

Report On Audit

**HOUSING AUTHORITY OF THE
TOWNSHIP OF EDISON**

**For the Year Ended
June 30, 2014**

Housing Authority of the Township of Edison
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Township of Edison
14 Rev. Samuel Carpenter Blvd.
Edison, New Jersey 08820

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Township of Edison (a governmental public corporation) in Edison, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of June 30, 2014 and 2013, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Township of Edison as of June 30, 2014 and 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 17 and pages 51-52 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other financial and statistical information have not been subjected to the auditing procedures in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued reports dated February 9, 2015 on our consideration of the Housing Authority of the Township of Edison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: February 9, 2015

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

As Management of the Housing Authority of the Township of Edison (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 18 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

Net position of the Authority's primary government was \$4,530,386 greater than the liabilities, a decrease in the financial position of \$368,680 or 8% percent.

As noted above, the primary government net position of the Authority exceeded its liabilities by \$4,530,386 as of June 30, 2014. Of this amount, the unrestricted net position is \$1,179,066 representing a decrease of \$123,211 or 9% percent from the previous year. The restricted net position decreased \$60,001 or 43% percent from the prior year for an ending balance of \$79,425. The net investment in capital assets decreased \$185,468 or 5% percent for an ending balance of \$3,271,895. Additional information on the Authority's restricted and unrestricted net position can be found in Notes 17 and 18 to the financial statements, which is included in this report.

The Authority's primary government unrestricted cash and cash equivalent at June 30, 2014 is \$611,777 representing a decrease of \$10,825 or 2% percent from the prior fiscal year. Total restricted cash decreased \$58,568 or 31% percent for an ending balance of \$129,220. The full detail of this amount can be found in the Statement of Cash Flow on pages 21-22 of this report.

The Authority's total assets for the primary government are \$5,829,027 of which capital assets net book value is \$3,996,895, leaving total current assets at \$1,832,132. Total current assets decreased from the previous year by \$13,784 or 1% percent. Unrestricted cash and cash equivalents decreased by \$10,825, restricted cash and cash equivalents decreased by \$58,568, accounts receivables increased by \$118,952, investments decreased by \$100,013, and prepaid expenses increased by \$36,670.

The primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$225,468 or 5% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$34,511 less the recording of depreciation expense in the amount of \$259,979. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority's primary government total liabilities are reported at \$1,298,641, of which noncurrent liabilities are stated at \$1,053,332. Total liabilities increased during the year as compared to the prior year in the amount of \$129,428 or 11% percent. Total current liabilities increased during the year by \$88,166, leaving non-current liabilities for an increase of \$41,262 as compared to the previous year.

Total current liabilities increased from the previous year by \$88,166 or 56% percent. Accounts payables increased by \$21,726, accrued liabilities increased by \$2,345, tenant security deposit payable increased by \$1,433, unearned revenue increased by \$57,662. The current portion of the Capital Project Bonds payable increased \$5,000 due to the current portion of the bonds becoming due within the next fiscal year.

The Authority primary government total noncurrent liabilities increased by \$41,262 or 4% percent. The increase was comprised of three accounts, long-term note payable which decreased by \$45,000 for an ending balance of \$685,000, accrued compensated absences – long term with no offsetting assets increased \$2,022 from the prior fiscal year for an ending balance of \$35,752, and accrued other post-employment benefits (OPEB) liabilities increased \$84,240 or 34% percent. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. All of the Authority's retirees continue their life insurance and continue to receive health insurance benefits at various percentages depending on the length of service to the Authority. In prior years, the Authority financed OPEB on a pay-as-you-go basis with expenditures recorded in the General Fund. Accounting for OPEB under GASB No. 45 will result in the Authorities reporting a significant actuarially-based liability for benefits. The Authority's actuarially-based liability benefits for June 30, 2014 are \$332,580. Additional information on the Authority's accrued other post-employment benefits (OPEB) liabilities at June 30, 2014 can be found in Note 16 to the financial statements, which is included in this report

The Authority primary government had total operating revenue of \$6,658,348 as compared to \$6,144,973 from the prior year for an increase of \$513,375 or 8% percent. The Authority primary government had total operating expenses of \$7,103,988 as compared to \$7,023,212 from the previous year for an increase of \$80,776 or 1% percent, resulting in a deficiency of revenue from operations in the amount of \$445,640 for the current year as compared to a deficiency of revenue from operations in the amount of \$878,239 for a decrease in deficit of \$432,599 or 49% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$74,511 as compared to \$259,044 from the previous year for a decrease of \$184,533 or 71% percent. The Authority's had capital outlays in the amount of \$34,511 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority's Expenditures of Federal Awards amounted to \$4,821,803 for the fiscal year 2014 as compared to \$4,714,841 for the previous fiscal year 2013 for an increase of \$106,962 or 2% percent.

USING THIS ANNUAL REPORT

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

1. Low Rent Public Housing
2. Housing Choice Vouchers
3. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the 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

This discussion and analysis are intended to serve as an introduction to the Housing Authority's primary government financial statements. The financial statements are prepared on an entity wide basis excluding the discretely presented component units and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flow
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 22.

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 49.

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 50 of this report.

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

2. Type A and Type B Programs - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Township of Edison are those which equal or exceeded \$300,000 in expenditures for the fiscal year ended June 30, 2014. Type B programs for the Housing Authority of the Township of Edison are those which are less than \$300,000 in expenditures for the fiscal year ended June 30, 2014.

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program can be found on page 51 the Section Eight Housing Choice Voucher Program on page 52.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position of the primary government between June 30, 2014 and June 30, 2013:

Computations of Net Position of the primary government are as follows:

	<u>Year Ended</u>		Increase
	June-14	June-13	(Decrease)
Cash	\$ 740,997	\$ 810,390	\$ (69,393)
Other Current Assets	1,091,135	1,035,526	55,609
Capital Assets - Net	3,996,895	4,222,363	(225,468)
Total Assets	5,829,027	6,068,279	(239,252)
Less: Current Liabilities	(245,309)	(157,143)	(88,166)
Less: Non Current Liabilities	(1,053,332)	(1,012,070)	(41,262)
Net Position	<u>\$ 4,530,386</u>	<u>\$ 4,899,066</u>	<u>\$ (368,680)</u>
Net Investment in Capital Assets	\$ 3,271,895	\$ 3,457,363	\$ (185,468)
Restricted Net Position	79,425	139,426	(60,001)
Unrestricted Net Position	1,179,066	1,302,277	(123,211)
Net Position	<u>\$ 4,530,386</u>	<u>\$ 4,899,066</u>	<u>\$ (368,680)</u>

Cash decreased by \$69,393 or 9% percent. Net cash used by operating activities was \$259,550, net cash provided by capital and related financing activities was \$86,265, and net cash provided by investing activities was \$103,892. The full detail of this amount can be found in the Statement of Cash Flow on pages 21-22 of this audit report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Other current assets increased \$55,609. Investments decreased by \$100,013, accounts receivables increased by \$118,952, and prepaid expenses increased by \$36,670.

The primary government capital assets reported a decreased in the net book value of the capital assets in the amount of \$225,468 or 5% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$34,511 less the recording of depreciation expense in the amount of \$259,979. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

Total current liabilities increased from the previous year by \$88,166 or 56% percent. Accounts payables increased by \$21,726, accrued liabilities increased by \$2,345, tenant security deposit payable increased by \$1,433, unearned revenue increased by \$57,662. The current portion of the Capital Project Bonds payable increased \$5,000 due to the current portion of the bonds becoming due within the next fiscal year.

The Authority primary government total noncurrent liabilities increased by \$41,262 or 4% percent. The increase was comprised of three accounts, long-term note payable which decreased by \$45,000 for an ending balance of \$685,000, accrued compensated absences – long term with no offsetting assets increased \$2,022 from the prior fiscal year for an ending balance of \$35,752, and accrued other post-employment benefits (OPEB) liabilities increased \$84,240 or 34% percent.

The Authority's primary government reported a net position of \$4,530,386 which is made up of three categories. The net investment in capital assets in the amount of \$3,271,895 represents 72% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance June 30, 2013	\$ 3,457,363
Acquisition in Fixed Assets	34,511
Payment of Debt	40,000
Depreciation Expense	(259,979)
Balance June 30, 2014	\$ 3,271,895

The Authority reported a restricted net position of \$279,425, a decrease of \$60,001 from the prior year. Due to funding cuts by HUD the cash restricted for the Housing Choice Voucher program has been depleted. Additional information on these funds can be found in Note 17 Restricted Net Position.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Housing Authority of the Township of Edison primary government operating results for June 30, 2014 reported a decrease in unrestricted net position of \$123,211 or 9% percent for an ending balance of \$1,179,066. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 18.

At the end of the current year, the Authority is able to report positive balances in all three categories of net position. The prior fiscal year the Authority had positive balances in all three categories of net position.

The following summarizes the changes in Net Position of the primary government between June 30, 2014 and June 30, 2013:

Computation of Changes in Net Position of the primary government are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	June-14	June-13	
<u>Revenues</u>			
Tenant Revenues	\$ 669,758	\$ 655,493	\$ 14,265
HUD Subsidies	4,747,292	4,455,797	291,495
Other Revenues	1,241,298	1,033,683	207,615
Total Operating Income	6,658,348	6,144,973	513,375
<u>Expenses</u>			
Operating Expenses	6,844,008	6,756,366	87,642
Depreciation Expense	259,980	266,846	(6,866)
Total Operating Expenses	7,103,988	7,023,212	80,776
Operating Income before Non Operating Income	(445,640)	(878,239)	432,599
Interest Income	2,446	1,472	974
Capital Grants	74,511	259,044	(184,533)
Change in Net Position	(368,683)	(617,723)	249,040
Net Position Prior Year	4,899,066	5,516,789	(617,723)
Prior Period Adjustment	3	-	3
Total Net Position	\$ 4,530,386	\$ 4,899,066	\$ (368,680)

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Approximately 71% percent of the Authority's primary government total operating revenue was provided by HUD operating subsidy, while 10% percent resulted from tenant revenue. Charges for various services and fraud recovery provided 19% percent of the total income.

The Housing Authority of the Township of Edison received from the capital fund program \$74,511 in grant money a decrease of \$184,533 from the prior fiscal year. The Authority had capital expenditures of \$34,511. The current year additions included upgrades to the hot water system and site improvements.

The Authority's primary government operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 68% percent of total operating expenses. Administrative expenses accounted for 12% percent, tenant services accounted for less than 1% percent, utilities expense accounted for 5% percent, maintenance expense accounted for 8% percent, other operating expenses accounted for 2% percent, and depreciation accounted for the remaining 4% percent of the total operating expenses.

The Authority primary government operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$445,640 from operations as compared to excess expenses from operations of \$878,239 for the previous year. The key elements for the decrease in deficit in comparison to the prior year are as follow:

- The Authority reported an increase in HUD PHA operating grants in the amount of \$291,495 or 7% percent.
- Total other revenue increased in the amount of \$207,615 or 20% percent, due to increased HAP portability income.
- Other operating expenses saw a reduction of \$36,258 or 13% percent
- The Authority experienced increases in the Administrative Expenses increased \$14,900 or 2% percent.

Total net cash used by operating activities during the year was \$259,550 as compared to cash used in the amount of \$514,291 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flow on pages 21-22 of this report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for the primary government for a four year period of time ending on June 30, 2014:

	June-14	June-13	June-12	June-11
Significant Income				
Total Tenant Revenue	\$ 669,758	\$ 655,493	\$ 589,928	\$ 580,256
HUD Operating Grants	4,747,292	4,455,797	4,820,075	5,054,574
HUD Capital Grants	74,511	259,044	122,456	246,126
Investment Income	2,446	1,472	3,945	11,604
Other Income	1,241,298	1,033,683	959,553	73,931
Total	6,735,305	6,405,489	6,495,957	5,966,491
Payroll Expense				
Administrative Salaries	381,452	411,833	411,114	393,431
Tenant Services Salaries	5,673	12,809	12,900	17,157
Utilities Labor	-	-	-	25,779
Maintenance Labor	234,332	248,132	239,777	231,909
Employee Benefits Expense	297,568	302,464	278,979	259,938
Total Payroll Expense	919,025	975,238	942,770	928,214
Other Significant Expenses				
Other Administrative Expenses	298,067	247,507	238,960	251,317
Utilities Expense	380,443	392,261	319,228	388,423
Maintenance Supplies	70,064	43,657	43,432	71,167
Maintenance Contract Cost	126,156	153,890	173,006	235,899
Insurance Premiums	57,953	66,927	64,076	78,501
Housing Assistance Payments	4,811,925	4,668,765	4,545,624	3,666,332
Total	5,744,608	5,573,007	5,384,326	4,691,639
Total Operating Expenses	7,103,988	7,023,212	6,756,655	6,053,056
Total of Federal Awards	\$4,821,803	\$4,714,841	\$ 4,942,531	\$5,300,700

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

THE AUTHORITY AS A WHOLE

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON 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 Township of Edison flat rent amount.

Capital Fund Program:

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

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 contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

CDBG Program

CDBG Program award grants for development units of local Housing Authorities to carry out development activities for the community.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

**THE HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON PROGRAMS -
CONTINUED**

Shelter Plus Care Program

Shelter Plus Care (S+C) is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters. The program allows for a variety of housing choices, and a range of supportive services funded by other sources, in response to the needs of the hard-to-reach homeless population with disabilities

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2014, 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 51 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 52 of this report.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

NEW INITIATIVES

For the fiscal year 2014 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 72% percent of its revenue from the Department of Housing and Urban Development, (2013 was 74% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of the operations, all the while increasing the occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the Township of Edison all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

For 2014 due to budget cuts once again by Congress, HUD prorated everyone's eligibility for operating funds at 88.79%. For calendar year 2014 the Authority was eligible for \$795,598, after the proration the Authority was only able to receive \$706,411, which is a decrease in funding of \$89,187.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's primary government net investment in capital assets as of June 30, 2014 was \$3,996,895 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$225,468 or 5% percent. Major capital expenditures of \$34,511 were made during the year. Major capital assets events during the fiscal year included the following:

- Upgrade made to the Hot Water system
- Site Improvements

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED

	June-14	June-13	Increase (Decrease)
Land	\$ 400,000	\$ 400,000	\$ -
Building	9,517,692	9,425,481	92,211
Furniture, Equipment - Dwelling	177,720	257,929	(80,209)
Furniture, Equipment - Administration	521,827	261,762	260,065
Construction in Process	212,799	450,355	(237,556)
Total Fixed Assets	10,830,038	10,795,527	34,511
Accumulated Depreciation	(6,833,143)	(6,573,164)	(259,979)
Net Book Value	\$3,996,895	\$4,222,363	\$ (225,468)

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

2 - Debt Administration

The Authority has participated in the New Jersey pooled leveraging program. The Capital Project Bond payable in the amount of \$725,000 was outstanding as of June 30, 2014. A full disclosure of loans payable at June 30, 2014 can be found in Note- 15.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the Township of Edison 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. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. Further, the need for Congress to fund the Departments of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.

The capital budgets for the 2014 fiscal year have already been submitted to HUD for approval and no major changes were made. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2015.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

The Authority's unrestricted net position appears 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 Ms. Madeline Cook, Executive Director, Housing Authority Township of Edison, 14 Rev. Samuel Carpenter Blvd. Edison, NJ or call (908) 561-2525.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
STATEMENT OF NET POSITION - 1
AS OF JUNE 30, 2014

	Primary Government	Component Unit	Total (Memorandum)
Assets			
Current Assets:			
Cash and Cash Equivalents -Unrestricted	\$ 611,777	\$ 125,478	\$ 737,255
Cash and Cash Equivalents -Restricted	129,220	-	129,220
Accounts Receivables, Net of Allowances	239,474	-	239,474
Investments	814,991	-	814,991
Prepaid Expenses	36,670	-	36,670
Total Current Assets	1,832,132	125,478	1,957,610
Noncurrent Assets			
Capital Assets			
Land	400,000	20,000	420,000
Building	9,517,692	79,199	9,596,891
Furniture, Equipment - Dwelling	177,720	-	177,720
Furniture, Equipment - Administration	521,827	-	521,827
Construction in Process	212,799	-	212,799
Total Capital Assets	10,830,038	99,199	10,929,237
Less: Accumulated Depreciation	(6,833,143)	(1,000)	(6,834,143)
Net Book Value	3,996,895	98,199	4,095,094
Total Assets	5,829,027	223,677	6,052,704
Deferred Outflow of Resources			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflow of Resources	\$ 5,829,027	\$ 223,677	6,052,704

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
STATEMENT OF NET POSITION - 2
AS OF JUNE 30, 2014

	Primary Government	Component Unit	Total (Memorandum)
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 79,777	-	\$ 79,777
Accrued Liabilities	12,466	68,728	81,194
Tenant Security Deposit Payable	49,795	-	49,795
Unearned Revenue	63,271	-	63,271
Current Portion - Long Term Debt	40,000	-	40,000
Total Current Liabilities	<u>245,309</u>	<u>68,728</u>	<u>314,037</u>
Noncurrent Liabilities			
Long Term Debt - CFFP	685,000	-	685,000
Accrued Compensated Absences - Long-Term	35,752	-	35,752
Accrued Other Post-Employment Benefits (OPEB)	332,580	-	332,580
Total Noncurrent Liabilities	<u>1,053,332</u>	<u>-</u>	<u>1,053,332</u>
Total Liabilities	<u>1,298,641</u>	<u>68,728</u>	<u>1,367,369</u>
Deferred Inflow of Resources			
Total Deferred Inflow of Resources	-	-	-
Net Position:			
Net Investment in Capital Assets	3,271,895	98,199	3,370,094
Restricted	79,425	-	79,425
Unrestricted	1,179,066	56,750	1,235,816
Total Net Position	<u>4,530,386</u>	<u>154,949</u>	<u>4,685,335</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 5,829,027</u>	<u>\$ 223,677</u>	<u>\$ 6,052,704</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

	Primary Government	Component Unit (6 Months)	Total (Memorandum)
Revenue:			
Tenant Rental Revenue	\$ 669,758	2,970	\$ 672,728
HUD PHA Operating Grants	4,747,292	-	4,747,292
Other Revenue	1,241,298	224,950	1,466,248
Total Revenue	<u>6,658,348</u>	<u>227,920</u>	<u>6,886,268</u>
Operating Expenses:			
Administrative Expenses	864,985	69,972	934,957
Tenant Services	5,673	-	5,673
Utilities Expense	380,443	-	380,443
Maintenance Expense	542,654	1,895	544,549
Other Operating Expenses	238,328	104	238,432
Housing Assistance Payments	4,811,925	-	4,811,925
Depreciation Expense	259,980	1,000	260,980
Total Operating Expenses	<u>7,103,988</u>	<u>72,971</u>	<u>7,176,959</u>
Excess Expenses Over Revenue From Operations	<u>(445,640)</u>	<u>154,949</u>	<u>(290,691)</u>
Nonoperating Revenue (Expenses)			
Investment Income	2,446	-	2,446
Total Nonoperating Revenue	<u>2,446</u>	<u>-</u>	<u>2,446</u>
(Deficit) Revenue Before Contributions	<u>(443,194)</u>	<u>154,949</u>	<u>(288,245)</u>
Capital Grant Contributions	74,511	-	74,511
Change in Net Position	<u>(368,683)</u>	<u>154,949</u>	<u>(213,734)</u>
Beginning Net Position	4,899,066	-	4,899,066
Prior Period Adjustment	3	-	3
Beginning Net Position - Restated	<u>4,899,069</u>	<u>-</u>	<u>4,899,069</u>
Ending Net Position	<u>\$ 4,530,386</u>	<u>\$ 154,949</u>	<u>\$ 4,685,335</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
STATEMENT OF CASH FLOW-1
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

	Primary Government	Component Unit (6 Months)	Total (Memorandum)
Cash Flow From Operating Activities			
Receipts from Tenants	\$ 644,703	2,970	\$ 647,673
Receipts from Federal Grants	4,605,032	-	4,605,032
Receipts from Misc. Sources	1,241,298	224,950	1,466,248
Payments to Vendors and Suppliers	(639,190)	(3,243)	(642,433)
Payments for Housing Assistance Payments	(4,811,925)	-	(4,811,925)
Payments to Employees	(621,457)	-	(621,457)
Payment of Employee Benefits	(297,568)	-	(297,568)
Payment of Utilities Expenses	(380,443)	-	(380,443)
Net Cash (Used) Provided by Operating Activities	<u>(259,550)</u>	<u>224,677</u>	<u>(34,873)</u>
Cash Flow From Capital and Related Financing Activities			
Receipts from Capital Grants	74,511	-	74,511
Acquisitions and Construction of Capital Assets	(34,511)	(99,199)	(133,710)
Prior Period Adjustment	3	3	3
Change in Long Term Compensated Absences	2,022	-	2,022
Accrued Other Post-Employment Benefits (OPEB) Liabilities	84,240	-	84,240
Principal Payment on Debt	(40,000)	-	(40,000)
Net Cash Provided (Used) by and Related Financing Activities	<u>86,265</u>	<u>(99,199)</u>	<u>(12,934)</u>
Cash Flow From Investing Activities			
Interest Income	2,446	-	2,446
Receipts (Payment) in Tenant Security Deposit	1,433	-	1,433
Receipt (Purchase) of Investment	100,013	-	100,013
Net Cash Provided by Investing Activities	<u>103,892</u>	<u>-</u>	<u>103,892</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(69,393)	125,478	56,085
Beginning Cash	<u>810,390</u>	<u>-</u>	<u>810,390</u>
Ending Cash	<u>\$ 740,997</u>	<u>\$ 125,478</u>	<u>\$ 866,475</u>
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	\$ 611,777	\$ 125,478	\$ 737,255
Tenant Security Deposit	49,795	-	49,795
HAP Reserve - Restricted	79,425	-	79,425
Total Ending Cash	<u>\$ 740,997</u>	<u>\$ 125,478</u>	<u>\$ 866,475</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
STATEMENT OF CASH FLOW -2
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

	Primary Government	Component Unit (6 Months)	Total (Memorandum)
Reconciliation of Operating Income to Net Cash			
(Used) by Operating Activities			
Excess of Expenses Over Revenue	\$ (445,640)	\$ 154,949	\$ (290,691)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:			
Depreciation Expense	259,980	1,000	260,980
(Increase) Decrease in:			
Accounts Receivables	(118,952)	-	(118,952)
Prepaid Expenses	(36,670)	-	(36,670)
Increase (Decrease) in:			
Accounts Payable	21,725	-	21,725
Accrued Liabilities	2,345	68,728	71,073
Unearned Revenue	57,662	-	57,662
Net Cash (Used) Provided by Operating Activities	\$ (259,550)	\$ 224,677	\$ (34,873)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

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

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

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

Based on the following criteria, the Authority has identified one (1) entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

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

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

2. Significant Accounting Policies

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

New Accounting Standards Adopted

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

Statement No. 65 of the Government Accounting Standards Board (“GASB 65”) *Items Previously Reported as Assets and Liabilities* was issued in March 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

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.

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 Township of Edison'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 June 30, 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 contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

Basis of Accounting – Continued

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.

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

Basis of Accounting – Continued

Component Unit – Discretely Presented

The Authority has identified one entity Edison Affordable Housing Inc. as a discretely presented component unit. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The accounting year end for the Edison Affordable Housing Inc. is December 31.

Report Presentation -

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

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

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

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

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

Net Investment in Capital Assets.

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

Restricted Net Position

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

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

Report Presentation - Continued

Unrestricted Net Position

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

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

Other accounting policies are as follows

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

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

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

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

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

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

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

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

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

10- Advertising cost is charged to expense when incurred.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

Other accounting policies - Continued

11 – 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.

12- 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.

13- 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.

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

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

Other accounting policies - Continued

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

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

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

Budgetary and Policy Control -

The Authority submits its annual operating and capital budgets to U.S. Department of Housing and Urban Development. Each fund's budget is prepared on a detailed line item basis. 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 51 the Section Eight Housing Choice Voucher Program on page 52.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

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

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Low Rent Housing	14.850	NJ-43	160
Capital Fund	14.872		
CDBG Grant	14.218		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-43	328
Shelter Plus Care	14.238		40

A. Low Rent Public Housing Program

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

B. Capital Fund Programs

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

C. Housing Choice Vouchers 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.

D. Shelter Plus Care Program

Shelter Plus Care (S+C) is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters. The program allows for a variety of housing choices, and a range of supportive services funded by other sources, in response to the needs of the hard-to-reach homeless population with disabilities

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

Activities - Continued

E. CDBG Program

CDBG Program award grants for development units of local Housing Authorities to carry out development activities for the community.

Component Unit

Edison Affordable Housing Inc. is organized as a not for profit corporation. This corporation operates on a calendar year that ended on December 31. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this nonprofit corporation; this entity is being reported as a discretely presented component unit. Therefore the activity of this nonprofit corporation is presented as component unit on the Authority's electronically filed financial data schedule.

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.

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

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

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

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.

NOTE 3 - PENSION PLAN

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

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

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web :www.state.nj.us/treasury/pension/financial

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 3 - PENSION PLAN -CONTINUED

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2014 and 2013 amounted to \$57,591 and \$60,495.

Post-Employment Retirement Benefits

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

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.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED

Collateral for Deposits

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

The Authority primary government cash and cash equivalents for at June 30, 2014 of \$740,997 and investments of \$814,991 which were either insured or collateralized with securities held by pledging financial institutions in the Authority's name as discussed below:

	Primary Government	Component Unit
Wells Fargo	360,309	-
Investors Savings	550,953	-
Santandar Bank	225,748	-
TD Bank	688	125,478
Bayonne Community Bank	49,795	-
Bayonne Community Bank	368,095	-
Petty Cash	400	-
Total Cash, Cash Equivalents	<u>\$ 1,555,988</u>	<u>\$ 125,478</u>

The Authority's restricted cash at June 30, 2014 is in the amounts of \$129,220. The restricted cash in the amount of \$49,795 is held as security deposits for the tenants of the Public Housing program. The restricted cash in the amount of \$79,425 was reported under the Housing Choice Voucher Program as a HAP reserve for future use.

Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At September 30, 2014, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED

Credit Risk

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

	<u>Bank Balances</u>	
	<u>Primary Government</u>	<u>Component Unit</u>
<u>Depository Accounts</u>		
Insured	\$ 976,836	\$ 125,478
Collateralized held by pledging bank's trust department in the Authority's name	579,152	-
Total Cash, Cash Equivalents	<u>\$ 1,555,988</u>	<u>\$ 125,478</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2014 consisted of the following:

	<u>Primary Government</u>
Tenants Accounts Receivable - Present	\$ 29,417
Accounts Receivable - Repayment Agreements	5,997
Less: Allowance for Doubtful Accounts - Tenants	<u>(23,647)</u>
Net Tenants Accounts Receivable	<u>11,767</u>
Accounts Receivable - Tenants Fraud	3,796
Less: Allowance for Doubtful Accounts - Fraud	<u>(380)</u>
Net Fraud Recovery Receivable	<u>3,416</u>
Accounts Receivable - HUD	148,524
Accounts Receivable - CDBG	6,555
Accounts Receivable - Developer Fee	68,988
Accrued Interest Income Receivable	224
Net Other Receivables	<u>224,291</u>
Net Accounts Receivables Total	<u>\$ 239,474</u>

The Housing Authority of the Township of Edison 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.

NOTE 6 - PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Prepaid expenses at June 30, 2014 consisted of prepaid insurance in the amount of \$36,670.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at June 30, 2014 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an 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 \$1,000 are expensed when incurred.

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

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

The Housing Authority of the Township of Edison has given consideration to the GASBS #42, Accounting for the Impairment or Disposal of Long-Lived Assets, in the preparation of these financial statements.

The carrying value of long-live assets in accordance with GASBS #42, 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 June 30, 2014.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 8 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2014

Primary Government	June-13	Additions	Transfer	June-14
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Building	9,425,481	-	92,211	9,517,692
Furniture, Equipment - Dwelling	257,929	-	(80,209)	177,720
Furniture, Equipment - Administration	261,762	-	260,065	521,827
Construction in Process	450,355	34,511	(272,067)	212,799
Total Fixed Assets	10,795,527	34,511	-	10,830,038
Accumulated Depreciation	(6,573,164)	(259,980)	1	(6,833,143)
Net Book Value	\$ 4,222,363	\$ (225,469)	\$ 1	\$ 3,996,895

Component Unit	June-13	Additions	Transfer	June-14
Land	\$ -	\$ 20,000	\$ -	\$ 20,000
Building	-	79,199	-	79,199
Furniture, Equipment - Dwelling	-	-	-	-
Furniture, Equipment - Administration	-	-	-	-
Construction in Process	-	-	-	-
Total Fixed Assets	-	99,199	-	99,199
Accumulated Depreciation	-	(1,000)	-	(1,000)
Net Book Value	\$ -	\$ 98,199	\$ -	\$ 98,199

	Primary Government	Component Unit
Net Book Value of Fixed Assets		
Land	\$ 400,000	\$ 20,000
Building	3,246,081	78,199
Furniture, Equipment - Dwelling	112,332	-
Furniture, Equipment - Administration	25,683	-
Construction in Process	212,799	-
Net Book Value	\$ 3,996,895	\$ 98,199

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 9 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of June 30, 2014. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at June 30, 2014 consist of the following:

	Primary Government
Accounts Payable Vendors	\$ 55,528
Accounts Payable - Other Government	24,249
Total Accounts Payable	<u>\$ 79,777</u>

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

Under Federal, State and local law, the Authority’s programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Township of Edison. 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. During the fiscal year ended June 30, 2014, PILOT expense of \$24,249 was accrued.

NOTE 11 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before June 30, and are payable at some future date. Accrued liabilities at June 30, 2014 consist of the following:

	Primary Government	Component Unit
Compensated Absences - Current Portion	\$ 3,972	\$ -
Accrued Expenses - Wages and Payroll Taxes	2,121	-
Accrued Expenses - Various Vendors	-	68,728
Accrued Interest Payable	6,373	-
Total Accrued Liabilities	<u>\$ 12,466</u>	<u>\$ 68,728</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 12 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered. Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of retirement, an employee is compensated for one for two unused sick days up to a maximum of \$15,000 under the Authority’s current personnel policy. Generally, unused vacation may be carried over for a one year period. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

The Authority has determined that the potential liability for accumulated vacation and sick time at June 30, 2014 as follows:

	<u>Primary Government</u>
Accumulated Sick Time	\$ 23,758
Accumulated Vacation Time	13,144
Accrued Payroll Taxes	<u>2,822</u>
Total	39,724
Compensated Absences - Current Portion	<u>(3,972)</u>
Total Compensated Absences - Noncurrent	<u><u>\$ 35,752</u></u>

NOTE 13 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The deferred revenue for June 30, 2014 in the amount of \$63,271 represented the following:

	<u>Primary Government</u>
July HUD Operating subsidy	\$ 58,675
July Prepaid Rents	<u>4,596</u>
Total Unearned Revenue	<u><u>\$ 63,271</u></u>

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 14 – LONG TERM DEBT

At June 30, 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.

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 June 30, 2014 could not be readily determined.

NOTE 15 – LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of \$18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is \$990,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2027.

The faith and credit of the Housing Authority of the Township of Edison was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2008. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Wells Fargo Bank, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 15 – LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND - CONTINUED

The Authority is required to obligate the funds within two years from the date of August 4, 2007 and expend the full amount within four years ending on August 4, 2011 or be subject to recapture.

The interest payable for November 1, 2014 is \$17,579 and May 1, 2015 is \$17,579.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

June 30, 2015	\$	40,000
June 30, 2016		40,000
June 30, 2017		45,000
June 30, 2018		45,000
June 30, 2019		50,000
Sub Total		<u>220,000</u>
Next Five Years Ending June 30, 2024		295,000
Till Maturity June, 2027		210,000
Total Capital Project Bonds	\$	<u><u>725,000</u></u>

NOTE 16 – 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:

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements
June 30, 2014

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED

	Primary Government
Annual Required Contribution	\$ 58,480
Interest on Net OPEB Obligation	8,205
Amortization of Initial Unfunded Accrued Liability	26,357
Annual OPEB cost (expense)	<u>93,042</u>
Contributions made	<u>(8,802)</u>
Increase in net OPEB obligation	84,240
Net OPEB Obligation – beginning of year	248,340
Net OPEB Obligation – end of year	<u><u>\$ 332,580</u></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 2014 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June-11	\$ 84,240	0%	\$ 84,240
June-12	\$ 82,050	0%	\$ 82,050
June-13	\$ 93,042	9%	\$ 84,239
June-14	\$ 93,042	9%	\$ 84,240

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$753,063, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$753,063.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED
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 \$935,155 or by 24% percent and the corresponding Normal Cost would increase to \$73,185 or by 31% percent.

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

	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%

- 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 July 1, 2010

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

Number of Active Employees	11
Average Age - Actives	50.5
Average Years of Service - Actives	12.6
Average Expected Future Working Life	10.9
Number of Retired Employees	0
Actives Eligible for Benefits	2

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 17 – RESTRICTED NET POSITION

The Authority restricted net position for the Authority primary government account balance at June 30, 2014 is \$79,425. The balance of \$79,425 pertains to the HAP reserve. The detail of the restricted reserve account balances is as follows:

	HAP Reserve
Balance June 30, 2012	\$ 475,319
Decrease During the Year	<u>(335,893)</u>
Balance June 30, 2013	139,426
Decrease During the Year	<u>(60,001)</u>
Balance June 30, 2014	<u>\$ 79,425</u>

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.

NOTE 18 – UNRESTRICTED NET POSITION

The Authority’s primary government unrestricted net position account balance at June 30, 2014 is \$1,179,066 and the component unit with a balance of \$56,750 is as follows:

Primary Government	LIH Program Reserves	HCV Reserve	COCC Center	Business Activities	Shelter Care Plus	Total
Balance June 30, 2012	\$ 439,432	\$ 2,872	\$ 186,484	\$ 1,002,085	\$ (22,536)	\$ 1,608,337
Decrease During the Year	<u>(112,696)</u>	<u>(182)</u>	<u>(89,581)</u>	<u>(64,237)</u>	<u>(39,364)</u>	<u>(306,060)</u>
Balance June 30, 2013	326,736	2,690	96,903	937,848	(61,900)	1,302,277
Increase During the Year	-	16,525	-	-	-	16,525
Decrease During the Year	<u>(26,581)</u>	<u>-</u>	<u>(12,930)</u>	<u>(58,095)</u>	<u>(42,130)</u>	<u>(139,736)</u>
Balance June 30, 2014	<u>\$ 300,155</u>	<u>\$ 19,215</u>	<u>\$ 83,973</u>	<u>\$ 879,753</u>	<u>\$ (104,030)</u>	<u>\$ 1,179,066</u>

The HCV Administrative Reserve fee is all Pre 2004 in the amount of \$33,331.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 18 – UNRESTRICTED NET POSITION – CONTINUED

	Component Unit
Balance June 30, 2013	\$ -
Increase During the Year	56,750
Balance June 30, 2014	<u>\$ 56,750</u>

NOTE 19 – 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 June 30, 2014, 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 its building for the purpose of determining potential liability issues.

The Authority participates in the New Jersey Public housing Authority Joint Insurance Fund (NJPHA –JIF), which was established in 1998 by several Housing Authority's as a means of reducing the cost of general liability insurance. The NJ-PHA JIF is a public entity risk pool currently operating as a common risk management and insurance program for the member Authority's. The main purpose of the Consortium is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit. In 2000 NJPHA –JIF added statutory worker's compensation coverage.

For the fiscal year ended June 30, 2014 the Authority paid \$73,339 to NJPHA –JIF for property, general liability, public employee bond, public officials bond, auto coverage, excess liability, commercial package, and worker's compensation protection.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 20 - 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 June 30, 2014 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 June 30, 2014 was \$675,242.

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 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. HUD contribution for the Housing Choice Voucher for June 30, 2014 was \$3,562,126.

NOTE 21 - 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.

Governmental Accounting Standards Boards Statements (GASBS) requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was \$4,821,803 to the Authority which represents approximately 72% percent of the Authority's total revenue for the fiscal year June 30, 2014 and \$4,714,841 which represents approximately 74% percent for 2013.

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Notes to Financial Statements

June 30, 2014

NOTE 21 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS - CONTINUED

Total financial support by HUD for the year ending at June 30, 2014 and 2013 are detailed per below:

		June 30,	
	CFDA #'s	2014 Expenditures	2013 Expenditures
<u>PHA Owned Housing</u>			
Low Rent Public Housing	14.850	\$ 675,242	\$ 741,207
Community Development Block Grant	14.218	5,673	12,809
Public Housing Capital Fund Program	14.872	182,546	307,932
Subtotal		<u>863,461</u>	<u>1,061,948</u>
 <u>Rental Assistance Housing Programs</u>			
Housing Choice Vouchers	14.871	3,562,126	3,297,901
Shelter Plus Care	14.238	396,216	354,992
Subtotal		<u>3,958,342</u>	<u>3,652,893</u>
 Total Awards		<u>\$ 4,821,803</u>	<u>\$ 4,714,841</u>

NOTE 22 - CONTINGENCIES

Litigation – At June 30, 2014, the Authority was not involved in any threatening litigation.

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

NOTE 23 – 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 February 9, 2015; 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 TOWNSHIP OF EDISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

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

	CFDA#	Expenditures
<u>PHA Owned Housing</u>		
Low Rent Public Housing	14.850	\$ 675,242
Community Development Block Grant	14.218	5,673
Public Housing Capital Fund Program	14.872	182,546
Subtotal		863,461
 <u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	3,562,126
Shelter Plus Care	14.238	396,216
Subtotal		3,958,342
Total Awards		\$ 4,821,803

Note 1. Presentation:

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

Note 2. Summary of Significant Accounting Policies:

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

Note 3. Loans Outstanding:

Housing Authority of the Township of Edison had Capital Project Bonds payable in the amount of \$725,000 outstanding at June 30, 2014. See Note 15 on pages 42-43 of this report for full detail.

Note 4. Sub recipients:

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

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
BUDGETARY COMPARISON SCHEDULE
LOW RENT PUBLIC HOUSING PROGRAM
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 668,365	\$ 651,169	\$ 17,196
HUD PHA Operating Grants	783,277	809,632	(26,355)
Other Revenue	3,480	3,865	(385)
Total Revenue	<u>1,455,122</u>	<u>1,464,666</u>	<u>(9,544)</u>
Operating Expenses:			
Administration:			
Administrative Salaries	71,776	222,337	150,561
Management Fee	148,201	-	(148,201)
Audit Fee's	5,712	6,000	288
Employee Benefit Contributions	33,281	116,677	83,396
Other Operating Administrative Expenses	76,400	116,450	40,050
Total Administrative Expenses	<u>335,370</u>	<u>461,464</u>	<u>126,094</u>
Tenant Services:			
Asset Management Fee	19,200	-	(19,200)
Tenant Services Other	-	1,000	1,000
Total Tenant Services	<u>19,200</u>	<u>1,000</u>	<u>(18,200)</u>
Utilities:			
Water	110,784	114,500	3,716
Electricity	48,664	87,500	38,836
Gas	184,623	180,000	(4,623)
Sewer	36,372	31,000	(5,372)
Total Utilities	<u>380,443</u>	<u>413,000</u>	<u>32,557</u>
Maintenance:			
Maintenance Labor	234,332	207,870	(26,462)
Materials	70,064	35,000	(35,064)
Maintenance Contract Cost	126,156	144,000	17,844
Employee Benefit Contributions	112,102	109,086	(3,016)
Total Maintenance	<u>542,654</u>	<u>495,956</u>	<u>(46,698)</u>
Other Operating Expenses:			
Insurance	49,397	61,700	12,303
Payment in Lieu of Taxes	24,249	23,046	(1,203)
Bad Debt Expense	27,159	10,000	(17,159)
Other General Expenses	6,150	-	(6,150)
Severance Expense	61,047	-	(61,047)
Interest Expense	36,818	-	(36,818)
Total Other Operating Expenses	<u>204,820</u>	<u>94,746</u>	<u>(110,074)</u>
Total Operating Expenses	<u>1,482,487</u>	<u>1,466,166</u>	<u>(16,321)</u>
Excess Expenses Over Revenue From Operations	<u>(27,365)</u>	<u>(1,500)</u>	<u>(25,865)</u>
Other Income and (Expenses):			
Investment Income	784	1,500	(716)
Total Other Income and (Expenses)	<u>784</u>	<u>1,500</u>	<u>(716)</u>
Excess Expenses over Revenue	<u>\$ (26,581)</u>	<u>\$ -</u>	<u>\$ (26,581)</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
BUDGETARY COMPARISON SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	\$ 3,269,791	\$ 3,424,351	\$ (154,560)
Ongoing Administrative Fees Earned	292,335	285,348	6,987
Other Income	1,175,022	462,500	712,522
Total Revenue	<u>4,737,148</u>	<u>4,172,199</u>	<u>564,949</u>
Operating Expenses:			
Administration:			
Administrative Salaries	123,666	142,120	18,454
Audit Fee's	3,808	3,800	(8)
Employee Benefit Contributions	59,440	67,500	8,060
Other Operating Administrative Expenses	126,057	83,300	(42,757)
Total Administrative Expenses	<u>312,971</u>	<u>296,720</u>	<u>(16,251)</u>
Other Operating Expenses:			
Other General Expenses	18,170	6,000	(12,170)
Housing Assistance Payments	4,449,486	3,870,279	(579,207)
Total Other Operating Expenses	<u>4,467,656</u>	<u>3,876,279</u>	<u>(591,377)</u>
Total Operating Expenses	<u>4,780,627</u>	<u>4,172,999</u>	<u>(607,628)</u>
Excess Expenses Over Revenue From Operations	<u>(43,479)</u>	<u>(800)</u>	<u>(42,679)</u>
Other Income and (Expenses):			
Interest Income	-	800	(800)
Transfer In From Restricted	60,001	-	60,001
Prior Period Adjustment	3		3
Total Other Income and (Expenses)	<u>60,004</u>	<u>800</u>	<u>59,201</u>
Excess Revenue over Expenses	<u>\$ 16,525</u>	<u>\$ -</u>	<u>\$ 16,525</u>

See accompanying notes to the financial statements.

Edison Housing Authority (NJ043)
Edison, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.218 Community Development Block	1 Business Activities	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$328,401	\$112,143	\$61,878		\$688	\$125,478	\$108,667	\$737,255		\$737,255
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted		\$79,425						\$79,425		\$79,425
114 Cash - Tenant Security Deposits	\$49,795							\$49,795		\$49,795
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$378,196	\$191,568	\$61,878	\$0	\$688	\$125,478	\$108,667	\$866,475	\$0	\$866,475
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects			\$148,524	\$6,555				\$148,524		\$148,524
124 Accounts Receivable - Other Government								\$6,555		\$6,555
125 Accounts Receivable - Miscellaneous	\$35,414						\$68,988	\$68,988		\$68,988
126 Accounts Receivable - Tenants							\$35,414	\$35,414		\$35,414
126.1 Allowance for Doubtful Accounts - Tenants										
126.2 Allowance for Doubtful Accounts - Other			\$0	\$0			\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery		\$3,796						\$3,796		\$3,796
128.1 Allowance for Doubtful Accounts - Fraud		-\$380						-\$380		-\$380
129 Accrued Interest Receivable					\$224			\$224		\$224
120 Total Receivables, Net of Allowances for Doubtful	\$11,767	\$3,416	\$148,524	\$6,555	\$224	\$0	\$68,988	\$239,474	\$0	\$239,474
131 Investments - Unrestricted	\$259,559				\$555,432			\$814,991		\$814,991
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$33,196						\$3,474	\$36,670		\$36,670
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From					\$323,493			\$323,493	-\$323,493	\$0
145 Assets Held for Sale										
150 Total Current Assets	\$682,718	\$194,984	\$210,402	\$6,555	\$879,837	\$125,478	\$181,129	\$2,281,103	-\$323,493	\$1,957,610
161 Land	\$400,000					\$20,000		\$420,000		\$420,000
162 Buildings	\$9,517,692					\$79,199		\$9,596,891		\$9,596,891
163 Furniture, Equipment & Machinery - Dwellings	\$177,720							\$177,720		\$177,720
164 Furniture, Equipment & Machinery - Administration	\$407,407	\$70,580					\$43,840	\$521,827		\$521,827
165 Leasehold Improvements										
166 Accumulated Depreciation	-\$6,732,839	-\$56,464				-\$1,000	-\$43,840	-\$6,834,143		-\$6,834,143
167 Construction in Progress	\$212,799							\$212,799		\$212,799
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,982,779	\$14,116	\$0	\$0	\$0	\$98,199	\$0	\$4,095,094	\$0	\$4,095,094
171 Notes, Loans and Mortgages Receivable - Non-Current										

See accompanying notes to the financial statements

Edison Housing Authority (NJ043)
Edison, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.218 Community Development Block	1 Business Activities	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
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	\$3,982,779	\$0	\$0	\$0	\$98,199	\$0	\$4,095,094	\$0	\$4,095,094
200 Deferred Outflow of Resources									
290 Total Assets and Deferred Outflow of Resources	\$4,665,497	\$210,402	\$6,555	\$879,837	\$223,677	\$181,129	\$6,376,197	-\$323,493	\$6,052,704
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$28,010	\$1,420		\$84		\$26,014	\$55,528		\$55,528
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$1,600					\$178	\$2,121		\$2,121
322 Accrued Compensated Absences - Current Portion	\$1,195	\$997				\$1,780	\$3,972		\$3,972
324 Accrued Contingency Liability									
325 Accrued Interest Payable	\$6,373						\$6,373		\$6,373
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government	\$24,249						\$24,249		\$24,249
341 Tenant Security Deposits	\$49,795						\$49,795		\$49,795
342 Unearned Revenue	\$63,271						\$63,271		\$63,271
343 Current Portion of Long-term Debt - Capital	\$40,000						\$40,000		\$40,000
344 Current Portion of Long-term Debt - Operating									
345 Other Current Liabilities									
346 Accrued Liabilities - Other					\$68,728		\$68,728		\$68,728
347 Inter Program - Due To		\$313,012	\$6,555			\$3,926	\$323,493	-\$323,493	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$214,493	\$314,432	\$6,555	\$84	\$68,728	\$31,898	\$637,530	-\$323,493	\$314,037
351 Long-term Debt, Net of Current - Capital	\$685,000						\$685,000		\$685,000
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other									
354 Accrued Compensated Absences - Non Current	\$10,755					\$16,020	\$35,752		\$35,752
355 Loan Liability - Non Current									
356 FASB 5 Liabilities	\$197,315	\$86,027				\$49,238	\$332,580		\$332,580
357 Accrued Pension and OPEB Liabilities	\$893,070	\$95,004	\$0	\$0	\$0	\$65,258	\$1,053,332	\$0	\$1,053,332
350 Total Non-Current Liabilities	\$1,107,563	\$96,344	\$6,555	\$84	\$68,728	\$97,156	\$1,690,862	-\$323,493	\$1,367,369
300 Total Liabilities									

See accompanying notes to the financial statements

Edison Housing Authority (NJ043)
Edison, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14-871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.218 Community Development Block	1 Business Activities	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
400 Deferred Inflow of Resources										
508.4 Net Investment in Capital Assets	\$3,257,779	\$14,116	\$0	\$0	\$0	\$98,199		\$3,370,094		\$3,370,094
511.4 Restricted Net Position	\$0	\$79,425	\$0	\$0	\$0			\$79,425		\$79,425
512.4 Unrestricted Net Position	\$300,155	\$19,215	-\$104,030	\$0	\$879,753	\$56,750	\$83,973	\$1,235,816		\$1,235,816
513 Total Equity - Net Assets / Position	\$3,557,934	\$112,756	-\$104,030	\$0	\$879,753	\$154,949	\$83,973	\$4,685,335	\$0	\$4,685,335
600 Total Liabilities, Deferred Inflows of Resources and	\$4,665,497	\$209,100	\$210,402	\$6,555	\$879,837	\$223,677	\$181,129	\$6,376,197	-\$323,493	\$6,052,704

Edison Housing Authority (NJ043)
Edison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.218 Community Development Block	1 Business Activities	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$657,580				\$1,393	\$2,970		\$661,943		\$661,943
70400 Tenant Revenue - Other	\$10,785							\$10,785		\$10,785
70500 Total Tenant Revenue	\$668,365	\$0	\$0	\$0	\$1,393	\$2,970	\$0	\$672,728	\$0	\$672,728
70600 HUD PHA Operating Grants	\$783,277	\$3,562,126	\$396,216	\$5,673				\$4,747,292		\$4,747,292
70610 Capital Grants	\$74,511							\$74,511		\$74,511
70710 Management Fee							\$158,858	\$158,858	-\$158,858	\$0
70720 Asset Management Fee							\$19,200	\$19,200	-\$19,200	\$0
70730 Book Keeping Fee							\$13,725	\$13,725	-\$13,725	\$0
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue							\$191,783	\$191,783	-\$191,783	\$0
70800 Other Government Grants										
71100 Investment Income - Unrestricted	\$784				\$1,562			\$2,446		\$2,446
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery										
71500 Other Revenue	\$3,480	\$1,175,022				\$224,950	\$52,796	\$1,466,248		\$1,466,248
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted										
70000 Total Revenue	\$1,530,417	\$4,737,148	\$396,216	\$5,673	\$3,055	\$227,920	\$254,579	\$7,155,008	-\$191,783	\$6,963,225
91100 Administrative Salaries	\$71,776	\$123,666	\$29,575		\$20,807		\$135,628	\$381,452		\$381,452
91200 Auditing Fees	\$5,712	\$3,808						\$9,520		\$9,520
91300 Management Fee	\$148,201				\$10,657			\$158,858	-\$158,858	\$0
91310 Book-keeping Fee	\$13,725							\$13,725	-\$13,725	\$0
91400 Advertising and Marketing	\$33,281	\$59,440	\$14,209		\$9,997		\$68,539	\$185,466		\$185,466
91500 Employee Benefit contributions - Administrative	\$8,573		\$32,123		\$14,105	\$3,294	\$683	\$43,990		\$43,990
91600 Office Expenses	\$4,702	\$7,224				\$3,969		\$30,683		\$30,683
91700 Legal Expense	\$7,495	\$9,879					\$11,481	\$28,855		\$28,855
91810 Allocated Overhead										
91900 Other	\$41,905	\$108,954			\$5,584	\$62,709	\$35,839	\$254,991		\$254,991
91000 Total Operating - Administrative	\$335,370	\$312,971	\$75,907	\$0	\$61,150	\$69,972	\$252,170	\$1,107,540	-\$172,583	\$934,957

Edison Housing Authority (NJ043)
Edison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	14,218 Community Development Block	1 Business Activities	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	\$19,200						\$19,200	-\$19,200	\$0
92100 Tenant Services - Salaries			\$5,673				\$5,673		\$5,673
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other									
92500 Total Tenant Services	\$0	\$0	\$5,673	\$0	\$0	\$0	\$5,673	\$0	\$5,673
93100 Water	\$110,784						\$110,784		\$110,784
93200 Electricity	\$48,664						\$48,664		\$48,664
93300 Gas	\$184,623						\$184,623		\$184,623
93400 Fuel									
93500 Labor									
93600 Sewer	\$9,537						\$9,537		\$9,537
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense	\$26,835						\$26,835		\$26,835
93000 Total Utilities	\$380,443	\$0	\$0	\$0	\$0	\$0	\$380,443	\$0	\$380,443
94100 Ordinary Maintenance and Operations - Labor	\$234,332						\$234,332		\$234,332
94200 Ordinary Maintenance and Operations - Materials	\$70,064				\$1,895		\$71,959		\$71,959
94300 Ordinary Maintenance and Operations Contracts	\$126,156						\$126,156		\$126,156
94500 Employee Benefit Contributions - Ordinary	\$112,102						\$112,102		\$112,102
94000 Total Maintenance	\$542,654	\$0	\$0	\$0	\$1,895	\$0	\$544,549	\$0	\$544,549
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance									
96120 Liability Insurance									
96130 Workmen's Compensation									
96140 All Other Insurance	\$49,397						\$49,397		\$49,397
96100 Total Insurance Premiums	\$49,397	\$0	\$0	\$0	\$0	\$8,566	\$57,953	\$0	\$57,953

Edison Housing Authority (NJ043)
Edison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.218 Community Development Block	1 Business Activities	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
96200 Other General Expenses	\$5,663					\$104		\$5,767		\$5,767
96210 Compensated Absences	\$486	\$1,760						\$2,246		\$2,246
96300 Payments in Lieu of Taxes	\$24,249							\$24,249		\$24,249
96400 Bad debt - Tenant Rents	\$27,159							\$27,159		\$27,159
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense	\$61,047	\$16,410					\$6,783	\$84,240		\$84,240
96900 Total Other General Expenses	\$118,604	\$18,170	\$0	\$0	\$0	\$104	\$6,783	\$143,661	\$0	\$143,661
96710 Interest of Mortgage (or Bonds) Payable	\$36,818							\$36,818		\$36,818
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$36,818	\$0	\$0	\$0	\$0	\$0	\$0	\$36,818	\$0	\$36,818
96900 Total Operating Expenses	\$1,482,486	\$331,141	\$75,907	\$5,673	\$61,150	\$71,971	\$267,509	\$2,295,837	-\$191,783	\$2,104,054
97000 Excess of Operating Revenue over Operating	\$47,931	\$4,406,007	\$320,309	\$0	-\$58,095	\$155,949	-\$12,930	\$4,859,171	\$0	\$4,859,171
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments	\$3,329,792	\$362,439						\$3,692,231		\$3,692,231
97350 HAP Portability-In	\$1,119,694							\$1,119,694		\$1,119,694
97400 Depreciation Expense	\$245,864	\$14,116				\$1,000		\$260,980		\$260,980
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense	\$1,728,350	\$4,794,743	\$438,346	\$5,673	\$61,150	\$72,971	\$267,509	\$7,368,742	-\$191,783	\$7,176,959
90000 Total Expenses										
10010 Operating Transfer In	\$72,462							\$72,462		\$72,462
10020 Operating Transfer Out	-\$72,462							-\$72,462		-\$72,462
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 Program and Project - Out										

Edison Housing Authority (NJ043)
Edison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	14,218 Community Development Block	1 Business Activities	6.1 Component Unit - Discretely	COCC	Subtotal	ELIM	Total
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$197,933	-\$42,130	\$0	-\$58,095	\$154,949	-\$12,930	-\$213,734	\$0	-\$213,734
11020 Required Annual Debt Principal Payments	\$40,000	\$0	\$0	\$0	\$0	\$0	\$40,000		\$40,000
11030 Beginning Equity	\$3,755,867	-\$61,900	\$0	\$937,848	\$0	\$96,903	\$4,899,066		\$4,999,066
11040 Prior Period Adjustments, Equity Transfers and	\$3						\$3		\$3
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									
11090 Changes in Allowance for Doubtful Accounts -									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity	\$33,331						\$33,331		\$33,331
11180 Housing Assistance Payments Equity	\$79,425						\$79,425		\$79,425
11190 Unit Months Available	1920	480					6331		6331
11210 Number of Unit Months Leased	1830	408					6089		6089
11270 Excess Cash	\$314,453						\$314,453		\$314,453
11610 Land Purchases	\$0					\$0	\$0		\$0
11620 Building Purchases	\$0					\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$34,509					\$0	\$34,509		\$34,509
11660 Infrastructure Purchases	\$0					\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$44,800					\$0	\$44,800		\$44,800
13901 Replacement Housing Factor Funds	\$0					\$0	\$0		\$0

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF JUNE 30, 2014

	NJ39P043501-11		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 7,000	\$ 7,000	\$ -
Management Improvements	7,500	7,500	-
Administration	10,000	10,000	-
Fee's & Cost	6,000	6,000	-
Dwelling Structures	88,842	88,842	-
Bond Debt Obligation	75,824	75,824	-
Total	\$ 195,166	\$ 195,166	\$ -
Funds Advanced	\$ 195,166		
Funds Expended	195,166		
Excess of Funds Advanced	\$ -		

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 cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-11 was completed on July 9, 2014.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF JUNE 30, 2014**

	NJ39P043501-12		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 7,000	\$ 7,000	\$ -
Administration	10,000	10,000	-
Dwelling Structures	89,447	89,447	-
Bond Debt Obligation	74,212	74,212	-
Total	\$ 180,659	\$ 180,659	\$ -
Funds Advanced	\$ 180,659		
Funds Expended	180,659		
Excess of Funds Advanced	\$ -		

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 cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-12 was completed on July 9, 2014.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.



Hymanson, Parnes & Giampaolo

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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**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Township of Edison
14 Rev. Samuel Carpenter Blvd.
Edison, New Jersey 08820

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Township of Edison (hereafter referred to as the Authority), which comprise the statement of net position as of June 30, 2014 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: February 9, 2015



Hymanson, Parnes & Giampaolo

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

**(Unmodified Opinion on Compliance for Each Major Program:
No Material Weakness or Significant Deficiencies
in Internal Control Over Compliance Identified)**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Township of Edison
14 Rev. Samuel Carpenter Blvd.
Edison, New Jersey 08820

Report on Compliance

We have audited the Housing Authority of the Township of Edison's (hereafter referred to as the Authority), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* applicable to Authority's major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs .

Management's Responsibility for Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Housing Authority of the Township of Edison's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the Township of Edison's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the Township of Edison's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the Township of Edison complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Housing Authority of the Township of Edison is responsible for establishing and maintaining effective internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program 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 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 compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: February 9, 2015

HOUSING AUTHORITY OF THE TOWNSHIP OF EDISON

Schedule of Findings and Questioned Cost

Year Ended June 30, 2014

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Housing Choice Voucher Program	\$ 3,562,126

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as a low-risk auditee X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the Township of Edison
14 Rev. Samuel Carpenter Blvd.
Edison, New Jersey 08820

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the Township of Edison and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. Housing Authority of the Township of Edison is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure 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 the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, by Housing Authority of the Township of Edison as of and for the year ended June 30, 2014, and have issued our reports thereon dated February 9, 2015. 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 supplementary information dated June 30, 2014, was expressed in relation to the basic financial statements of Housing Authority of the Township of Edison 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 Housing Authority of the Township of Edison. 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, PIH-REAC.

This report is intended solely for the information and use of Housing Authority of the Township of Edison and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
February 9, 2015

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURE

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplementary Information with Financial Statement Data	Agrees
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Notes to the audited Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500, and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Supplemental Data (account S3400-100)	Auditor's Report on Supplementary Information	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700, and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees