rent Expense		
90000 Total Expenses	\$770,061	\$770,061
10010 Operating Transfer In		
10020 Operating Transfer Out		
10030 Operating Transfers from/to Primary Government		
10040 Operating Transfers from/to Component Unit		
10050 Proceeds from Notes, Loans and Bonds		
10060 Proceeds from Property Sales		
10070 Extraordinary Items, Net Gain/Loss		
10080 Special Items (Net Gain/Loss)		
10091 Inter Project Excess Cash Transfer In		
10092 Inter Project Excess Cash Transfer Out		
10093 Transfers between Program and Project - In		
10094 Transfers between Project and Program - Out		
10100 Total Other Financing Sources (Uses)	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$12,984	\$12,984
11020 Required Annual Debt Principal Payments	\$0	\$0
11030 Beginning Equity	\$2,210,688	\$2,210,688
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0	\$0
11050 Changes in Compensated Absence Balance		
11060 Changes in Contingent Liability Balance		
11070 Changes in Unrecognized Pension Transition Liability		
11080 Changes in Special Term/Severance Benefits Liability		
11090 Changes in Allowance for Doubtful Accounts - Dwelling		
11100 Changes in Allowance for Doubtful Accounts - Other		
11170 Administrative Fee Equity		
11180 Housing Assistance Payments Equity		
11190 Unit Months Available	1140	1140
11210 Number of Unit Months Leased	1135	1135
11270 Excess Cash	\$392,174	\$392,174
11610 Land Purchases	\$0	\$0
11620 Building Purchases	\$84,905	\$84,905

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Financial Data Schedules
For the year ended December 31, 2013

Schedule I
(continued)

	NJ064000001	Total
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Detailed Statement of Revenues, Expenses and Changes in Net Position Compared to Budget
For the year ended December 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating revenues:				
Dwelling rental / excess utilities	\$ 416,400	\$ 416,400	\$ 407,613	\$ (8,787)
Non-dwelling revenues	39,425	39,425	55,571	16,146
HUD operating grants	<u>275,000</u>	<u>275,000</u>	<u>230,576</u>	<u>(44,424)</u>
Total operating revenues	<u>730,825</u>	<u>730,825</u>	<u>693,760</u>	<u>(37,065)</u>
Operating expenses:				
Administrative	176,007	176,007	221,005	(44,998)
Tenant services	6,000	6,000	7,737	(1,737)
Utilities	226,900	226,900	217,791	9,109
Operating and maintenance	160,858	160,858	164,446	(3,588)
Protective services	300	300	1,773	(1,473)
General expenses	131,832	131,832	55,797	76,035
Extraordinary maintenance	<u>-</u>	<u>-</u>	<u>24,505</u>	<u>(24,505)</u>
Total operating expenses	<u>701,897</u>	<u>701,897</u>	<u>693,054</u>	<u>8,843</u>
Operating income	28,928	28,928	706	(28,222)
Non-operating revenues				
Interest income	2,496	2,496	4,381	1,885
Capital grants	<u>-</u>	<u>-</u>	<u>84,905</u>	<u>84,905</u>
Total non-operating revenues	<u>2,496</u>	<u>2,496</u>	<u>89,286</u>	<u>86,790</u>
Change in net position - budgetary basis	31,424	31,424	89,992	58,568
Less:				
Depreciation	<u>-</u>	<u>-</u>	<u>77,008</u>	<u>(77,008)</u>
Change in net position - accrual basis	31,424	31,424	12,984	(18,440)
Net position, beginning of year	<u>2,210,688</u>	<u>2,210,688</u>	<u>2,210,688</u>	<u>-</u>
Net position, end of year	<u>\$ 2,242,112</u>	<u>\$ 2,242,112</u>	<u>\$ 2,223,672</u>	<u>\$ (18,440)</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF HADDON
Statement and Certification of Actual Capital Fund Grant Costs
For the year ended December 31, 2013

1. The Actual Capital Fund Grant Costs of Programs NJ39P064501-11 and NJ39P064501-12 are as follows:

Actual Capital Fund Grant Costs:

	<u>CFP No. NJ39P064501-11</u>	<u>CFP No. NJ39P064501-12</u>
Fund Approved	\$ 84,196	\$ 77,938
Funds Expended	<u>84,196</u>	<u>77,938</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced	\$ 84,196	\$ 77,938
Funds Expended	<u>84,196</u>	<u>77,938</u>
	<u>\$ -</u>	<u>\$ -</u>

2. All Capital Fund Grant Costs have been paid and all related liabilities have been discharged through payment.



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**INDEPENDENT AUDITORS' 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***

The Board of Commissioners
Housing Authority of the Township of Haddon:

We have audited, in accordance with the 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Township of Haddon (herein referred to as "the Authority"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as finding 2013-01.

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* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 30, 2014
Toms River, New Jersey



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To the Board of Commissioners
Housing Authority of the Township of Haddon
Haddon Township, New Jersey 08108

We have audited the financial accounts and transactions of the Housing Authority of the Township of Haddon in the County of Camden, State of New Jersey for the year ended December 31, 2013. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,000 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the Authority's roof replacement.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Contracts and Agreements Requiring Solicitation of Quotations

The Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Contracts and Agreements Requiring Solicitation of Quotations (continued)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,550 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of *N.J.S.A. 40A:11-6.1*.

During our review we noted the following:

Finding 2013-01:

Criteria:

N.J.S.A. 40A:11-3 states that any purchases, in aggregate, within a 12 month consecutive period over the bid threshold of \$17,500 for governing bodies without a qualified purchasing agent must publicly advertise for bid. Additionally, per *N.J.S.A. 40A:11-6.1*, all contracts that, in aggregate, are less than the bid threshold but 15 percent or more of that amount must retain at least two competitive quotations.

Condition:

It was noted that pest control services, electrical services and a lighting upgrade project exceeded the bid threshold but the Authority did not publically advertise for bid. It was also noted that the Authority purchased office furniture, carpet installation and painting services in excess of the quote threshold without obtaining at least two competitive quotations.

Recommendation:

The Authority must comply with *N.J.S.A. 40A:11-3* by publicly advertising for bids over the bid threshold of \$17,500, as well as with *N.J.S.A. 40A:11-6.1* by obtaining at least two quotations for aggregate purchases over the quote threshold of \$2,650.

Management's Response:

The Authority will correct this in the 2014 fiscal year.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Fund

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant and Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Follow-Up of Prior Years' Findings

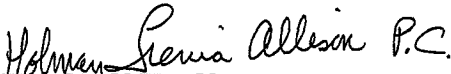
In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. Corrective action had been taken on all prior year findings.

Acknowledgment

We received the complete cooperation of all the Authority officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Any problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions or should you desire any additional assistance, please call us.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 30, 2014
Toms River, New Jersey