

**Report On Audit**

**HOUSING AUTHORITY OF  
THE CITY OF EAST ORANGE**

**For the Year Ended  
December 31, 2011**

**Housing Authority of the City of East Orange**  
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### **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of East Orange  
160 Halsted Street  
East Orange, New Jersey 07018

We have audited the Statement of Net Assets of Housing Authority of the City of East Orange, hereafter referred to as the Authority, for the year ended December 31, 2011 and 2011, and the related statement of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes the examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the Housing Authority of the City of East Orange, as of December 31, 2011, and 2011 and the changes in financial position and, cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2012, on our consideration of the Housing Authority of the City of East Orange internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 14 and page 45 and 46 be presented to supplement the 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 financial statements, and other knowledge we obtained during our audit of the 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.

The accompanying Schedule of Federal Awards is presented for the purpose of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also 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 were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements as a whole.

*Hymanson, Parnes & Giampaolo*

Date: August 8, 2012

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

As Management of the Housing Authority of the City of East Orange (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 15 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**

Assets of the Authority's enterprise fund were \$9,062,516 greater than the liabilities, a decrease in the financial position of \$44,673 or less than 1% percent.

As noted above, the assets of the Authority exceeded its liabilities by \$9,062,516 as of December 31, 2011. Of this amount, the unrestricted net asset portion is \$2,402,955 representing an increase of \$86,887 or 4% percent from the previous year. The investment in fixed assets decreased \$133,791 or 2% percent for an ending balance of \$5,243,297. The restricted net assets increased \$2,231 from the previous year for an ending balance of 1,416,264. Additional information on the Authority's restricted and unrestricted net assets can be found in Note 18 & Note 19 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at December 31, 2011 is \$4,058,393 representing an increase of \$139,058 or 4% percent from the prior calendar year. The full detail of this amount can be found in the Statement of Cash Flow on page 17 of this report.

The Authority's total assets are \$10,618,189 of which capital assets net book value is \$6,088,065, leaving total current assets at \$4,530,124. Total current assets increased from the previous year by \$42,345 or 1% percent. Cash and cash equivalents increased by \$139,058, investments decreased by \$123,476, accounts receivables increased by \$60,668, and prepaid expenses decreased by \$33,905.

The Authority's total liabilities are reported at \$1,555,673, of which noncurrent liabilities are stated at \$1,073,093. Total liabilities decreased during the year as compared to the prior year in the amount of \$148,630 or 9% percent. Total current liabilities decreased during the year by \$80,555 leaving non current liabilities for a decrease of \$68,075 as compared to the previous year.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current liabilities decreased from the previous year by \$80,555 or 14% percent. Accounts payables decreased by \$41,208, accrued liabilities decreased by \$9,531, tenant security deposit payable increased by \$857, deferred revenue decreased \$29,806, other current liabilities decreased by \$5,187, and mortgage payable current portion increased \$4,320.

Total noncurrent liabilities decreased by \$68,075 or 6% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$114,308, with no offsetting assets, had no change from the previous year. Mortgage payable noncurrent decreased \$106,177, and noncurrent other liabilities with an ending balance of \$58,471, decreased by \$47,349. Accrued employee benefits (OPEB) liabilities increased \$85,451 or 112% percent. Additional information on the Authority's accrued employee benefits (OPEB) liability at December 31, 2011 can be found in Note 17 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$13,350,949 as compared to \$13,979,646 from the prior year for a decrease of \$628,697 or 4% percent. Total operating expenses of \$13,566,626 as compared to \$13,857,293 from the previous year for an decrease of \$290,667 or less than 2% percent, resulting in a deficiency of revenue from operations in the amount of \$215,677 for the current year as compared to excess revenue over expenses from operations in the amount of \$122,353 for an decrease in revenue over expenses of \$338,030 or 276% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$153,277 as compared to \$1,003,863 from the previous year for a decrease of \$850,586 or 85% percent.

The Authority's had capital outlays in the amount of \$187,523 for the calendar year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$153,277. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 9 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$10,198,984 for the calendar year 2011 as compared to \$11,270,665 for the previous calendar year 2010 for a decrease of \$1,071,681 or 10% percent.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**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. Housing Choice Voucher Program
3. Public Housing Capital Fund Program
4. Formula Capital Fund Stimulus Grant

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.

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

There are two major parts to the financial statements:

- 1) Enterprise fund financial statements and
- 2) The notes to the financial statements.

This report also contains other supplementary information in addition 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 Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets are two financial statements that report information about the Authority and its activities. The Statement of Cash Flow help to demonstrate how the Authority's cash position changed due to the current year's operating activities. Theses financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

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

The Statement of Revenue, Expenses and Changes in Net Assets present information showing how the Authority's net assets changed during the most recent calendar year. All changes in net assets 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 flows in future calendar periods (e.g.; depreciation and earned but unused vacation leave).

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION- CONTINUED**

The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements and are an integral part of the statements. The Notes to Financial Statements can be found in this Report beginning on page 18 through 43.

The Authority 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 15 through 17.

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 44 of this report.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 45 the Section Eight Housing Choice Voucher Program on page 46.

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Assets between December 31, 2011 and December 31, 2010.

	<u>Year Ended</u>		Increase
	<u>December-11</u>	<u>December-10</u>	<u>(Decrease)</u>
Cash	\$ 4,058,393	\$ 3,919,335	\$ 139,058
Other Current Assets	471,731	568,444	(96,713)
Capital Assets - Net	6,088,065	6,323,713	(235,648)
Total Assets	10,618,189	10,811,492	(193,303)
Less: Current Liabilities	(482,580)	(563,135)	80,555
Less: Non Current Liabilities	(1,073,093)	(1,141,168)	68,075
Net Assets	\$ 9,062,516	\$ 9,107,189	\$ (44,673)
Invested in Capital Assets	\$ 5,243,297	\$ 5,377,088	\$ (133,791)
Restricted Net Assets	1,416,264	1,414,033	2,231
Unrestricted Net Assets	2,402,955	2,316,068	86,887
	\$ 9,062,516	\$ 9,107,189	\$ (44,673)



**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Cash increased by \$139,058 or less than 1% percent. Net cash provided by operating activities was \$180,450, net cash used for related financing activities was \$183,452, and net cash provided by investing activities was \$142,060. The full detail of this amount can be found in the Statement of Cash Flow on page 17 of this audit report.

Investments reported a decrease from the previous year in the amount of \$123,476 which was supported by short term investments with original maturities of less than three months from the date of purchase, being reported as cash and cash equivalents. Account receivable increased \$60,668 which was supported largely by the Housing Choice Voucher program portability payments due from other Authorities in the amount of \$38,322.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$235,648 or 4% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$187,523, less the recording of depreciation expense in the amount of \$423,171, which was a 7% increase from the previous year. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

Total current liabilities decreased from the previous year by \$80,555 or 14% percent. Accounts payables decreased by \$41,208, accrued liabilities decreased by \$9,531, tenant security deposit payable increased by \$857, deferred revenue decreased by \$29,806, other current liabilities decreased by \$5,187 and mortgage payable current portion increased \$4,320. The major decrease in deferred revenue was due to Low Income Housing program receipt of operating subsidy in December 2010 for January 2011 which was reported as deferred revenue at December 31, 2011.

Total non current liabilities increased by \$68,075 or 6% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$114,308, with no offsetting assets, saw no increase from the previous year. Mortgage payable non current decreased \$106,177, noncurrent other liabilities with an ending balance of \$58,471, decreased \$47,349, and accrued employee benefits OPEB liabilities increased \$85,451.

The Authority's reported net assets of \$9,062,516, is made up of three categories. The investment in capital assets in the amount of \$5,243,297 represents 58% percent of the total account balance. The 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.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The second largest portion of the Authority's net assets 27% percent reflects its Unrestricted Net Assets. The Housing Authority of the City of East Orange operating results for December 31, 2011 reported an increase in Unrestricted Net Assets of \$86,887 or 4% percent for an ending balance of \$2,402,955. The remaining 16% percent reflects the Authority's Restricted Net Assets in the amount of \$1,416,264 which increased \$2,231 or less than 1% percent compared to the prior fiscal year. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 18 & 19.

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

The following summarizes the changes in Net Assets between December 31, 2011 and December 31, 2010.

	<u>Year Ended</u>		Increase
	December-11	December-10	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 737,359	\$ 725,762	\$ 11,597
HUD Subsidies	10,045,707	10,266,802	(221,095)
Other Government Grants	39,958	41,797	(1,839)
Other Revenues	2,527,925	2,945,285	(417,360)
Total Operating Income	13,350,949	13,979,646	(628,697)
<u>Expenses</u>			
Operating Expenses	13,143,456	13,348,353	(204,897)
Depreciation Expense	423,170	508,940	(85,770)
Total Operating Expenses	13,566,626	13,857,293	(290,667)
Operating Income before Non Operating Income	(215,677)	122,353	(338,030)
Interest Income	17,727	28,624	(10,897)
HUD Capital Grants	153,277	1,003,863	(850,586)
Change in Net Assets	(44,673)	1,154,840	(1,199,513)
Net Assets Prior Year	9,107,189	7,833,891	1,273,298
Prior Period Adjustments	-	118,458	(118,458)
Total Net Assets	\$ 9,062,516	\$ 9,107,189	\$ (44,673)

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Approximately 75% percent of the Authority's total revenue was provided by HUD operating subsidy, while 6% percent resulted from tenant revenue. Charges for various services and other governmental grants provided 19% percent of the total income. The Housing Authority of the City of East Orange received capital fund improvement grant money during the year in the amount of \$153,277 as compared to \$1,003,863 for the previous year.

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 74% percent of total operating expenses. Administrative expenses accounted for 12% percent, tenant services accounted for 1% percent, utilities expense accounted for 4% percent, maintenance expense accounted for 4% percent, other operating expenses accounted for 2% percent, and depreciation accounted for the remaining 3% of the total operating expenses.

The Authority operating revenue exceeded its operating expenses resulting in deficiency of revenue from operations in the amount of \$215,677 from operations as compared to excess revenue from operations of \$122,353 for the previous year. The key element for the deficiency in revenue over expenses as compared to the prior year is as follow:

- The Authority reported an decrease in HUD PHA operating grants in the amount of \$222,116
- Administrative expenses increased \$51,363, maintenance expenses increased \$87,813 and other operating expenses increased \$16,606. Operating expenses increased due to severance expense.
- The Authority also reported a large decrease in capital grants from the previous year in the amount of \$849,565.

The Authority's Unrestricted Net Assets increased during the calendar year \$86,887 or 4% percent for an ending balance of \$2,402,955 at December 31, 2011.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**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, 2011.

	December-11	December-10	December-09	December-08
<b>Significant Income</b>				
Total Tenant Revenue	\$ 737,359	\$ 725,762	\$ 738,764	\$ 680,396
HUD Operating Grants	10,045,707	10,266,802	9,703,829	9,571,868
HUD Capital Grants	153,277	1,003,863	175,313	68,706
Investment Income	17,727	28,624	22,760	63,165
Other Government Grants	39,958	41,797	42,558	33,715
Other Income	2,527,925	2,945,285	2,861,883	126,593
<b>Total</b>	<b>\$13,521,953</b>	<b>\$15,012,133</b>	<b>\$13,545,107</b>	<b>\$10,544,443</b>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 846,645	\$ 782,483	\$ 778,742	\$ 654,840
Tenant Services Salaries	90,151	75,954	109,870	44,350
Utilities Labor	47,556	41,460	40,023	33,551
Maintenance Labor	106,952	85,473	81,105	75,500
Protective Services Labor	15,490	96,175	31,016	146,471
Employee Benefits Expense	487,652	429,525	369,222	361,116
<b>Total Payroll Expense</b>	<b>\$ 1,594,446</b>	<b>\$ 1,511,070</b>	<b>\$ 1,409,978</b>	<b>\$ 1,315,828</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 383,522	\$ 471,774	\$ 311,665	\$ 595,215
Utilities Expense	430,268	423,666	442,143	488,639
Maintenance Materials Cost	63,393	43,810	38,104	44,578
Maintenance Contract Cost	247,823	195,575	206,913	217,243
Insurance Premiums	98,834	115,289	111,784	112,015
Housing Assistance Payments	10,065,709	10,377,407	10,107,177	7,370,923
Severance Expense (OPEB)	85,451	76,272	-	-
<b>Total</b>	<b>\$11,375,000</b>	<b>\$11,703,793</b>	<b>\$11,217,786</b>	<b>\$ 8,828,613</b>
<b>Total Operating Expenses</b>	<b>\$13,566,626</b>	<b>\$13,857,293</b>	<b>\$13,806,996</b>	<b>\$10,822,281</b>
<b>Total of Federal Awards</b>	<b>\$10,198,984</b>	<b>\$11,270,665</b>	<b>\$ 9,879,142</b>	<b>\$ 9,640,574</b>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS AT DECEMBER 31, 2011**

### **BUDGETARY HIGHLIGHTS**

For the year ended December 31, 2011, 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 45 of this report.

The budget for the Housing Choice Voucher Program 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 Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs. The full detail can be found in the Budget comparison to actual results for the Housing Choice Voucher Program on page 46 of this report.

### **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 operating revenues were sufficient to cover all operating expenses.

The Authority's Unrestricted Net Assets appear 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 assets reflects its 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 "Investment in Capital Assets" and are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**THE HOUSING AUTHORITY OF THE CITY OF EAST ORANGE 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 City of East Orange flat rent amount.

Housing Choice Voucher Program:

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

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.

Formula Capital Fund Stimulus Grant Program

Formula Capital Fund Stimulus Grant Program to provide funds for the capital and management activities of Public Housing Agencies as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the "Act"), with the exception that funds cannot be used for operations or rental assistance. The funds shall be awarded by competition for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation.

**NEW INITIATIVES**

The current administration of the Authority is determined to improve the financial results of the Authority's operations. Additionally, it is the Authority's goal to provide better communication with the community, commissioners, and tenants. Also, it is important to preserve the Authority assets by enhanced procurement activities and performing major capital projects where needed.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**1 – Capital Assets**

The Authority's investment in capital assets as of December 31, 2011 was \$6,088,065 (net of accumulated depreciation). This 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 \$235,648 or 4% percent. Major capital expenditures of \$187,523 were made during the year. Major capital assets events during the calendar year included the following:

- Apartment ranges and refrigerators
- Plumbing Upgrades
- Roof Exhaust Fans

	December-11	December-10	Variance
Land	\$ 1,923,480	\$ 1,923,480	\$ -
Building	8,658,682	8,658,682	-
Furniture, Equipment - Dwelling	586,101	552,876	33,225
Furniture, Equipment - Administration	528,442	528,442	-
Construction in Process	1,318,492	1,164,194	154,298
Total Fixed Assets	13,015,197	12,827,674	187,523
Accumulated Depreciation	(6,927,132)	(6,503,961)	(423,171)
Net Book Value	\$ 6,088,065	\$ 6,323,713	\$ (235,648)

Additional information on the Authority's capital assets can be found in Note 9 to the financial statements, which is included in this report.

**2 – Long Term Debt**

**Long Term Debt**

- a. The Low Rent Public Housing Program entered into a lease purchase agreement with Commerce Commercial Leasing, LLC to fund an energy performance contract. Details of the loan can be found in Note 16 to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2011**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority of the City of East Orange 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 2011 fiscal year have already been submitted to HUD and approved with no major changes. 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 calendar year ending December 31, 2012.

- 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.
- HUD's forthcoming project based budgeting, accounting, and reporting requirements.
- Inflationary pressure on utility rates, supplies and other cost.
- The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

**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 Mr. William Jones, Executive Director, Housing Authority of the City of East Orange, 160 Halsted Street, East Orange 07018, or call (973) 766-8797.



**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**STATEMENT OF NET ASSETS**  
**AS OF DECEMBER 31, 2011 AND 2010**

	DECEMBER 31,	
	2011	2010
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 4,058,393	\$ 3,919,335
Investments	236,888	360,364
Accounts Receivables, Net of Allowances	98,246	37,578
Prepaid Expenses	136,597	170,502
Total Current Assets	<u>4,530,124</u>	<u>4,487,779</u>
<b>Noncurrent Assets</b>		
Capital Assets		
Land	1,923,480	1,923,480
Building	8,658,682	8,658,682
Furniture, Equipment - Dwelling	586,101	552,876
Furniture, Equipment - Administration	528,442	528,442
Construction in Process	1,318,492	1,164,194
Total Capital Assets	<u>13,015,197</u>	<u>12,827,674</u>
Less: Accumulated Depreciation	<u>(6,927,132)</u>	<u>(6,503,961)</u>
Net Book Value	<u>6,088,065</u>	<u>6,323,713</u>
 Total Assets	 <u>\$ 10,618,189</u>	 <u>\$ 10,811,492</u>
<b>Current Liabilities:</b>		
Accounts Payable	\$ 277,499	\$ 318,707
Accrued Liabilities	49,435	58,966
Tenant Security Deposit Payable	49,469	48,612
Deferred Revenue	-	29,806
Other Current Liabilities	-	5,187
Mortgage Payable - Current Portion	<u>106,177</u>	<u>101,857</u>
Total Current Liabilities	<u>482,580</u>	<u>563,135</u>
<b>Noncurrent Liabilities</b>		
Mortgage Payable - Long Term	738,591	844,768
Accrued Compensated Absences - Long-Term	114,308	114,308
Noncurrent Liabilities	58,471	105,820
Accrued Pension and OPEB Liabilities	<u>161,723</u>	<u>76,272</u>
Total Noncurrent Liabilities	<u>1,073,093</u>	<u>1,141,168</u>
 Total Liabilities	 <u>1,555,673</u>	 <u>1,704,303</u>
<b>Net Assets:</b>		
Investment in Capital Assets, Net of Related Debt	5,243,297	5,377,088
Restricted Net Assets	1,416,264	1,414,033
Unrestricted Net Assets	<u>2,402,955</u>	<u>2,316,068</u>
 Total Net Assets	 <u>9,062,516</u>	 <u>9,107,189</u>
 Total of Liabilities and Net Assets	 <u>\$ 10,618,189</u>	 <u>\$ 10,811,492</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010**

	DECEMBER 31,	
	2011	2010
<b>Revenue:</b>		
Tenant Rental Revenue	\$ 737,359	\$ 725,762
HUD PHA Operating Grants	10,045,707	10,266,802
Other Government Grants	39,958	41,797
Other Revenue	2,527,925	2,945,285
Total Revenue	<u>13,350,949</u>	<u>13,979,646</u>
<b>Operating Expenses:</b>		
Administrative Expense	1,622,159	1,570,796
Tenant Services	164,518	140,585
Utilities Expense	502,630	485,268
Maintenance Expense	458,148	370,335
Protective Services Expense	20,004	110,280
Other Operating Expenses	310,288	293,682
Housing Assistance Payments	10,065,709	10,377,407
Depreciations Expense	423,170	508,940
Total Operating Expenses	<u>13,566,626</u>	<u>13,857,293</u>
Excess Revenue Over Expenses From Operations	<u>(215,677)</u>	<u>122,353</u>
<b>Non Operating Income and (Expenses):</b>		
Investment Income	17,727	28,624
Total Non Operating Income and (Expenses)	<u>17,727</u>	<u>28,624</u>
Capital Grants	<u>153,277</u>	<u>1,003,863</u>
<b>Change in Net Assets</b>	<u>(44,673)</u>	<u>1,154,840</u>
Beginning Net Assets	9,107,189	7,833,891
Prior Period Adjustments	-	118,458
Beginning Net Assets - Restated	<u>9,107,189</u>	<u>7,952,349</u>
Ending Net Assets	<u>\$ 9,062,516</u>	<u>\$ 9,107,189</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**STATEMENT OF CASH FLOW**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010**

	DECEMBER 31,	
	2011	2010
<b>Cash Flow From Operating Activities</b>		
Receipts from Tenants	\$ 737,146	\$ 727,485
Receipts from Federal Grants	10,045,707	10,276,243
Receipts from Other Grants	39,958	41,797
Receipts from Misc. Sources	2,527,925	2,945,285
Payments to Vendors and Suppliers	(994,412)	(1,727,193)
Payments for Housing Assistance Payments	(10,065,709)	(10,377,407)
Payments to Employees	\$ (1,106,794)	(1,081,545)
Payment of Employee Benefits	(573,103)	(429,525)
Payments for Utilities	(430,268)	(423,668)
Net Cash Provided (Used) by Operating Activities	<u>180,450</u>	<u>(48,528)</u>
<b>Cash Flow From Capital and Related Financing Activities</b>		
Receipts from Capital Grants	153,277	1,003,863
Acquisitions and Construction of Capital Assets	(187,523)	(980,667)
Prior Period Adjustment - Net Cash	-	118,458
Increase in Compensated Absences	-	19,272
Payments on Loan Payable	(101,857)	(97,712)
(Decrease) Increase in Non-Current Liabilities	(47,349)	28,846
Net Cash (Used) Provided by and Related Financing Activities	<u>(183,452)</u>	<u>92,060</u>
<b>Cash Flow From Investing Activities</b>		
Interest Income	17,727	28,624
Sale (Purchase) of Investments	123,476	(314)
Net Change in Security and Escrow Accounts	857	1,404
Net Cash Provided by Investing Activities	<u>142,060</u>	<u>29,714</u>
Net Increase in Cash and Cash Equivalents	139,058	73,246
<b>Beginning Cash</b>	<u>3,919,335</u>	<u>3,846,089</u>
<b>Ending Cash</b>	<u>\$ 4,058,393</u>	<u>\$ 3,919,335</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
Provided by Operating Activities		
Excess of Expenses Over Revenue	\$ (215,677)	\$ 122,353
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	423,171	508,970
(Increase) Decrease in:		
Accounts Receivables	(60,668)	53,382
Prepaid Expenses	33,905	(20,667)
Increase (Decrease) in:		
Accounts Payable	(41,208)	(135,635)
Accrued Liabilities	(9,531)	25,704
Deferred Revenue	(29,806)	(681,963)
Other Current Liabilities	(5,187)	3,056
Accrued Pension and OPEB Liabilities	85,451	76,272
Net Cash Provided (Used) by Operating Activities	<u>\$ 180,450</u>	<u>\$ (48,528)</u>
Interest expense paid during the year	<u>\$ 37,941</u>	<u>\$ 47,693</u>

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

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

**1. Organization** - The Authority is a non-profit 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: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of East Orange 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.

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 East Orange and City 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 the City of East Orange reporting entity.

Based on the following criteria, the Authority has not identified any entities 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 CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **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. 45 of the Government Accounting Standards Board (“GASB 45”) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension* was issued in June 2004. This Statement requires the Authority to account for its “other postemployment benefits”(OPEB) in essentially the same way as it accounts for pension benefits. OPEB include medical, prescription drug, dental, vision, life insurance and disability benefits provided to retirees and certain terminated employees.

### **A. 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.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **2. A – Basis of Accounting - Continued**

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 City of East Orange'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.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets during the year. Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

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

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **2. B. Report Presentation -**

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" and Statement No. 38 "Certain Financial Statement Note Disclosures" which supplements GASB Statement No. 34.

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. 34 requires the classification of net assets into three components, Investment in Capital Assets, Net of Related Debt Restricted Net Assets, and Unrestricted Net Assets.

#### Net Assets Invested in Capital Assets Net of Related Debt.

The net assets 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 Net Assets.

The net assets less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed, or when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

#### Unrestricted Net Assets.

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

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

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **2. B. Report Presentation - Continued**

The Enterprise Fund is used for activities which are financed and operated in a manner similar to a private business enterprise where the intent is that the costs (expenses, including depreciation) of providing goods or services to its clients on a continuing basis be financed or recovered primarily through user charges or operating subsidies.

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.

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 calendar 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.



# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **Other accounting policies - Continued**

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.

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- When expenses are incurred where both restricted and unrestricted net assets are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net assets will be used.

### **C. Budgetary and Policy Control –**

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing 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.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **C. Budgetary and Policy Control – Continued**

Revenues are budgeted by source and expenditures are budgeted by expense 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 and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 45 the Section Eight Housing Choice Voucher Program on page 46.

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

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Low Rent Housing	14.850	NJ50	244
Capital Fund	14.872	NJ50	
<u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ50	910

**4. 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.

**5. 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.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

**6. 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 calendar 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 CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **NOTE 3 - PENSION PLAN**

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. It is a cost sharing, multiple-employer defined benefit pension plan. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 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.

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.

#### 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 5% 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 2011 and 2010 amounted to \$83,990 and \$85,810.

#### Post Employment Retirement Benefits

The Authority also provides post employment health care benefits and life insurance to all eligible retirees. Eligibility requires that employees be 55 years or older with at least 25 years of service.

### **NOTE 4 - CASH, 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.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED**

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 New Jersey Government Code requires New Jersey banks and savings and loan associations to be covered by the Governmental Unit Deposit Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. The market value of the pledged securities must equal at least 110% of the Authority's deposits.

The bank balances at December 31, 2011 and 2010 were \$4,295,291 and \$4,279,699 respectively, which were either insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below:

	<u>December-11</u>	<u>December-10</u>
Wells Fargo Bank	\$ 4,295,284	\$ 4,279,699
Total	<u>\$ 4,295,284</u>	<u>\$ 4,279,699</u>

The Authority's checking accounts are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does have a deposit policy for custodial credit risk. The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>Bank Balances</u>	
	<u>December-11</u>	<u>December-10</u>
Insured	\$ 250,000	\$ 250,000
Collateralized held by pledging bank's trust department in the Authority's name	4,045,284	4,029,699
Total	<u>\$ 4,295,284</u>	<u>\$ 4,279,699</u>

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **NOTE 5 - RESTRICTED CASH**

The Authority has total restricted cash at December 31, 2011 and 2010 in the amount of \$1,582,675 and \$1,508,465 respectively, which was accounted for in Note 4 and consists of the following:

	December-11	December-10
Tenant Security Deposits	\$ 49,469	\$ 48,612
HAP Reserve	1,284,872	1,282,674
FSS Participants	58,471	45,820
Investments	189,863	131,359
Total	<u>\$ 1,582,675</u>	<u>\$ 1,508,465</u>

The restricted cash in the amount of \$1,284,872 for 2011 and \$1,282,674 for 2010 was reported under the Housing Choice Voucher Program as a HAP reserve for future use.

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. The amount on deposit was \$58,471 at December 31, 2011 and \$45,820 for 2010.

The remaining amount of \$189,863 at December 31, 2011 was restricted for future energy conservation construction cost.

The authority has restricted cash at December 31, 2011 in the amount of \$49,469 and \$48,612 at December 31, 2010. Both of these amounts were accounted for in cash and cash equivalents in Note 4. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at Wells Fargo Bank.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2011

### **NOTE 6 - ACCOUNTS RECEIVABLE**

Accounts Receivable at December 31, 2011 and 2010 consisted of the following:

	<u>December-11</u>	<u>December-10</u>
Tenants Accounts Receivable - Present	\$ 7,916	\$ 7,703
Less Allowance for Doubtful Accounts	(3,000)	(3,000)
Net Tenants Accounts Receivable	<u>4,916</u>	<u>4,703</u>
Accounts Receivable - HCV Portability	43,718	20,811
Less Allowance for Doubtful Accounts	(10,000)	(10,000)
Net Accounts Receivable - Fraud Recovery	<u>33,718</u>	<u>10,811</u>
Accounts Receivable - HUD	52,942	11,114
Accounts Receivable - State of New Jersey	6,670	-
Accounts Receivable - Miscellaneous	-	10,945
Total Other Receivables	<u>59,612</u>	<u>22,059</u>
Accrued Interest Receivable	<u>-</u>	<u>5</u>
Total	<u>\$ 98,246</u>	<u>\$ 37,578</u>

The Housing Authority of the City of East Orange 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.

Total other receivables were received in first quarter of the subsequent year respectively and the Authority's management elected not to make an allowance for doubtful account.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2011

### **NOTE 7 – 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. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at December 31, 2011 and 2010 consisted of the following:

	December-11	December-10
Prepaid Insurance	\$ 42,880	\$ 67,111
Insurance Deposits	97,116	84,064
Prepaid Software	-	14,688
Fuel Oil Inventory	4,639	4,639
Total Prepaid Expenses	<u>\$ 144,635</u>	<u>\$ 170,502</u>

### **NOTE 8 – 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, 2011 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

### **NOTE 9 - 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 appraisal 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



# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2011

### NOTE 9 - FIXED ASSETS – CONTINUED

The Housing Authority of the City of East Orange 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, 2011.

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2011 and 2010?

	December-09	Additions	Transfer	December-10
Land	\$ 1,923,479	\$ -	\$ 1	\$ 1,923,480
Building	8,658,682	-	-	8,658,682
Furniture, Equipment - Dwelling	524,791	27,363	722	552,876
Furniture, Equipment - Administration	507,130	21,312	-	528,442
Construction in Process	232,925	931,962	(693)	1,164,194
Total Fixed Assets	11,847,007	980,637	30	12,827,674
Accumulated Depreciation	(5,994,991)	(508,970)	-	(6,503,961)
Net Book Value	\$ 5,852,016	\$ 471,667	\$ 30	\$ 6,323,713

	December-10	Additions	Transfer	December-11
Land	\$ 1,923,480	\$ -	\$ -	\$ 1,923,480
Building	8,658,682			8,658,682
Furniture, Equipment - Dwelling	552,876	33,225	-	586,101
Furniture, Equipment - Administration	528,442	-	-	528,442
Construction in Process	1,164,194	154,298	-	1,318,492
Total Fixed Assets	12,827,674	187,523	-	13,015,197
Accumulated Depreciation	(6,503,961)	(423,171)	-	(6,927,132)
Net Book Value	\$ 6,323,713	\$ (235,648)	\$ -	\$ 6,088,065

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2011

### **NOTE 10 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its balance sheet as of December 31, 2011 and 2010. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable HUD PHA program was due to over requisition of CFP 2008 funds prior to January 1, 2010. Accounts payable at December 31, 2011 and 2010 consist of the following:

	December-11	December-10
Accounts Payable Vendors	153,583	211,121
Accounts Payable - P.I.L.O.T.	123,916	95,452
Accounts Payable - HUD PHA Programs	-	12,134
Total Accounts Payable	<u>\$ 277,499</u>	<u>\$ 318,707</u>

### **NOTE 11 – 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 City of East Orange. 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, 2011 and 2010 consisted of the following:

	December-11	December-10
December 31, 2009	72,056	72,056
December 31, 2010	23,397	23,397
December 31, 2011	28,464	-
Total P.I.L.O.T. Payable	<u>\$ 123,917</u>	<u>\$ 95,453</u>

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2011

### **NOTE 12 – ACCRUED EXPENSES**

The Authority reported accrued expenses on its balance sheet. Accrued expenses are liabilities covering expenses incurred on or before December 31, and are payable at some future date. Accrued liabilities at December 31, 2011 and 2010 consist of the following:

	December-11	December-10
Accrued Wages/Payroll Taxes	\$ 28,347	\$ 41,569
Compensated Absences - Current Portion	21,088	12,701
Accrued Interest Payable	-	4,696
Total Accrued Liabilities	<u>\$ 49,435</u>	<u>\$ 58,966</u>

### **NOTE 13 – 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.

Employees may only accumulate vacation leave with the approval of the Executive Director. Unused sick leave may be carried to future periods and used in the event of extended illness. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service based on the current provisions outlined in the union contract.

The Authority has determined that the potential liability for accumulated vacation and sick time are as follows:

	December-11	December-10
Accumulated Sick Time	\$ 34,666	\$ 45,040
Accumulated Vacation Time	100,730	81,969
Total	135,396	127,009
Compensated Absences - Current Portion	(21,088)	(12,701)
Total Compensated Absences - Noncurrent	<u>\$ 114,308</u>	<u>\$ 114,308</u>

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **NOTE 14 – DEFERRED REVENUE**

The Authority reported deferred revenues on its balance sheet. Deferred 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 deferred revenue is removed from the balance sheet and the revenue is recognized.

HUD advanced under the Low Rent Housing program the January 2011 subsidy in December 2010. The deferred revenue for December 31, 2011 and 2010 is \$0 and \$29,806 and consists of:

	December-11	December-10
Deferred Operating Subsidy	\$ -	\$ 29,806

### **NOTE 15 – NON CURRENT LIABILITY**

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education.

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited. The bank account balance at December 31, 2011 is \$58,471 and \$45,820 for 2010.

### **NOTE 16 – 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 CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2011

### **NOTE 16 - LONG TERM DEBT - CONTINUED**

The transaction between the Authority and HUD is similar to HUD giving funds to the Authority to operate and the funds are a capital contribution. HUD has essentially made an investment in the Authority. Therefore, the liability was reclassified as a capital contribution. Since HUD is paying the obligations directly, the outstanding Long Term Debt balance at December 31, 2011 could not be readily determined.

### **Energy Improvement Loan**

In the year of 2006, the Authority secured a loan in the amount of \$1,228,000 commencing on December 2006 from Commerce Commercial Leasing LLC. The loan proceeds are being used to finance energy improvements throughout the Authority's projects. The loan will be repaid in quarterly installments with a stated interest rate of 4.175%. Interest only will be due in the first year and principal payments will commence on March 01, 2008.

The following is the schedule of principal and interest payments for the next five years and thereafter:

Year	Principal	Interest	Total
2012	106,177	33,621	139,798
2013	110,679	29,119	139,798
2014	115,373	24,425	139,798
2015	120,266	19,532	139,798
2016	125,366	14,432	139,798
Subtotal	577,861	121,129	698,990
Till Maturity	266,907	12,688	279,595
Total	\$ 844,768	\$ 133,817	\$ 978,585

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements

December 31, 2011

#### **NOTE 17 – 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:

	December-11	December-10
Annual Required Contribution	\$ 116,863	\$ 161,723
Contributions made	(31,412)	(40,591)
Increase in net OPEB obligation	85,451	85,451
Net OPEB Obligation – beginning of year	76,272	-
Net OPEB Obligation – end of year	<u>\$ 161,723</u>	<u>\$ 85,451</u>

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2010 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December-09	N/A	N/A	N/A
December-10	\$ 116,863	35%	\$ 76,272
December-11	116,863	27%	\$ 85,451

#### **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 \$1,142,617, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,142,617.

#### **EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES**

In the event of that healthcare trend rates were 1% percent higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$1,397,237 or by 22% percent and the corresponding Normal Cost would increase to \$100,808 or by 31% percent.

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

**NOTE 17 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED**

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.

## ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- Actuarial Cost Method
  - Investment Rate of Return
  - Healthcare Trend Rates:
- Projected Unit Credit  
5.00% per annum

	Year	Pre - 65	Post - 65
Initial Trend	2012	10.00%	10.00%
Ultimate Trend	2017 or Later	5.00%	5.00%
Grading per Year		1.00%	1.00%

- General Inflation Assumption: 3.5% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
- Remaining Amortization Period: 30 years at January 1, 2010

Reconciliation of Plan Participation (As of January 1, 2010) Active Employees:

	December-11
Number of Active Employees	18
Average Age - Actives	48.9
Average Years of Service - Actives	8
Average Expected Future Working	14.2
Average Age - Retirees	74.3

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### **NOTE 18 – RESTRICTED NET ASSETS**

The Authority Restricted Net Assets account balance at December 31, 2011 is \$1,416,264. The portion that is restricted for future energy conservation construction cost is \$131,392. The remaining balance of \$1,282,872 pertains to the HAP reserve. The detail of the restricted reserve account balances is as follows:

	Low Rent PH Reserve	HCV Reserve	Total
Balance December 31, 2009	-	-	-
Increase During the Year	131,359	1,282,674	1,414,033
Transfer of Reserves	(1,896,639)	-	(1,896,639)
Balance December 31, 2010	(1,765,280)	1,282,674	(482,606)
Increase During the Year	1,896,672	2,198	1,898,870
Balance December 31, 2011	\$ 131,392	\$ 1,284,872	\$ 1,416,264

#### Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets during the year.

#### Low Rent Public Housing Program - Reserves

Restricted reserves for the Low Rent Public Housing Program consisted construction advances as of December 31, 2011. These restricted funds were received from the Energy Improvement Loan. .



# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements

December 31, 2011

### NOTE 19 – UNRESTRICTED NET ASSETS

The Authority Unrestricted Net Assets account balance at December 31, 2011 is \$2,402,955. The detail of the account balance is as follows:

	Low Rent PH			HCV	
	Operating	Capital Fund	Total	Reserve	Total
Balance December 31, 2009	\$ 841,867	\$ (103,740)	\$ 738,127	\$ 1,161,346	\$ 1,899,473
Increase During the Year	49,406	65,604	115,010	301,585	416,595
Balance December 31, 2010	891,273	(38,136)	853,137	1,462,931	2,316,068
Increase During the Year	-	38,136	38,136	110,165	148,301
Decrease During the Year	(61,414)	-	(61,414)	-	(61,414)
Balance December 31, 2011	\$ 829,859	\$ -	\$ 829,859	\$ 1,573,096	\$ 2,402,955

### Housing Choice Voucher Program - Reserves

Administrative fee paid by HUD to the Authority in excess of administrative expenses are part of the undesignated fund balance and are considered to be administrative fee reserves. Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR 982.155 – i.e. other housing purposes permitted by state and local law. Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2011

### NOTE 19 – UNRESTRICTED NET ASSETS – CONTINUED

	Pre 2004 Unrestricted Reserves	Post 2003 Unrestricted Reserves	Total Unrestricted Reserves
Balance December 31, 2003	\$ 590,701	\$ -	\$ 590,701
Net Admin. Fee Revenue (Loss) for the year ended 12/31/2004	-	(520,139)	(520,139)
Balance December 31, 2004	590,701	(520,139)	70,562
Net Admin. Fee Revenue (Loss) for the year ended 12/31/2005	-	337,361	337,361
Balance December 31, 2005	590,701	(182,778)	407,923
Net Admin. Fee Revenue (Loss) for the year ended 12/31/2006	-	66,472	66,472
Balance December 31, 2006	590,701	(116,306)	474,395
Net Admin. Fee Revenue (Loss) for the year ended 12/31/2007	-	(76,608)	(76,608)
Balance December 31, 2007	590,701	(192,914)	397,787
Net Admin. Fee Revenue (Loss) for the year ended 12/31/2008	-	209,868	209,868
Balance December 31, 2008	590,701	16,954	607,655
Adjust to Agree with FMC NRA Reconciliation	-	350,130	350,130
Net Admin. Fee Revenue (Loss) for the year ended 12/31/2009	-	203,561	203,561
Balance December 31, 2009	590,701	570,645	1,161,346
Net Admin. Fee Revenue (Loss) for the year ended 12/31/2010	-	301,585	301,585
Balance December 31, 2010	590,701	872,230	1,462,931
Net Admin. Fee Revenue (Loss) for the year ended 12/31/2011	-	119,005	119,005
Balance December 31, 2011	\$ 590,701	\$ 991,235	\$ 1,581,936

## **HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**

### Notes to Financial Statements

December 31, 2011

#### **NOTE 20 – 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, 2011, 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 all its buildings for the purpose of determining potential liability issues.

During the year ended December 31, 2011, the Authority did not reduce insurance coverage's from coverage levels in place as of December 31, 2010. No settlements have exceeded coverage levels in place during 2009, 2010, and 2011.

#### **NOTE 21 - 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, 2011 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, 2011 and 2010 were \$1,223,460 and \$1,250,527, respectively.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. The Authority is also eligible to receive reimbursement for preliminary expenses prior to lease up. HUD contributions for the Housing Choice Voucher for December 31, 2011 and 2010 were \$8,653,895 and \$8,870,839 respectively.

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements

December 31, 2011

#### **NOTE 22 - 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.

Total financial support by HUD for the year ending December 31, 2011 and 2010 was \$10,198,984 and \$11,270,665, respectively.

#### **NOTE 23 - CONTINGENCIES**

Litigation – At December 31, 2011, the Authority is involved in one litigation matter. The litigation is in regards to certain tax liens filed on an Authority development site. While the outcome of this matter is currently undeterminable, management does not expect that the ultimate cost to resolve this matter will have a material adverse effect on the Authority's financial position, results of operations or cash flows. At the present time, the legal cost is being funded thru the Capital Fund - Replacement Housing Factor Grant Program.

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 24 – PRIOR PERIOD ADJUSTMENT**

December 31, 2010

Housing Choice Voucher Program

During the year ended December 31, 2010 the Authority recorded an adjustment in the amount of \$118,458 to write off old portability HAP payments that could not be collected.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2011

### **NOTE 25 – SUBSEQUENT EVENTS**

Events that occur after the statement of net assets 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 assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru August 8, 2012; 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 CITY OF EAST ORANGE

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011

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

	<u>CFDA#</u>	<u>Expenditures</u>
<u>PHA Owned Housing</u>		
Low Rent Public Housing	14.850	\$ 1,169,538
Public Housing Capital Fund Program	14.872	357,962
Formula Capital Fund Stimulus Grant	14.885	17,589
Subtotal		<u>1,545,089</u>
 <u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	8,653,895
Subtotal		<u>8,653,895</u>
 Total Awards		 <u><u>\$ 10,198,984</u></u>

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the City of East Orange. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2. Loans Outstanding:**

The Housing Authority of the City of East Orange had had \$844,768 as a loan balance outstanding at December 31, 2011. Note 16 presented on page 35 of this report have full disclosure regarding the loan activity for the Housing Authority of the City of East Orange.

**Note 3. Sub recipients:**

Of the federal expenditures presented in the schedule above, The Housing Authority of the City of East Orange did not provide federal awards to any sub recipients.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**BUDGETARY COMPARISON SCHEDULE**  
**LOW INCOME HOUSING PROGRAM**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 731,614	\$ 719,500	\$ 12,114
HUD PHA Operating Grants	1,375,235	1,340,000	35,235
Other Revenue	44,935	36,000	8,935
Total Revenue	2,151,784	2,095,500	56,284
<b>Operating Expenses:</b>			
Administration:			
✓ Administrative Salaries	374,313	437,400	63,087
Audit Fee's	10,195	12,000	1,805
Employee Benefit Contributions	226,562	232,300	5,738
Other Operating Administrative Expenses	237,743	156,500	(81,243)
Total Administrative Expenses	848,813	838,200	(10,613)
Tenant Services:			
✓ Tenant Services Salaries	28,934	17,500	(11,434)
Employee Benefit Contributions	-	-	-
Tenant Services Other	17,708	-	(17,708)
Total Tenant Services	46,642	17,500	(29,142)
Utilities:			
Water	45,178	45,000	(178)
Electricity	227,705	245,000	17,295
Gas	157,385	140,000	(17,385)
Labor	47,556	48,000	444
Employee Benefit Contributions	24,806	23,700	(1,106)
Total Utilities	502,630	501,700	(930)
Maintenance:			
✓ Maintenance Labor	106,952	106,000	(952)
Materials	62,393	65,000	2,607
Maintenance Contract Cost	247,823	225,000	(22,823)
Employee Benefit Contributions	40,980	-	(40,980)
Total Maintenance	458,148	396,000	(62,148)
Protective Services:			
✓ Protective Services Labor	15,490	17,500	2,010
Protective Services Other	807	7,500	6,693
Employee Benefit Contributions	3,707	-	(3,707)
Total Protective Services	20,004	25,000	4,996
Other Operating Expenses:			
Insurance	74,678	75,000	322
Payment in Lieu of Taxes	28,464	27,000	(1,464)
Compensated Absences	-	-	-
Bad Debt	6,252	7,500	1,248
Severance Expenses	33,031	25,000	(8,031)
Interest on Note Payable	37,941	-	(37,941)
Total Other Operating Expenses	180,366	134,500	(45,866)
Total Operating Expenses	2,056,603	1,912,900	(148,699)
Excess Expenses Over Revenue From Operations	95,181	182,600	(87,419)
Other Income and (Expenses):			
Investment Income	17,676	750	16,926
Transfer to Restricted	(33)	-	(33)
Building Purchases	(34,245)	-	(34,245)
Debt payment on operating loan	(101,857)	-	(101,857)
Total Other (Expenses) and Income	(118,459)	750	(119,209)
Excess Expenses over Revenue	\$ (23,278)	\$ 183,350	\$ (206,628)

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**BUDGETARY COMPARISON SCHEDULE**  
**HOUSING CHOICE VOUCHER PROGRAM**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue - Annual Contribution Required</b>			
Housing Assistance Payments	\$ 8,653,895	\$ 7,877,863	\$ 776,032
Administrative Fee	-	781,872	(781,872)
Other Income	2,482,990	294,500	2,188,490
Total Revenue	11,136,885	8,954,235	2,182,650
<b>Operating Expenses:</b>			
Administration:			
✓ Administrative Salaries	461,283	461,330	47
Audit Fee's	4,400	7,500	3,100
Employee Benefit Contributions	159,902	232,300	72,398
Other Operating Administrative Expenses	131,184	161,720	30,536
Total Administrative Expenses	756,769	862,850	106,081
Tenant Services:			
✓ Tenant Services - Salaries	42,956	-	(42,956)
Tenant Services - Other	6,661	-	(6,661)
Employee Benefit Contributions	22,556	-	(22,556)
Total Tenant Services Expenses	72,173	-	(72,173)
Other Operating Expenses:			
Insurance	24,156	27,500	3,344
Other General Expenses	53,346	79,500	26,154
Severance Expenses	52,420	-	(52,420)
Housing Assistance Payments	10,065,709	7,877,863	(2,187,846)
Total Other Operating Expenses	10,195,631	7,984,863	(2,210,768)
Total Operating Expenses	11,024,573	8,847,713	(2,104,687)
Excess Revenue Over Expenses From Operations	112,312	106,522	5,790
Other Income and (Expenses):			
Investment Income	51	-	51
Transfer Out to Restricted	(2,198)	-	(2,198)
Total Other (Expenses) and Income	(2,147)	-	(2,147)
Excess Revenue over Expenses	\$ 110,165	\$ 106,522	\$ 3,643

See accompanying notes to the financial statements.



East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14,885 Formula Capital Fund Stimulus	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$971,001	\$1,753,051				\$2,724,052		\$2,724,052
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted		\$1,284,872				\$1,284,872		\$1,284,872
114 Cash - Tenant Security Deposits	\$49,469					\$49,469		\$49,469
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$1,020,470	\$3,037,923	\$0	\$0	\$0	\$4,058,393	\$0	\$4,058,393
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$52,942					\$52,942		\$52,942
124 Accounts Receivable - Other Government		\$43,718	\$6,670			\$50,388		\$50,388
125 Accounts Receivable - Miscellaneous	\$0					\$0		\$0
126 Accounts Receivable - Tenants	\$7,916	\$0				\$7,916		\$7,916
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,000	\$0				-\$3,000		-\$3,000
126.2 Allowance for Doubtful Accounts - Other	\$0	-\$10,000	\$0			-\$10,000		-\$10,000
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	\$57,858	\$33,718	\$6,670	\$0	\$0	\$98,246	\$0	\$98,246
131 Investments - Unrestricted	\$47,025					\$47,025		\$47,025
132 Investments - Restricted	\$131,392	\$58,471				\$189,863		\$189,863
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$131,958					\$131,958		\$131,958
143 Inventories	\$4,639					\$4,639		\$4,639
143.1 Allowance for Obsolete Inventories	\$0					\$0		\$0
144 Inter Program Due From	\$6,670	\$12,381				\$19,051	-\$19,051	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$1,400,012	\$3,142,493	\$6,670	\$0	\$0	\$4,549,175	-\$19,051	\$4,530,124
161 Land	\$372,704			\$1,550,776		\$1,923,480		\$1,923,480
162 Buildings	\$8,658,682					\$8,658,682		\$8,658,682

See accompanying notes to the financial statements

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.885 Formula Capital Fund Stimulus	Subtotal	ELIM	Total
163 Furniture, Equipment & Machinery - Dwellings	\$586,101				\$586,101		\$586,101
164 Furniture, Equipment & Machinery - Administration	\$422,548				\$528,442		\$528,442
165 Leasehold Improvements							
166 Accumulated Depreciation	-\$6,830,078				-\$6,927,132		-\$6,927,132
167 Construction in Progress	\$1,264,570		\$53,922		\$1,318,492		\$1,318,492
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,474,527	\$0	\$1,604,698	\$0	\$6,088,065	\$0	\$6,088,065
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current -							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$4,474,527	\$0	\$1,604,698	\$0	\$6,088,065	\$0	\$6,088,065
190 Total Assets	\$5,874,539	\$6,670	\$1,604,698	\$0	\$10,637,240	-\$19,051	\$10,618,189
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$87,347	\$66,236			\$153,583		\$153,583
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$7,145	\$21,202			\$28,347		\$28,347
322 Accrued Compensated Absences - Current Portion	\$13,563	\$7,525			\$21,088		\$21,088
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$123,916				\$123,916		\$123,916
341 Tenant Security Deposits	\$49,469				\$49,469		\$49,469
342 Deferred Revenues							
343 Current Portion of Long-term Debt - Capital	\$106,177				\$106,177		\$106,177
344 Current Portion of Long-term Debt - Operating							
345 Other Current Liabilities							

See accompanying notes to the financial statements

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14,885 Formula Capital Fund Stimulus	Subtotal	ELIM	Total
346 Accrued Liabilities - Other								
347 Inter Program - Due To	\$12,381		\$6,670			\$19,051	-\$19,051	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$399,998	\$94,963	\$6,670	\$0	\$0	\$501,631	-\$19,051	\$482,580
351 Long-term Debt, Net of Current - Capital	\$738,591					\$738,591		\$738,591
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other		\$58,471				\$58,471		\$58,471
354 Accrued Compensated Absences - Non Current	\$73,772	\$40,536				\$114,308		\$114,308
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$71,168	\$90,555				\$161,723		\$161,723
350 Total Non-Current Liabilities	\$883,531	\$189,562	\$0	\$0	\$0	\$1,073,093	\$0	\$1,073,093
300 Total Liabilities	\$1,283,529	\$284,525	\$6,670	\$0	\$0	\$1,574,724	-\$19,051	\$1,555,673
508.1 Invested In Capital Assets, Net of Related Debt	\$3,629,759	\$8,840		\$1,604,698		\$5,243,297		\$5,243,297
509.2 Fund Balance Reserved								
511.2 Unreserved, Designated Fund Balance								
511.1 Restricted Net Assets	\$131,392	\$1,284,872				\$1,416,264		\$1,416,264
512.1 Unrestricted Net Assets	\$829,859	\$1,573,096	\$0	\$0	\$0	\$2,402,955		\$2,402,955
512.2 Unreserved, Undesignated Fund Balance								
513 Total Equity/Net Assets	\$4,591,010	\$2,866,808	\$0	\$1,604,698	\$0	\$9,062,516	\$0	\$9,062,516
600 Total Liabilities and Equity/Net Assets	\$5,874,539	\$3,151,333	\$6,670	\$1,604,698	\$0	\$10,637,240	-\$19,051	\$10,618,189

See accompanying notes to the financial statements

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14,885 Formula Capital Fund Stimulus	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$719,518					\$719,518		\$719,518
70400 Tenant Revenue - Other	\$12,096		\$5,745			\$17,841		\$17,841
70500 Total Tenant Revenue	\$731,614	\$0	\$5,745	\$0	\$0	\$737,359	\$0	\$737,359
70600 HUD PHA Operating Grants	\$1,375,235	\$8,653,895			\$16,577	\$10,045,707		\$10,045,707
70610 Capital Grants	\$98,343			\$53,922	\$1,012	\$153,277		\$153,277
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue						\$0	\$0	\$0
70800 Other Government Grants			\$39,958			\$39,958		\$39,958
71100 Investment Income - Unrestricted	\$17,659	\$27				\$17,686		\$17,686
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets		\$42,064				\$42,064		\$42,064
71400 Fraud Recovery	\$44,935	\$2,440,926				\$2,485,861		\$2,485,861
71500 Other Revenue								
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted	\$17	\$24				\$41		\$41
70000 Total Revenue	\$2,267,803	\$11,136,936	\$45,703	\$53,922	\$17,589	\$13,521,953	\$0	\$13,521,953
91100 Administrative Salaries	\$374,313	\$461,283			\$11,049	\$846,645		\$846,645
91200 Auditing Fees	\$10,195	\$4,400				\$14,595		\$14,595
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	\$226,562	\$159,902			\$5,528	\$391,992		\$391,992
91600 Office Expenses								
91700 Legal Expense	\$64,510	\$16,750				\$81,260		\$81,260
91800 Travel	\$3,921	\$4,121				\$8,042		\$8,042

See accompanying notes to the financial statements

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.885 Formula Capital Fund Stimulus	Subtotal	ELIM	Total
91810 Allocated Overhead								
91900 Other	\$169,312	\$110,313				\$279,625		\$279,625
91000 Total Operating - Administrative	\$848,813	\$756,769	\$0	\$0	\$16,577	\$1,622,159	\$0	\$1,622,159
92000 Asset Management Fee								
92100 Tenant Services - Salaries	\$28,934	\$42,956	\$18,261			\$90,151		\$90,151
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services		\$22,556	\$3,611			\$26,167		\$26,167
92400 Tenant Services - Other	\$17,708	\$6,661	\$23,831			\$48,200		\$48,200
92500 Total Tenant Services	\$46,642	\$72,173	\$45,703	\$0	\$0	\$164,518	\$0	\$164,518
93100 Water	\$45,178					\$45,178		\$45,178
93200 Electricity	\$227,705					\$227,705		\$227,705
93300 Gas	\$157,385					\$157,385		\$157,385
93400 Fuel								
93500 Labor	\$47,556					\$47,556		\$47,556
93600 Sewer								
93700 Employee Benefit Contributions - Utilities	\$24,806					\$24,806		\$24,806
93800 Other Utilities Expense								
93000 Total Utilities	\$502,630	\$0	\$0	\$0	\$0	\$502,630	\$0	\$502,630
94100 Ordinary Maintenance and Operations - Labor	\$106,952					\$106,952		\$106,952
94200 Ordinary Maintenance and Operations - Materials and	\$62,393					\$62,393		\$62,393
94300 Ordinary Maintenance and Operations Contracts	\$247,823					\$247,823		\$247,823
94500 Employee Benefit Contributions - Ordinary	\$40,980					\$40,980		\$40,980
94000 Total Maintenance	\$458,148	\$0	\$0	\$0	\$0	\$458,148	\$0	\$458,148
95100 Protective Services - Labor	\$15,490					\$15,490		\$15,490
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other	\$807					\$807		\$807
95500 Employee Benefit Contributions - Protective Services	\$3,707					\$3,707		\$3,707
95000 Total Protective Services	\$20,004	\$0	\$0	\$0	\$0	\$20,004	\$0	\$20,004

See accompanying notes to the financial statements

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14,885 Formula Capital Fund Stimulus	Subtotal	ELIM	Total
96110 Property Insurance								
96120 Liability Insurance								
96130 Workmen's Compensation								
96140 All Other Insurance	\$74,678	\$24,156				\$98,834		\$98,834
96100 Total Insurance Premiums	\$74,678	\$24,156	\$0	\$0	\$0	\$98,834	\$0	\$98,834
96200 Other General Expenses		\$53,346				\$53,346		\$53,346
96210 Compensated Absences								
96300 Payments in Lieu of Taxes	\$28,464					\$28,464		\$28,464
96400 Bad debt - Tenant Rents	\$6,252					\$6,252		\$6,252
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense	\$33,031	\$52,420				\$85,451		\$85,451
96000 Total Other General Expenses	\$67,747	\$105,766	\$0	\$0	\$0	\$173,513	\$0	\$173,513
96710 Interest of Mortgage (or Bonds) Payable	\$37,941					\$37,941		\$37,941
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$37,941	\$0	\$0	\$0	\$0	\$37,941	\$0	\$37,941
96900 Total Operating Expenses	\$2,056,603	\$958,864	\$45,703	\$0	\$16,577	\$3,077,747	\$0	\$3,077,747
97000 Excess of Operating Revenue over Operating	\$211,200	\$10,178,072	\$0	\$53,922	\$1,012	\$10,444,206	\$0	\$10,444,206
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$7,822,560				\$7,822,560		\$7,822,560
97350 HAP Portability-In		\$2,243,149				\$2,243,149		\$2,243,149
97400 Depreciation Expense	\$415,154	\$8,016				\$423,170		\$423,170
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								

See accompanying notes to the financial statements



East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14,885 Formula Capital Fund Stimulus	Subtotal	ELIM	Total
9000 Total Expenses	\$2,471,757	\$11,032,589	\$45,703	\$0	\$16,577	\$13,566,626	\$0	\$13,566,626
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	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$203,954	\$104,347	\$0	\$53,922	\$1,012	-\$44,673	\$0	-\$44,673
11020 Required Annual Debt Principal Payments	\$101,857	\$0	\$0	\$0	\$0	\$101,857		\$101,857
11030 Beginning Equity	\$4,793,952	\$2,762,461	\$0	\$1,550,776	\$0	\$9,107,189		\$9,107,189
11040 Prior Period Adjustments, Equity Transfers and	\$1,012				-\$1,012	\$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 -								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity		\$1,581,936				\$1,581,936		\$1,581,936
11180 Housing Assistance Payments Equity		\$1,284,872				\$1,284,872		\$1,284,872
11190 Unit Months Available	2928	10920				13848		13848
11210 Number of Unit Months Leased	2844	9630				12474		12474
11270 Excess Cash	\$577,613					\$577,613		\$577,613
11610 Land Purchases	\$0					\$0		\$0

See accompanying notes to the financial statements

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.885 Formula Capital Fund Stimulus	Subtotal	ELIM	Total
11620 Building Purchases	\$99,355					\$99,355		\$99,355
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0		\$0
11650 Leasehold Improvements Purchases	\$0					\$0		\$0
11660 Infrastructure Purchases	\$0					\$0		\$0
13510 CFFP Debt Service Payments	\$0					\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0		\$0

See accompanying notes to the financial statements



**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**STATEMENT AND CERTIFICATION OF**  
**ACTUAL CAPITAL FUND GRANT COST**  
**AS OF DECEMBER 31, 2011**

	NJ39P050501-07		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 32,049	\$ 32,049	\$ -
Management Improvements	64,098	64,098	-
Administration	32,049	32,049	-
Fee's & Cost	16,130	16,130	-
Site Improvements	109,827	109,827	-
Dwelling Structures	66,335	66,335	-
Total	<u>\$ 320,488</u>	<u>\$ 320,488</u>	<u>\$ -</u>
Funds Advanced	\$ 320,488		
Funds Expended	320,488		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund costs have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-07 was completed on May 23, 2011.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**STATEMENT AND CERTIFICATION OF**  
**ACTUAL CAPITAL FUND RECOVERY GRANT COST**  
**AS OF DECEMBER 31, 2011**

	NJ39S050501-09			
	Approved Budget	Actual Cost	Overrun	
Administration	\$ 97,605	\$ 97,605	\$	-
Fees and Costs	46,994	46,994		-
Site Improvements	81,188	81,188		-
Dwelling Structures	750,267	750,267		-
Total	<u>\$ 976,054</u>	<u>\$ 976,054</u>	<u>\$</u>	<u>-</u>
Funds Advanced	\$ 976,054			
Funds Expended	976,054			
Excess of Funds Advanced	<u>\$</u>	<u>-</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Recovery Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund Recovery cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Recovery Program 501-09 was completed on October 14, 2011.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.



# *Hymanson, Parnes & Giampaolo*

## *Certified Public Accountants*

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**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  
(No Reportable Instances of Noncompliance and No Material Weaknesses)**

Board of Commissioners  
Housing Authority of the City of East Orange  
160 Halsted Street  
East Orange, New Jersey 07018

We have audited the financial statements of the Housing Authority of the City of East Orange as of and for the year ended December 31, 2011 and have issued our report thereon dated August 8, 2012. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority of the City of East Orange 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 Housing Authority of the City of East Orange's financial statements will not be prevented, or detected and corrected on a timely basis.

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 City of East Orange 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*.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hymanson, Parnes & Giampaolo*

Date: August 8, 2012



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### **INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

#### **(Unqualified Opinion on Compliance, No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)**

Board of Commissioners  
Housing Authority of the City of East Orange  
160 Halsted Street  
East Orange, New Jersey 07018

#### **Compliance**

We have audited the compliance of the Housing Authority of the City of East Orange with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Housing Authority of the City of East Orange major federal programs for the year ended December 31, 2011. The Housing Authority of the City of East Orange's major federal programs are identified in the summary of the auditors result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and the U.S. Office of Management and Budgets Circular A-133. Those standards and OMB Circular A-133 required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of East Orange's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Housing Authority of the City of East Orange complied, in all material respects, with the compliance requirements referred to the above that could have a direct and material effect on each of its major federal program identified in the accompanying schedule of findings and questioned cost for the fiscal year ended December 31, 2011.

## **Internal Control Over Compliance**

The management of the Housing Authority of the City of East Orange is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Housing Authority of the City of East Orange's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Hymanson, Parnes & Giampaolo**

Date: August 8, 2012



# *Hymanson, Parnes & Giampaolo*

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### **Independent Accountant's Report on Agreed-Upon Procedures**

Board of Commissioners  
Housing Authority of the City of East Orange  
160 Halsted Street  
East Orange, New Jersey 07018

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of East Orange 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, 2011, and have issued our report thereon dated August 8, 2012. 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, 2011, 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 City of East Orange 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: August 8, 2012

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>	<b><u>Hymanson Parnes &amp; Giampaolo</u></b>
<u>Employer Identification Number</u>	<b><u>22-3554220</u></b>
<u>Date</u>	<b><u>August 8, 2012</u></b>
<u>UII#</u>	<b><u>#66170</u></b>
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