

Report On Audit

**HOUSING AUTHORITY OF THE
BOROUGH OF HIGHTSTOWN**

**For the Year Ended
December 31, 2013**

Housing Authority of the Borough of Hightstown
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Borough of Hightstown
131 Rogers Avenue
Hightstown, New Jersey 08520

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Borough of Hightstown (a governmental public corporation) in Hightstown, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of December 31, 2013 and 2012, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the Borough of Hightstown'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 Housing Authority of the Borough of Hightstown's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Borough of Hightstown as of December 31, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's 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 through 15 and page 40 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 accepted in the United States of America, which consisted of inquiries of management about the method 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 reports dated May 9, 2014 on our consideration of the Housing Authority of the Borough of Hightstown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: May 9, 2014

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

As Management of the Housing Authority of the Borough of Hightstown (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 16 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

Net position of the Authority's enterprise fund was \$2,543,076 greater than the liabilities, a decrease in the financial position of \$105,050 or 4% percent.

As noted above, the net position of the Authority exceeded its liabilities by \$2,543,076 as of December 31, 2013. Of this amount, the unrestricted position is \$451,500 representing a decrease of \$41,043 or 8% percent from the previous year. The net investment in capital assets decreased \$64,007 or 3% percent for an ending balance of \$2,091,576. Additional information on the Authority's unrestricted net position can be found in Note 16 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at December 31, 2013 is \$526,491 representing a decrease of \$27,404 or 5% percent from the prior fiscal year. Total restricted cash increased \$1,150 or 3% percent for an ending balance of \$36,786. The full detail of this amount can be found in the Statement of Cash Flow on page 18 of this report.

The Authority's total assets are \$2,675,002 of which capital assets net book value is \$2,091,576, leaving total current assets at \$583,426. Total current assets decreased from the previous year by \$26,596 or 4% percent. Unrestricted cash and cash equivalents decreased by \$27,404, restricted cash and cash equivalents increased \$1,150, accounts receivables decreased by \$744, and prepaid expenses increased by \$402.

The Authority's total liabilities are reported at \$131,926, of which noncurrent liabilities are stated at \$52,767. Total liabilities increased during the year as compared to the prior year in the amount of \$14,447 or 12% percent. Total current liabilities increased during the year by \$2,254 leaving noncurrent liabilities for an increase of \$12,193 as compared to the previous year.

Total current liabilities increased from the previous year by \$2,254 or 3% percent. Accounts payables increased by \$796, accrued liabilities increased by \$227, tenant security deposit payable increased by \$1,150, and unearned revenue increased \$81.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL HIGHLIGHTS - CONTINUED

Total noncurrent liabilities increased by \$12,193 or 30% percent. The increase was made up of long-term obligations such as compensated absences of \$16,707 which increased \$3,178. The Authority also has accrued OPEB liabilities which increased \$9,015 or 33% percent. Additional information on the Authority's accrued OPEB liability at December 31, 2013 can be found in Note 15 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$896,528 as compared to \$937,638 from the prior year for a decrease of \$41,110 or 4% percent. Total operating expenses of \$1,025,106 as compared to \$1,023,143 from the previous year for an increase of \$1,963 or less than 1% percent, resulting in excess expenses over revenue from operations in the amount of \$128,578 for the current year as compared to excess of expenses of \$85,505 from the previous year for an increase in deficit of \$43,073.

Total capital improvements contributions from HUD were in the amount of \$36,263 as compared to \$307,746 from the previous year for a decrease of \$271,483.

The Authority's had capital outlays in the amount of \$157,838 for the calendar year. These expenditures were funded by grants received from the U.S. Department of Housing and Urban Development in the amount of \$36,263 and the rest through management's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

For fiscal year end December 31, 2013 the Authority incurred extraordinary maintenance expenses in the amount of \$17,154. These were costs associated with replacement of boiler room doors and drainage systems.

The Authority's Expenditures of Federal Awards amounted to \$340,941 for the fiscal year 2013 as compared to \$664,778 for the previous fiscal year 2012 for a decrease of \$323,837 or 49% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Low Rent Public Housing
2. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flow
- 4) Notes to the 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 (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's 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 16 through 18.

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

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flow– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 19 through 38.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 39 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Borough of Hightstown are those which equal or exceeded \$300,000 in expenditures for the fiscal year ended December 31, 2013. Type B programs for the Housing Authority of the Borough of Hightstown are those which are less than \$300,000 in expenditures for the fiscal year ended December 31, 2013.

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program can be found on page 40.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between December 31, 2013 and December 31, 2012.

	<u>Year Ended</u>		Increase
	<u>December-13</u>	<u>December-12</u>	<u>(Decrease)</u>
Cash	\$ 563,277	\$ 589,531	\$ (26,254)
Other Current Assets	20,149	20,491	(342)
Capital Assets - Net	2,091,576	2,155,583	(64,007)
Total Assets	2,675,002	2,765,605	(90,603)
Less: Current Liabilities	(79,159)	(76,905)	(2,254)
Less: Non Current Liabilities	(52,767)	(40,574)	(12,193)
Net Position	<u>\$ 2,543,076</u>	<u>\$ 2,648,126</u>	<u>\$ (105,050)</u>
Net Investment in Capital Assets	\$ 2,091,576	\$ 2,155,583	\$ (64,007)
Unrestricted Net Position	451,500	492,543	(41,043)
	<u>\$ 2,543,076</u>	<u>\$ 2,648,126</u>	<u>\$ (105,050)</u>

Cash decreased by \$26,254 or 4% percent. Net cash provided by operating activities was \$94,713, net cash used by capital and related financing activities was \$125,386, and net cash provided by investing activities was \$4,419. The full detail of this amount can be found in the Statement of Cash Flow on page 18 of this audit report.

Other current assets are made up of accounts receivables net of allowances and prepaid expenses which decreased by \$342. Account receivable decreased \$744 and prepaid expenses increased by \$402 during the fiscal year.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$64,007 or 3% percent. The major factors contributed for the decrease was the construction expenditures and additions to fixed assets in the amount of \$157,838 made during the fiscal year offset by the recording of depreciation expense in the amount of \$221,845. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets

Total current liabilities increased from the previous year by \$2,254 or 3% percent. Accounts payables increased by \$796, accrued liabilities increased by \$227, tenant security deposit payable increased by \$1,150, and unearned revenue increased \$81.

Total noncurrent liabilities increased by \$12,193 or 30% percent. The increase was made up of long-term obligations such as compensated absences of \$16,707 which increased \$3,178. The Authority also has accrued OPEB liabilities which increased \$9,015 or 33% percent.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority's reported net position of \$2,543,076 is made up of two categories. The net investment in capital assets in the amount of \$2,091,576 represents 82% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance December 31, 2012	\$ 2,155,583
Acquisition in Fixed Assets	157,838
Depreciation Expense	<u>(221,845)</u>
Balance December 31, 2013	<u><u>\$ 2,091,576</u></u>

The remaining portion of the Authority's net position reflects its unrestricted net position in the amount of \$451,500. The Housing Authority of the Borough of Hightstown operating results for December 31, 2013 reported a decrease in unrestricted position of \$41,043 or 8% percent for an ending balance of \$451,500.

At the end of the current year, the Authority is able to report positive balances in the two categories of net position. The same situation held true for the prior year.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between December 31, 2013 and December 31, 2012:

	<u>Year Ended</u>		Increase
	December-13	December-12	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 552,841	\$ 549,355	\$ 3,486
HUD Subsidies	304,678	357,032	(52,354)
Other Revenues	39,009	31,251	7,758
Total Operating Income	<u>896,528</u>	<u>937,638</u>	<u>(41,110)</u>
<u>Expenses</u>			
Operating Expenses	803,261	827,585	(24,324)
Depreciation Expense	221,845	195,558	26,287
Total Operating Expenses	<u>1,025,106</u>	<u>1,023,143</u>	<u>1,963</u>
Operating (Loss)			
Before Capital Grants	(128,578)	(85,505)	(43,073)
Interest Income	4,419	9,045	(4,626)
Extraordinary Maintenance	(17,154)	(25,972)	8,818
HUD Capital Grants	36,263	307,746	(271,483)
Change in Net Position	(105,050)	205,314	(310,364)
Net Position Prior Year	2,648,126	2,442,812	205,314
Total Net Position	<u>\$ 2,543,076</u>	<u>\$ 2,648,126</u>	<u>\$ (105,050)</u>

Approximately 34% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 62% percent resulted from tenant revenue. Charges for various services and other sources of revenue provided the remaining 4% percent of the total operating income.

The Authority operating expenses cover a range of expenses. The largest expense was for administrative expenses, representing 31% percent of total operating expenses. Utility expense accounted for 24% percent, maintenance expense accounted for 15% percent, other operating expenses accounted for 8% percent, and depreciation and other minor expenses accounted for the remaining 22% percent of the total operating expenses.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating revenue exceeded its operating expenses resulting in excess expenses over revenue from operations in the amount of \$128,578 from operations as compared to a deficit from operations of \$85,505 for the previous year. The key elements for the increase in expenses over revenue in comparison to the prior year are as follows:

- Operating grants provided by HUD decreased \$52,354, or 15% percent, mainly due to cutbacks by the United States Congress.
- Other Revenue saw an increase of 25% percent, or an increase in the amount of \$7,758. This was mainly due to a grant provided by Sustainable Jersey Small Grants Program to help the Authority with implementing a Stormwater Run-off Ordinance.
- The Authority in an effort to combat the decrease in operating subsidy decreased a number of expenses as listed below:
 - Administrative decreased \$12,750 or 4% percent.
 - Utilities decreased \$2,194 or 1% percent.
 - Maintenance decreased \$25,079 or 14% percent.

Total net cash provided by operating activities during the year was \$94,713 as compared to cash provided by operating activities in the amount of \$97,485 in the prior fiscal year. A full detail of this amount can be found on the Statement of Cash Flow on page 18 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four year period of time ending on December 31, 2013.

	December-13	December-12	December-11	December-10
Significant Income				
Total Tenant Revenue	\$ 552,841	\$ 549,355	\$ 488,486	\$ 503,676
HUD Operating Grants	304,678	357,032	328,529	320,365
HUD Capital Grants	36,263	307,746	46,343	302,297
Investment Income	4,419	9,045	9,125	9,936
Other Income	39,009	31,251	21,770	30,665
Total	\$ 937,210	\$ 1,254,429	\$ 894,253	\$ 1,166,939
Payroll Expense				
Administrative Salaries	\$ 155,411	\$ 170,951	\$ 144,255	\$ 164,689
Utilities Labor	18,106	16,750	23,480	25,636
Maintenance Labor	42,571	49,832	70,439	76,909
Employee Benefits Expense	98,509	111,830	95,416	81,799
Total Payroll Expense	\$ 314,597	\$ 349,363	\$ 333,590	\$ 349,033
Other Significant Expenses				
Other Administrative Expenses	\$ 94,016	\$ 82,538	\$ 101,779	\$ 82,402
Utilities Expense	215,224	219,842	241,500	254,370
Maintenance Materials Cost	24,420	22,833	31,388	22,100
Maintenance Contract Cost	64,416	78,120	64,444	51,545
Insurance Premiums	37,031	38,121	39,370	38,713
Total	\$ 435,107	\$ 441,454	\$ 478,481	\$ 449,130
Total Operating Expenses	\$ 1,025,106	\$ 1,023,143	\$ 1,104,674	\$ 1,085,529
Total of Federal Awards	\$ 340,941	\$ 664,778	\$ 374,872	\$ 413,464

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses excluding depreciation expense. The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

THE HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN PROGRAMS

Public Housing Program:

Under the Public Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the Borough of Hightstown flat rent amount.

Capital Fund Program:

The public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments and homes to keep them clean, safe and in good condition.

BUDGETARY HIGHLIGHTS

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

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 40 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

NEW INITIATIVES

For the fiscal year 2013 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 36% percent of its revenue from the Department of Housing and Urban Development, (2012 was 53% percent), the Authority are constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing to qualified residents of the Borough of Hightstown all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

For 2013 due to budget cuts once again by Congress, HUD prorated everyone's eligibility for operating funds at 81.86%. For calendar year 2013 the Authority was eligible for \$350,014, after the proration the Authority was only able to receive \$287,332, which is a decrease in funding of \$62,682.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 - Capital Assets

The Authority's net investment in capital assets as of December 31, 2013 was \$2,091,576 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decreased during the year in the Authority's investment in capital assets was \$64,007 or 3% percent. Major capital expenditures of \$157,838 were made during the year. Major capital assets events during the calendar year included the following:

- Drainage System Upgrades
- Bathroom Renovations

	December-13	December-12	Change
Land	\$ 336,630	\$ 336,630	\$ -
Building	7,015,260	6,596,841	418,419
Furniture, Equipment - Dwelling	87,538	69,020	18,518
Furniture, Equipment - Administration	152,380	152,380	-
Construction in Process	121,341	400,440	(279,099)
Total Fixed Assets	7,713,149	7,555,311	157,838
Accumulated Depreciation	(5,621,573)	(5,399,728)	(221,845)
Net Book Value	<u>\$ 2,091,576</u>	<u>\$ 2,155,583</u>	<u>\$ (64,007)</u>

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 – Debt Administration

The Authority does not have any long-term debt at this time.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the Borough of Hightstown is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

The capital budgets for the 2013 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2014.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.

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 Keith LePrevost, Housing Authority of the Borough of Hightstown, 131 Rogers Avenue, Hightstown, N.J. 08520, or call (609)448-2268.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012

	December 31,	
	2013	2012
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 526,491	\$ 553,895
Cash and Cash Equivalents - Restricted	36,786	35,636
Accounts Receivables, Net of Allowances	454	1,198
Prepaid Expenses	19,695	19,293
Total Current Assets	583,426	610,022
Noncurrent Assets		
Capital Assets		
Land	336,630	336,630
Building	7,015,260	6,596,841
Furniture, Equipment - Dwelling	87,538	69,020
Furniture, Equipment - Administration	152,380	152,380
Leasehold Improvements	121,341	400,440
Total Capital Assets	7,713,149	7,555,311
Less: Accumulated Depreciation	(5,621,573)	(5,399,728)
Net Book Value	2,091,576	2,155,583
Total Assets	2,675,002	2,765,605
Deferred Outflow of Resources		
Total Deferred Outflows of Resources	-	-
Total Assets and Deferred Outflow of Resources	\$ 2,675,002	\$ 2,765,605
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 37,977	\$ 37,181
Accrued Liabilities	1,883	1,656
Tenant Security Deposit Payable	36,786	35,636
Unearned Revenue	2,513	2,432
Total Current Liabilities	79,159	76,905
Noncurrent Liabilities		
Accrued Compensated Absences - Long-Term	16,707	13,529
Accrued Other Post-Employment Benefit (OPEB) Liabilities	36,060	27,045
Total Noncurrent Liabilities	52,767	40,574
Total Liabilities	131,926	117,479
Deferred Inflow of Resources		
Total Deferred Inflow of Resources	-	-
Net Position:		
Net Investment in Capital Assets	2,091,576	2,155,583
Unrestricted	451,500	492,543
Total Net Position	2,543,076	2,648,126
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 2,675,002	\$ 2,765,605

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

	December 31,	
	2013	2012
Revenue:		
Tenant Rental Revenue	\$ 552,841	\$ 549,355
HUD PHA Operating Grants	304,678	357,032
Other Revenue	39,009	31,251
Total Revenue	896,528	937,638
 Operating Expenses:		
Administrative Expense	320,027	332,777
Tenant Services	6,750	6,388
Utilities Expense	241,991	244,185
Maintenance Expense	150,655	175,734
Other Operating Expenses	83,838	68,501
Depreciation Expense	221,845	195,558
Total Operating Expenses	1,025,106	1,023,143
Excess Expenses Over Revenue From Operations	(128,578)	(85,505)
 Non Operating Income and (Expenses):		
Extraordinary Maintenance	(17,154)	(25,972)
Investment Income - Unrestricted	4,419	9,045
Total Non Operating Income	(12,735)	(16,927)
Deficit Before Capital Grant Contributions	(141,313)	(102,432)
Capital Grant Contributions	36,263	307,746
Change in Net Position	(105,050)	205,314
Beginning Net Position	2,648,126	2,442,812
Ending Net Position	\$ 2,543,076	\$ 2,648,126

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

	December 31,	
	2013	2012
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 554,161	\$ 591,496
Receipts from Federal Grants	304,678	357,032
Receipts from Misc. Sources	39,009	31,251
Payments to Vendors and Suppliers	(273,314)	(313,089)
Payments to Employees	(216,088)	(237,533)
Payment of Employee Benefits	(98,509)	(111,830)
Payments for Utilities	(215,224)	(219,842)
Net Cash Provided by Operating Activities	<u>94,713</u>	<u>97,485</u>
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	36,263	307,746
Acquisitions and Construction of Capital Assets	(157,838)	(307,746)
Increase (Payment) in Compensated Absences	3,178	(70)
Accrued Other Post-Employment Benefits (OPEB) Liabilities	9,015	9,015
Receipt in Tenant Security Deposit Payable	1,150	2,099
Extraordinary Maintenance	(17,154)	(25,972)
Net Cash (Used) by Capital and Related Financing Activities	<u>(125,386)</u>	<u>(14,928)</u>
Cash Flow From Investing Activities		
Interest Income	4,419	9,045
Net Cash Provided by Investing Activities	<u>4,419</u>	<u>9,045</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(26,254)	91,602
Beginning Cash	<u>589,531</u>	<u>497,929</u>
Ending Cash	<u>\$ 563,277</u>	<u>\$ 589,531</u>
<u>Reconciliation of Cash Balances:</u>		
Cash and Cash Equivalents - Unrestricted	\$ 526,491	\$ 553,895
Tenant Security Deposit	36,786	35,636
Total Ending Cash	<u>\$ 563,277</u>	<u>\$ 589,531</u>
Reconciliation of Operating Income to Net Cash		
(Used) Provided by Operating Activities		
Excess of Expenses Over Revenue	\$ (128,578)	\$ (85,505)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense, net of adjustments	221,845	195,558
(Increase) Decrease in:		
Accounts Receivables - Net of Adjustments	744	1,965
Prepaid Expenses	(402)	181
Increase (Decrease) in:		
Accounts Payable	796	(14,009)
Accrued Expenses	227	(2,704)
Unearned Revenue	81	1,999
Net Cash Provided By Operating Activities	<u>\$ 94,713</u>	<u>\$ 97,485</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Borough of Hightstown in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in the Borough of Hightstown. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of Hightstown and Borough Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from Hightstown reporting entity.

Based on the following criteria, the Authority has not identified any entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The primary government holds the corporate powers of the organization.
- C. The primary government appoints a voting majority of the organization's board.
- D. The primary government is able to impose its will on the organization.
- E. There is calendar dependency by the organization on the primary government.
- F. The organization has potential to impose a financial benefit or burden on the primary government.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements December 31, 2013

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting” addresses the applicability of the various FASB’s, and allows several options in the use of the FASB’s. The Authority has elected to use Alternative 2 of GASB-20 which states that “a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements”. Also, the Authority has elected to not follow FASB-106, FASB-112, and FASB-132, which all deal with pension reporting. Instead, the Authority follows GASB-45-“Accounting for Pensions by State and Local Governmental Employers.”

New Accounting Standards Adopted

Statement No. 63 of the Government Accounting Standards Board (“GASB 63”) *Financial Reporting of deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* was issued in September 2011. This Statement results in a change in the presentation of the Authority’s Statement of Net Assets to what is now referred to as the Statements of Net Position and the term “net assets” is changed to “net position” throughout the financial statements.

Statement No. 65 of the Government Accounting Standards Board (“GASB 65”) *Items Previously Reported as Assets and Liabilities* was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements December 31, 2013

Basis of Accounting –

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net assets, revenue, and expenses are accounting for through a single enterprise fund for the primary government.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the Borough of Hightstown's flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program of the Authority is entitled to receive advances as expenditures are incurred.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

Basis of Accounting – Continued

Other revenue is income composed primarily of miscellaneous services, fees, and resident late charges. The revenue is recorded as earned since it is measurable and available.

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

In enterprise funds, activity is recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Report Presentation -

The Authority's basic financial statements are presented on an entity-wide basis consisting of various housing programs. The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

Report Presentation - Continued

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

Net Investment in Capital Assets.

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Restricted.

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

Unrestricted.

The net position consists of net assets that do not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

Other accounting policies – Continued

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

9 – The Authority does not have any infrastructure assets for its Enterprise Fund.

10 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

11- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements December 31, 2013

Other accounting policies – Continued

12- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

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

14- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

Budgetary and Policy Control –

The Authority submits its annual operating budgets and capital budgets to HUD. After HUD approves the budget, it is formally adopted by resolution of the Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expenses classification within each revenue source.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program. The budgetary comparison schedules have been provided for the program to demonstrate compliance with the budget. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 40.

Activities - The only programs or activities administered by the Authority were:

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Low Rent Housing	14.850	NJ-45	100
Capital Fund	14.872		

A. Low Rent Public Housing Program

The low rent public housing program is designed to provide low-cost housing within the Borough of Hightstown. Funding is provided by eligible residents who are charged monthly rent based on family size, family income and other determinants, as well as by subsidies provided by HUD.

B. Capital Fund Programs

Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. These programs are financed by HUD subsidies. The capital fund programs are now merged into the low rent public housing program.

Taxes - Under federal, state, and local law, the Authority's program 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 provision 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.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

Grants - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 - ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. 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 08625-0925.

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2013divisioncombined.pdf>

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2013 and 2012 amounted to \$28,397 and \$27,000.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

NOTE 4 - CASH, AND CASH EQUIVALENTS

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

The book balances at December 31, 2013 and 2012 for unrestricted cash were \$526,491 and \$553,895 and restricted cash of \$36,786 and \$35,636 as discussed below:

	<u>December-13</u>	<u>December-12</u>
1st Constitution Bank	\$ 563,057	\$ 589,311
Change Fund	20	20
Petty Cash	200	200
Total Cash and Cash Equivalents	<u>\$ 563,277</u>	<u>\$ 589,531</u>

The Authority has total restricted cash at December 31, 2013 and 2012 in the amount of \$36,786 and \$35,636, respectively, which consists of tenant security deposits. These amounts are held as security deposits for the tenants of the Low Income Housing Program in an interest bearing accounts at 1st Constitution Bank.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

NOTE 4 - CASH, AND CASH EQUIVALENTS - CONTINUED

Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At December 31, 2013, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

At December 31, 2013, the Authority's investments were limited to asset-backed securities, corporate bond and U.S. Treasury/Agency securities as permitted by the U.S. Department of HUD.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable at December 31, 2013 and 2012 consisted of the following:

	December-13	December-12
Tenants Accounts Receivable - Present	\$ 983	\$ 2,303
Less Allowance for Doubtful Accounts	(983)	(2,013)
Net Tenants Accounts Receivable	-	290
Accounts Receivable - HUD CFP Program	-	908
Accounts Receivable - Well Child Clinic	454	-
Net Accounts Receivable - Other	454	908
Total Accounts Receivable	\$ 454	\$ 1,198

The Housing Authority of the Borough of Hightstown carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements December 31, 2013

NOTE 6 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Prepaid expenses as of December 31, 2013 and 2012 consisted of prepaid insurance in the amounts of \$19,695 and \$19,293, respectively.

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at December 31, 2013 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraised value.

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The Housing Authority of the Borough of Hightstown has given consideration to the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS No. 144) in the preparation of these financial statements. The carrying value of long-live assets in accordance with SFAS No. 144, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at December 31, 2013.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements December 31, 2013

NOTE 8 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2013 and 2012:

	December-12	Additions	Transfers	December-13
Land	\$ 336,630	\$ -	\$ -	\$ 336,630
Building	6,596,841	103,057	315,362	7,015,260
Furniture, Equipment - Dwelling	69,020	18,518	-	87,538
Furniture, Equipment - Administration	152,380	-	-	152,380
Construction in Process	400,440	36,263	(315,362)	121,341
Total Fixed Assets	7,555,311	157,838	-	7,713,149
Accumulated Depreciation	(5,399,728)	(221,845)		(5,621,573)
Net Book Value	\$ 2,155,583	\$ (64,007)	\$ -	\$ 2,091,576

	December-11	Additions	Transfers	December-12
Land	\$ 336,630	\$ -	\$ -	\$ 336,630
Building	6,490,014	-	106,827	6,596,841
Furniture, Equipment - Dwelling	69,020	-	-	69,020
Furniture, Equipment - Administration	150,856	-	1,524	152,380
Construction in Process	201,045	307,746	(108,351)	400,440
Total Fixed Assets	7,247,565	307,746	-	7,555,311
Accumulated Depreciation	(5,204,170)	(195,558)		(5,399,728)
Net Book Value	\$ 2,043,395	\$ 112,188	\$ -	\$ 2,155,583

NOTE 9 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its statement of net position as of December 31, 2013 and 2012. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at December 31, 2013 and 2012 consist of the following:

	December-13	December-12
Accounts Payable Vendors	\$ 6,811	\$ 6,800
Accounts Payable - Other Government	31,166	30,381
Total Accounts Payable	\$ 37,977	\$ 37,181

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements
December 31, 2013

NOTE 10 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority’s programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Borough of Hightstown. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. The total amount of PILOT payable at December 31, 2012 is \$31,166 and \$30,381 for 2011.

	December-13	December-12
Balance Beginning of Year	\$ 30,381	\$ 21,441
P.I.L.O.T. Accrued	31,166	30,380
Less: Payments Made	(30,381)	(21,440)
Total P.I.L.O.T. Payable	<u>\$ 31,166</u>	<u>\$ 30,381</u>

NOTE 11 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before December 31, and are payable at some future date. Accrued liabilities at December 31, 2013 and 2012 consist of the following:

	December-13	December-12
Compensated Absences - Current Portion	\$ 1,856	\$ 1,503
Accrued Payroll Taxes	27	153
Total Accrued Expenses	<u>\$ 1,883</u>	<u>\$ 1,656</u>

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

NOTE 12 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

An employee may not accumulate vacation leave beyond the end of any calendar year. Employees may be compensated for accumulated sick leave to a maximum of thirty days.

The Authority has determined that the potential liability for accumulated sick time is as follows:

	December-13	December-12
Sick Time	\$ 17,244	\$ 13,964
FICA Expense	1,319	1,068
Total Compensated Absences	18,563	15,032
Less: Current Portion	(1,856)	(1,503)
Total Accrued Compensated Absences - Long Term	\$ 16,707	\$ 13,529

NOTE 13 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unearned revenue for December 31, 2013 is \$2,513 and \$2,432 for 2012 which represents prepaid rent for the month of January for both years.

NOTE 14 – LONG TERM DEBT

At December 31, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off. GASB Interpretation No. 2, "Disclosure of Conduit Debt Obligations," provided guidance as to the proper GAAP treatment of this HUD-guaranteed debt. The debt transactions between the Authority and HUD are similar to conduit debt obligations, which are "certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by the state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer" financial reporting entity.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements December 31, 2013

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

	<u>December-13</u>	<u>December-12</u>
Annual Required Contribution	\$ 14,009	\$ 14,779
Annual OPEB cost (expense)	14,009	14,779
Contributions made	(4,994)	(5,764)
Increase in net OPEB obligation	9,015	9,015
Net OPEB Obligation – beginning of year	27,045	18,030
Net OPEB Obligation – end of year	<u>\$ 36,060</u>	<u>\$ 27,045</u>

FUNDED STATUS AND FUNDING PROGRESS

As of January 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$494,392, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,015.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements
December 31, 2013

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December-10	\$ 14,009	39%	\$ 9,015
December-11	\$ 14,009	39%	\$ 9,015
December-12	\$ 14,779	39%	\$ 9,015
December-13	\$ 14,779	36%	\$ 9,015

NOTE 16 - UNRESTRICTED

The Authority's Unrestricted Net Position account balance at December 31, 2013 and 2012 is \$451,500 and \$492,543, respectfully. The detail of the account balance is as follows:

	LIH Program Reserves
Balance December 31, 2011	\$ 399,417
Increase During the Year	93,126
Balance December 31, 2012	492,543
Decrease During the Year	(41,043)
Balance December 31, 2013	\$ 451,500

NOTE 17 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended December 31, 2013, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions.

Periodically, but not less than once annually, the Authority conducts a physical inspection of it's building for the purpose of determining potential liability issues.

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements

December 31, 2013

NOTE 18 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended December 31, 2013 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended December 31, 2013 and 2012 were \$287,585 and \$338,478, respectively.

NOTE 19 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was \$340,941 to the Authority which represents approximately 36% percent of the Authority's total revenue for the fiscal year December 31, 2013 and \$664,778 which represents approximately 53% percent for 2012.

Total financial support by HUD for the year ending at December 31, 2013 and 2012 are as follows:

		December 31	
	CFDA #'s	2013 Expenditures	2012 Expenditures
<u>PHA Owned Housing</u>			
Low Rent Public Housing	14.850	\$ 287,585	\$ 338,478
Public Housing Capital Fund Program	14.872	53,356	326,300
Total Awards		\$ 340,941	\$ 664,778

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN

Notes to Financial Statements December 31, 2013

NOTE 20 - CONTINGENCIES

Litigation – At December 31, 2013, the Authority was not involved in any threatened litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 21 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru May 9, 2014; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013**

Programs funded by the U.S. Department of Housing
and Urban Development: Subject to Annual Contribution Contract

	CFDA#	Expenditures
<u>PHA Owned Housing</u>		
Low Rent Public Housing	14.850	\$ 287,585
Public Housing Capital Fund Program	14.872	53,356
Total Awards		\$ 340,941

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Housing Authority of the Borough of Hightstown. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Housing Authority of the Borough of Hightstown, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the Borough of Hightstown.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or limited as to reimbursement.

Note 3. Loans Outstanding:

Housing Authority of the Borough of Hightstown had had no loans outstanding at December 31, 2013.

Note 4. Sub recipients:

Of the federal expenditures presented in the schedule above, the Housing Authority of the Borough of Hightstown did not provide federal awards to any sub recipients.

**HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
BUDGETARY COMPARISON SCHEDULE - LIH PROGRAM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 552,841	\$ 546,480	\$ 6,361
HUD PHA Operating Grants	304,678	320,000	(15,322)
Other Grants	10,000	-	10,000
Other Revenue	29,009	22,215	6,794
Total Revenue	<u>896,528</u>	<u>888,695</u>	<u>7,833</u>
Operating Expenses:			
Administration:			
Administrative Salaries	155,411	147,500	(7,911)
Audit Fee's	6,800	7,500	700
Employee Benefit Contributions	70,600	66,770	(3,830)
Other Operating Administrative Expenses	87,216	70,670	(16,546)
Total Administrative Expenses	<u>320,027</u>	<u>292,440</u>	<u>(27,587)</u>
Tenant Services:			
Tenant Services Other	6,750	6,500	(250)
Total Tenant Services	<u>6,750</u>	<u>6,500</u>	<u>(250)</u>
Utilities:			
Water	67,297	76,500	9,203
Electricity	79,652	105,000	25,348
Gas	68,275	77,820	9,545
Labor	18,106	17,199	(907)
Employee Benefit Contributions	8,661	7,786	(875)
Total Utilities	<u>241,991</u>	<u>284,305</u>	<u>42,314</u>
Maintenance:			
Maintenance Labor	42,571	51,596	9,025
Materials	24,420	22,680	(1,740)
Maintenance Contract Cost	64,416	76,665	12,249
Employee Benefit Contributions	19,248	23,356	4,108
Total Maintenance	<u>150,655</u>	<u>174,297</u>	<u>23,642</u>
Other Operating Expenses:			
Other General Expenses	11,915	-	(11,915)
Compensated Absences	3,531	-	(3,531)
Insurance	37,031	42,000	4,969
Payment in Lieu of Taxes	31,166	26,996	(4,170)
Bad Debt	195	3,000	2,805
Total Other Operating Expenses	<u>83,838</u>	<u>71,996</u>	<u>(11,842)</u>
Total Operating Expenses	<u>803,261</u>	<u>829,538</u>	<u>26,277</u>
Excess Revenue Over Expenses From Operations	<u>93,267</u>	<u>59,157</u>	<u>34,110</u>
Other Income and (Expenses):			
Investment Income - Unrestricted	4,419	6,540	(2,121)
Fixed Asset Improvement Purchases	(121,575)	(35,000)	(86,575)
Extraordinary Maintenance	(17,154)	(25,000)	7,846
Total Other Income and (Expenses)	<u>(134,310)</u>	<u>(53,460)</u>	<u>(2,121)</u>
Excess Expenses over Revenue	<u>\$ (41,043)</u>	<u>\$ 5,697</u>	<u>\$ 31,989</u>

See accompanying notes to the financial statements.

Hightstown Housing Authority (NJ045)

HIGHTSTOWN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2013

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$526,491	\$526,491	\$526,491
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	\$36,786	\$36,786	\$36,786
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$563,277	\$563,277	\$563,277
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous	\$454	\$454	\$454
126 Accounts Receivable - Tenants	\$983	\$983	\$983
126.1 Allowance for Doubtful Accounts - Tenants	-\$983	-\$983	-\$983
126.2 Allowance for Doubtful Accounts - Other	\$0	\$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	\$454	\$454	\$454
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$19,695	\$19,695	\$19,695
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$583,426	\$583,426	\$583,426
161 Land	\$336,630	\$336,630	\$336,630
162 Buildings	\$7,015,260	\$7,015,260	\$7,015,260
163 Furniture, Equipment & Machinery - Dwellings	\$87,538	\$87,538	\$87,538
164 Furniture, Equipment & Machinery - Administration	\$152,380	\$152,380	\$152,380
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$5,621,573	-\$5,621,573	-\$5,621,573
167 Construction in Progress	\$121,341	\$121,341	\$121,341
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,091,576	\$2,091,576	\$2,091,576
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			

See accompanying notes to the financial statements

Hightstown Housing Authority (NJ045)

HIGHTSTOWN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End:

12/31/2013

	Project Total	Subtotal	Total
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$2,091,576	\$2,091,576	\$2,091,576
190 Total Assets	\$2,675,002	\$2,675,002	\$2,675,002
200 Deferred Outflow of Resources			
290 Total Assets and Deferred Outflow of Resources	\$2,675,002	\$2,675,002	\$2,675,002
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$6,811	\$6,811	\$6,811
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$27	\$27	\$27
322 Accrued Compensated Absences - Current Portion	\$1,856	\$1,856	\$1,856
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$31,166	\$31,166	\$31,166
341 Tenant Security Deposits	\$36,786	\$36,786	\$36,786
342 Unearned Revenue	\$2,513	\$2,513	\$2,513
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$79,159	\$79,159	\$79,159
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current	\$16,707	\$16,707	\$16,707
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities	\$36,060	\$36,060	\$36,060
350 Total Non-Current Liabilities	\$52,767	\$52,767	\$52,767
300 Total Liabilities	\$131,926	\$131,926	\$131,926

See accompanying notes to the financial statements

Hightstown Housing Authority (NJ045)

HIGHTSTOWN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End:

12/31/2013

	Project Total	Subtotal	Total
400 Deferred Inflow of Resources			
508.4 Net Investment in Capital Assets	\$2,091,576	\$2,091,576	\$2,091,576
511.4 Restricted Net Position	\$0	\$0	\$0
512.4 Unrestricted Net Position	\$451,500	\$451,500	\$451,500
513 Total Equity - Net Assets / Position	\$2,543,076	\$2,543,076	\$2,543,076
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$2,675,002	\$2,675,002	\$2,675,002

Hightstown Housing Authority (NJ045)
HIGHTSTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2013

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$545,273	\$545,273	\$545,273
70400 Tenant Revenue - Other	\$7,568	\$7,568	\$7,568
70500 Total Tenant Revenue	\$552,841	\$552,841	\$552,841
70600 HUD PHA Operating Grants	\$304,678	\$304,678	\$304,678
70610 Capital Grants	\$36,263	\$36,263	\$36,263
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	\$10,000	\$10,000	\$10,000
71100 Investment Income - Unrestricted	\$4,419	\$4,419	\$4,419
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	\$29,009	\$29,009	\$29,009
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$937,210	\$937,210	\$937,210
91100 Administrative Salaries	\$155,411	\$155,411	\$155,411
91200 Auditing Fees	\$6,800	\$6,800	\$6,800
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$70,600	\$70,600	\$70,600
91600 Office Expenses	\$34,909	\$34,909	\$34,909
91700 Legal Expense	\$5,303	\$5,303	\$5,303
91800 Travel	\$2,187	\$2,187	\$2,187
91810 Allocated Overhead			
91900 Other	\$44,817	\$44,817	\$44,817
91000 Total Operating - Administrative	\$320,027	\$320,027	\$320,027
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$6,750	\$6,750	\$6,750

See accompanying notes to the financial statements

Hightstown Housing Authority (NJ045)
HIGHTSTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2013

	Project Total	Subtotal	Total
92500 Total Tenant Services	\$6,750	\$6,750	\$6,750
93100 Water	\$67,297	\$67,297	\$67,297
93200 Electricity	\$79,652	\$79,652	\$79,652
93300 Gas	\$68,275	\$68,275	\$68,275
93400 Fuel			
93500 Labor	\$18,106	\$18,106	\$18,106
93600 Sewer			
93700 Employee Benefit Contributions - Utilities	\$8,661	\$8,661	\$8,661
93800 Other Utilities Expense			
93000 Total Utilities	\$241,991	\$241,991	\$241,991
94100 Ordinary Maintenance and Operations - Labor	\$42,571	\$42,571	\$42,571
94200 Ordinary Maintenance and Operations - Materials and Other	\$24,420	\$24,420	\$24,420
94300 Ordinary Maintenance and Operations Contracts	\$64,416	\$64,416	\$64,416
94500 Employee Benefit Contributions - Ordinary Maintenance	\$19,248	\$19,248	\$19,248
94000 Total Maintenance	\$150,655	\$150,655	\$150,655
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance	\$17,144	\$17,144	\$17,144
96120 Liability Insurance	\$7,399	\$7,399	\$7,399
96130 Workmen's Compensation	\$10,604	\$10,604	\$10,604
96140 All Other Insurance	\$1,884	\$1,884	\$1,884
96100 Total insurance Premiums	\$37,031	\$37,031	\$37,031
96200 Other General Expenses	\$11,915	\$11,915	\$11,915
96210 Compensated Absences	\$3,531	\$3,531	\$3,531
96300 Payments in Lieu of Taxes	\$31,166	\$31,166	\$31,166
96400 Bad debt - Tenant Rents	\$195	\$195	\$195
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$46,807	\$46,807	\$46,807
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			

See accompanying notes to the financial statements

Hightstown Housing Authority (NJ045)
HIGHTSTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2013

	Project Total	Subtotal	Total
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$803,261	\$803,261	\$803,261
97000 Excess of Operating Revenue over Operating Expenses	\$133,949	\$133,949	\$133,949
97100 Extraordinary Maintenance	\$17,154	\$17,154	\$17,154
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$221,845	\$221,845	\$221,845
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$1,042,260	\$1,042,260	\$1,042,260
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$105,050	-\$105,050	-\$105,050
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$2,648,126	\$2,648,126	\$2,648,126
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$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 Rents			
11100 Changes in Allowance for Doubtful Accounts - Other			

See accompanying notes to the financial statements

Hightstown Housing Authority (NJ045)
HIGHTSTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2013

	Project Total	Subtotal	Total
11170 Administrative Fee Equity			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	1200	1200	1200
11210 Number of Unit Months Leased	1197	1197	1197
11270 Excess Cash	\$419,058	\$419,058	\$419,058
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$143,175	\$143,175	\$143,175
11630 Furniture & Equipment - Dwelling Purchases	\$7,413	\$7,413	\$7,413
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$7,250	\$7,250	\$7,250
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0



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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 GOVERNMENTAL AUDITING STANDARDS

Board of Commissioners
Housing Authority of the Borough of Hightstown
131 Rogers Avenue
Hightstown, New Jersey 08520

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Borough of Hightstown (hereafter referred to as the Authority), which comprise the statement of net position as of December 31, 2013 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Housing Authority of the Borough of Hightstown's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Borough of Hightstown'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 Housing Authority of the Borough of Hightstown's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: May 9, 2014

HOUSING AUTHORITY OF THE BOROUGH OF HIGHTSTOWN
Schedule of Findings and Questioned Cost
Year Ended December 31, 2013

Prior Audit Findings

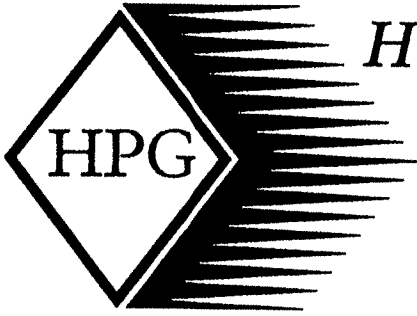
None reported

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statement of the Housing Authority of the Borough of Hightstown.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the Borough of Hightstown were disclosed during the audit.
4. The threshold used for distinguishing between Type A and B programs was \$300,000.
5. Housing Authority of the Borough of Hightstown qualified as a low risk Auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported



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Independent Accountant's Report on Agreed-Upon Procedures

Board of Commissioners
Housing Authority of the Borough of Hightstown
131 Rogers Avenue
Hightstown, New Jersey 08520

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the Borough of Hightstown and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. This agree-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Housing Authority as of and for the fiscal year ended December 31, 2013, and have issued our report thereon dated May 9, 2014. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule (FDS) dated December 31, 2013, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Housing Authority of the Borough of Hightstown and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Hymanson, Parnes & Giampaolo

Date: May 9, 2014

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>

<u>Firm Name</u>	Hymanson Parnes & Giampaolo
<u>Employer Identification Number</u>	22-3554220
<u>Date</u>	May 9, 2014
<u>UII#</u>	#66170
<u>Contact First Name</u>	Anthony
<u>Contact Middle Initial</u>	J.
<u>Contact Last Name</u>	Giampaolo, C.P.A
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**Division of Local
Government Services**

Memo

To: Peter Polcari, CPA, Fee Accountant
Phone: (201) 650-0618
FAX: (973) 831-6972
E-Mail: polcarifamily@aol.com

cc: Allen K. LePrevost, Executive Director
Phone: (609) 448-2268
FAX: (609) 426-9440
E-Mail: kleprevost@hightstownhousing.org

From: Ann C. Zawartkay, CPA, CGMA
Date: November 17, 2014

Re: Hightstown Housing Authority 2015 budget
Budget Hearing: December 17, 2014

Following are the budget examination notes for the Hightstown Housing Authority. You may either scan and e-mail or fax the missing/corrected items to the e-mail address/fax number at the upper left corner of this page. If you have any questions, please contact me. Thank you for your prompt attention to these matters.

Items required to be provided/corrected before the scheduled hearing date:

- 1) The authority's website contains only the synopsis of audit for the years ended December 31, 2010, 2011, 2012 and 2013. In order to be fully compliant with the statute, the complete audit for the most recent fiscal year and prior two fiscal years must be posted to the website. The complete audit consists of the auditor's reports, management discussion & analysis, basic financial statements and related notes, and supplementary information. Please post the complete audits for the years ended December 31, 2011, 2012 and 2013 to the website.
- 2) On Page N-3, the authority indicated for question 6 that not all individuals that were required to file a Financial Disclosure Statement ("FDS") for the current fiscal year did so, but did not provide a list of those that failed to file and why. Please confirm that the authority's response to this question is correct and if so, provide a list of individuals that did not file an FDS this year and explain why they did not file. If the authority's answer to this question was incorrect, please correct the response and submit a revised Page N-3.

Items required to be provided/corrected when the adopted budget is submitted:

None

Other Matters:

None