

Housing Authority of the Town of Newton

**Financial Statements and
Supplementary Information**

**For the Years Ended
December 31, 2014 and 2013**
(With Independent Auditors' Report Thereon)

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Management's Discussion and Analysis
At December 31, 2014

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2014 . We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A – Financial Highlights

1 – The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$590,020 (net position) as opposed to \$614,855 at the end of the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending unrestricted net position of \$31,676.

3 – The Authority's cash, cash equivalents and investment balance at December 31, 2014 was \$217,461 representing an increase of \$20,782 from the prior fiscal year.

4 – The Authority had total operating revenues of \$705,207, and total operating expenses, including depreciation, of \$895,531 for the year ended December 31, 2014.

5 – The Authority's capital outlays for the fiscal year were \$133,518.

6 – The Authority's expenditures of federal awards amounted to \$307,679 for the fiscal year ended December 31, 2014.

B – Using the Annual Report

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements and notes to financial statements included in this report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

2 – General Purpose Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows.

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

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the most recent 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 unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. depreciation and earned but unused vacation leave).

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide safe and sanitary housing to low income and special needs populations. The financial statements are included on pages 8 through 10.

3 – Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found in the report after the financial statements.

C – The Authority as a Whole

The Authority's Net Position increased during the fiscal year as detailed below. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month from HUD based on a pre-approval amount. Grants are drawn down based on need against a pre-authorized funding level. By far, the largest portion of the Authority's net position reflects its investments in capital assets (land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

D – Budgetary Highlights

For the year ended December 31, 2014, individual program or grant budgets were prepared by the Authority and were approved 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. As indicated by the excess of expenses over revenues, the Authority's net position decreased during the fiscal year.

Comparison Budget vs. Actual - Low Income Public Housing

	Budget	Actual	Fav./(Unfav) Variance	% Variance
Tenant rental revenue	\$ 412,828	\$ 453,395	\$ 40,567	9.83%
Investment income	250	72	(178)	-71.20%
Other income	38,440	71,998	33,558	87.30%
Total operating revenue	451,518	525,465	73,947	16.38%
Operating expenses				
Administrative	283,640	276,856	6,784	2.39%
Tenant services	13,770	46,772	(33,002)	-239.67%
Utilities	125,377	166,637	(41,260)	-32.91%
Maintenance	102,988	104,469	(1,481)	-1.44%
General expenses	68,830	79,340	(10,510)	-15.27%
Protective services	3,800	8,123	(4,323)	-113.76%
Depreciation	-	217,212	(217,212)	0.00%
Total operating expenses	598,405	899,409	(301,004)	-50.30%
Residual receipts/(deficit)	(146,887)	(373,944)	(227,057)	154.58%
Operating subsidy	147,000	174,161	(27,161)	-18.48%
Residual receipts/(deficit)	\$ 113	\$ (199,783)	\$ (199,896)	-176899.12%

The Authority does not budget for depreciation expense. However, \$217,212 is included in Actual General Expense in accordance with GASB 34. Actual tenant revenue exceeded budget by \$40,567, or 9.83%. The excess is due primarily to unanticipated increase in tenant incomes, which result in higher rent since tenants pay 30% of adjusted income as rent. Occupancy decreased slightly from 950 unit months in 2013 to 944 unit months in 2014. Other revenue exceeded budget by \$33,558 due primarily to receipt of \$26,093 from the County of Sussex under a shared services agreement. In accordance with that agreement, the Authority provides kitchen facilities, parking facilities and

management services to the County of Sussex. The County uses those facilities to provide meals and other services to residents of the community. These revenues were not anticipated in the budget. Utilities exceeded budget by \$41,260 resulting from using more inside labor than originally anticipated in the budget. Tenant services exceeded budget by \$33,002 due to expenses related to the nutrition program which are not budgeted.

E – Significant Changes from December 31, 2013 to December 31, 2014

Unrestricted Cash increased by \$16,471 from December 31, 2013 to December 31, 2014. This was due primarily to the Authority's cash surplus of \$32,390 in operating activities for the year ended December 31, 2014. Operating subsidies from HUD remained relatively constant from 2013 to 2104.

Accounts payable and other current liabilities decreased by \$34,933 due to the final payment of the geothermal hot water system loan and decrease in unearned revenue.

Accrued pension and OPEB liability increased by \$7,368 due to the current year accrual.

Capital Grants increased \$120,169 because the Authority completed various work items contained in its 2012 and 2013 capital fund budgets during 2014, resulting in more funds being available for capital improvements in 2014.

Tenant services expense increased \$15,848 as additional funds were available to provide tenant services due to the inter-local services agreement in place with the County of Sussex. As previously noted, the Authority receives funding under that agreement for providing kitchen space and management services to the county.

Administrative expenses for 2014 were consistent with expenses incurred in 2013.

Total utilities expense increased by \$13,653 mainly due to increase in water and natural gas expenses.

Ordinary maintenance and operations expenses decreased by \$80,494 due to less apartment turnover costs and building repairs in 2014.

F – Capital Assets and Debt Administration

1 – Capital Assets

As of December 31, 2014, the Authority's investment in capital assets for its Proprietary Fund was \$708,377 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$133,518 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. These activities are funded by grants from HUD.

Additional information on the Authority's capital assets can be found in Note 4 to the financial statements which is included in this report.

2 – Long Term Debt

In order to fund the geothermal hot water system, the Authority borrowed \$150,000 from Lakeland Bank. The loan has a fixed interest rate of 5.5% and is payable in 60 equal monthly installments of \$2,870 including principal and interest, beginning October 30, 2009. The loan was paid in full during the year ended December 31, 2014. Additional information can be found in Note 7 to the financial statements which is included in this report.

During 2010, the Authority also borrowed \$250,000 form Lakeland Bank for the purpose of converting to energy efficient water closets in each apartment and the installation of two new high efficiency natural gas furnaces at Liberty Towers. Additional information can be found in Note 7 to the Financial Statements which is included in this report.

G – Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2015:

- 1 – The state of the economy, particularly in light of current world affairs.
- 2 – The need for Congress to continue the cut-back on HUD subsidies and grants due to the lack of available funds.
- 3 – The use of the Authority's unrestricted net position to fund any shortfalls arising from a possible economic downturn and reduced subsidies and grants. The Authority's unrestricted net position appears sufficient to cover any shortfall.

H – 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 the Executive Director, Housing Authority of the Town of Newton, 32 Liberty Street, Newton, NJ 07860 or call (973) 383-5191.

Management's Discussion and Analysis - continued

Computation of Net Position is as follows:

	Year Ended	
	12/31/2014	12/31/2013
Cash and other assets	\$ 227,771	\$ 207,393
Capital assets - net	708,377	792,071
Total assets	<u>936,148</u>	<u>999,464</u>
Less: total liabilities	<u>346,128</u>	<u>384,634</u>
Net position	<u>\$ 590,020</u>	<u>\$ 614,830</u>
Invested in capital assets	\$ 544,510	\$ 580,760
Unrestricted net position	<u>45,510</u>	<u>34,095</u>
Total net position	<u>\$ 590,020</u>	<u>\$ 614,855</u>

Computation of Changes in Net Position is as follows:

<u>Revenues</u>		
Tenant revenues	\$ 453,395	\$ 419,550
HUD subsidies	174,161	175,233
Other revenues	77,651	73,432
Total operating revenues	<u>705,207</u>	<u>668,215</u>
<u>Expenses</u>		
Total operating expenses, excluding depreciation	678,319	727,202
Depreciation expense	<u>217,212</u>	<u>188,000</u>
Total operating expenses	<u>895,531</u>	<u>915,202</u>
Excess (deficiency) of operating revenues over expenses	(190,324)	(246,987)
<u>Non-operating income/(expenses)</u>		
Proceeds from disposition of assets	-	4,500
Interest of investments	<u>72</u>	<u>103</u>
Excess (deficiency) of revenues over expenses before capital grants received	(190,252)	(242,384)
<u>Capital grants</u>		
HUD capital grants	<u>133,518</u>	<u>13,349</u>
Excess (deficiency) of Revenues over expenses	(56,734)	(229,035)
Net position - prior year end	614,855	843,890
Prior period adjustments	31,899	-
Total Net Position	<u>\$ 590,020</u>	<u>\$ 614,855</u>



CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

Independent Auditors' Report

**To the Board of Commissioners,
Housing Authority of the Town of Newton
Newton, New Jersey**

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Town of Newton (a New Jersey nonprofit corporation), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year 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 of material misstatement, whether due to fraud or error.

Auditors' 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization'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 financial position of the Housing Authority of the Town of Newton as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Housing Authority of the Town of Newton as of December 31, 2013, were audited by other auditors whose report dated September 3, 2014, expressed an unmodified opinion of those statements.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial data schedule is presented for additional analysis and is not a required part of the basic financial statements. The schedule of expenditure of federal awards is required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2015, on our consideration of the Housing Authority of the Town of Newton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Housing Authority of the Town of Newton's internal control over financial reporting and compliance.

Caristia, Kulsar & Wade, LLC

CARISTIA, KULSAR & WADE, LLC
Sparta, New Jersey
April 3, 2015

**Housing Authority of the Town of Newton
Newton, New Jersey
Comparative Statement of Net Position
At December 31, 2014 and 2013**

	2014	2013
<u>Assets</u>		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 161,470	\$ 144,999
Cash - tenant security deposits	56,171	51,860
Prepaid expenses	8,510	8,904
Inventories	1,620	1,630
Total current assets	227,771	207,393
Fixed Assets		
Land	95,000	95,000
Buildings	3,236,219	3,031,728
Furniture, equipment and machinery		
Dwelling	34,106	34,106
Administration	67,600	67,600
Leasehold improvements	368,000	368,000
Construction in process	7,470	78,443
Total fixed assets	3,808,395	3,674,877
Less: accumulated depreciation	(3,100,018)	(2,882,806)
Net fixed assets	708,377	792,071
Total assets	936,148	999,464
<u>Liabilities</u>		
Current Liabilities		
Accounts payable:		
Vendors and contractors	11,612	14,785
Due to tenants:		
Security deposits	56,171	51,860
Current portion of long term debt	24,035	47,440
Accrued liabilities:		
Compensated absences	5,227	2,110
Payment in lieu of taxes	28,876	26,397
Interest payable	542	1,073
Other	5,604	6,496
Unearned revenues	-	16,839
Total current liabilities	132,067	167,000
Long Term Liabilities		
Compensated absences	37,389	24,266
Long term debt	139,832	163,871
Accrued pension and OPEB liabilities	36,840	29,472
Total long term liabilities	214,061	217,609
Total liabilities	346,128	384,609
<u>Net Position</u>		
Net Position		
Net investment in capital assets	544,510	580,760
Unrestricted net position	45,510	34,095
Total net position	\$ 590,020	\$ 614,855

See independent auditors' report and accompanying notes to financial statements

**Housing Authority of the Town of Newton
Newton, New Jersey
Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2014 and 2013**

	2014	2013
Revenues		
Dwelling rentals	\$ 453,395	\$ 419,550
HUD operating grants	174,161	175,233
Other income	77,651	73,432
Total revenues	705,207	668,215
Expenses		
Administration	258,738	256,939
Tenant services	46,773	30,925
Utilities	164,637	150,984
Ordinary maintenance and operations	104,468	184,962
Protective services	8,123	20,144
General expenses	84,908	69,210
Interest on notes payable	10,672	14,038
Depreciation expense	217,212	188,000
Total expenses	895,531	915,202
Operating loss	(190,324)	(246,987)
Non operating revenues/(expenses)		
Proceeds from disposition of assets	-	4,500
Interest income	72	103
	72	103
Net operating loss before capital grants	(190,252)	(242,384)
Capital grants	133,518	13,349
Net loss	(56,734)	(229,035)
Beginning net position	614,855	843,890
Prior period adjustment	31,899	-
Ending net position	\$ 590,020	\$ 614,855

See independent auditors' report and accompanying notes to financial statements

**Housing Authority of the Town of Newton
Newton, New Jersey
Comparative Statement of Cash Flows
For the Years Ended December 31, 2014 and 2013**

	2014	2013
Cash Flows from Operating Activities		
Cash received:		
From tenants for rental and other income	\$ 453,395	\$ 419,550
From government agencies for operating grants	174,161	175,233
From other operating revenues	60,812	73,432
Cash paid:		
To employees for operation	(231,475)	(219,247)
To suppliers for operations	(424,503)	(501,612)
Net cash provided/(used) by operating activities	32,390	(52,644)
Cash Flows from Financing Activities		
Capital grants received	133,518	13,349
Payments for construction in process	(102,065)	(13,349)
Repayment of long term debt	(47,444)	(53,513)
Net cash used by financing activities	(15,991)	(53,513)
Cash Flows from Investing Activities		
Investment income	72	103
Proceeds form sale of assets	-	4,500
Receipt of tenant security deposits and FSS escrows	4,311	1,093
Net cash provided from investing activities	4,383	5,696
Net increase (decrease) in cash and cash equivalents	20,782	(100,461)
Cash and equivalents, beginning of year	196,859	297,320
Cash and equivalents, end of year	\$ 217,641	\$ 196,859
<u>Reconciliation of operating income/(loss) to net cash provided/(used) in operations</u>		
Operating loss	\$ (190,324)	\$ (246,987)
Adjustments to reconcile operating loss to net cash		
Provided/(used) in operating activities:		
Depreciation	217,212	188,000
Decrease/(increase) in assets		
Prepaid expenses	394	413
Inventories	10	2,331
Increase/(decrease) in liabilities		
Accounts payable	(2,727)	12,105
Accrued wages	-	(1,876)
Payment in lieu of taxes	2,479	152
Accrued interest	(531)	(262)
Accrued pension and OPEB liabilities	7,368	7,368
Accrued liabilities - other	(892)	(4,532)
Compensated absences	16,240	(9,356)
Unearned revenues	(16,839)	-
Net cash provided to operating activities	\$ 32,390	\$ (52,644)

See independent auditors' report and accompanying notes to financial statements

Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013

Note 1: Nature of Organization

A. Organization - The Housing Authority of the Town of Newton, (the Authority) is a governmental, public corporation created under the laws of the state of New Jersey to provide housing for qualified individuals in accordance with rules and regulations prescribed by the United States 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 New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the Town of Newton. Operating and modernization subsidies are provided to the Authority by the federal government.

B. Activities - The combined 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, 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 not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Authority are prepared using 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 are recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net assets, revenues and expenses are accounted for using a single enterprise fund for the primary government.

Revenue – The major sources of revenue are various subsidies and grants received from the United States Department of Housing and Urban Development, charges to tenants and other miscellaneous revenues discussed below.

Federal Grant Revenue – Operating subsidies and Capital Fund Program revenue received from HUD are recorded under the accrual method of accounting and are recognized in the period earned in accordance with applicable HUD guidelines. The Authority is generally entitled to receive funds from HUD under an established payments schedule, or as expenditures are made under the Capital Fund Program.

Tenant Charges – Rental charges to tenants are determined and billed monthly and are recognized as revenue when billed since they are measurable and collectible within the current period. Amounts not collected at year-end are included in the balance sheet as accounts receivable, and amounts paid by tenants for the subsequent fiscal year are recorded as deferred revenue.

Miscellaneous Income – Miscellaneous income is recorded as earned since it is measurable and available.

Report Presentation – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority follows the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority also follows the provisions of Statement No. 37 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures", which supplement Statements No. 34.

**Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013**

Note 2: Summary of Significant Accounting Policies (continued)

Statement No. 34 established standards for all state and local governmental entities that includes a statement of net position, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – 1) Invested in Capital Assets, Net of Related Debt, 2) Restricted Net Position and 3) Unrestricted Net Position. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt – This component consist of land, construction in progress and depreciable assets, net of accumulated depreciation and net of the related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of Net Assets Invested in Capital Assets, Net of Related Debt. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Restricted Net Position – This component includes net position subject to restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net position that does not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt. The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 have no significant effect on the basic financial statements, except for the classification of net assets in accordance with Statement No. 34.

Significant 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, certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Tenant security deposits are reported separately from unrestricted cash, since the cash is owned by the tenant and will be returned when they leave the facility.

2 – 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.

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

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

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

6 – The Authority is subsidized by the federal government. The Authority is not subject to federal or state income taxes, nor is it required to file federal and state income tax returns.

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

8 – The costs of accumulated unpaid compensated absences, including fringe benefits, are reported in the period earned rather than in the period paid.

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

10 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower cost or market.

11 – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

**Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013**

Note 2: Summary of Significant Accounting Policies (continued)

12 – 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 Procedures issued after November 30, 1989.

13 – The Authority does not have any infrastructure assets for its Proprietary Fund.

14 – Inter fund receivables and payables arise from inter fund transactions and are recorded by all funds affected in the period in which the transactions are executed.

15 – Long-lived assets to be held and used are tested for recoverability whenever events of changes in circumstance indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of December 31, 2014 the Authority has not recognized any reduction in the carrying value of its fixed assets.

Budgetary Policy Control

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

Note 3: Cash and Cash Equivalents

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

HUD's Financial Management Handbook (Number 7475.1) authorizes public housing authorities to invest in US obligations, US agencies, money market funds limited to US obligations, certificates of deposit, savings accounts, and repurchase agreements fully collateralized by US obligations (with certain restrictions).

Cash and Cash Equivalents of \$217,641 at December 31, 2014 and \$196,859 at December 31, 2013, consisted of the following:

	12/31/2014	12/31/2013
Checking Accounts	\$ 69,921	\$ 56,000
Security Deposits	56,171	51,860
Certificates of Deposits & Money Market Accounts	91,174	88,624
Petty Cash and Change Fund	375	375
Total Cash and Equivalents	\$ 217,641	\$ 196,859

The carrying amount of the Authority's cash and cash equivalents on deposit at banks as of December 31, 2014 was \$217,641 and the bank balances were \$253,955. Of the bank balances, \$190,315 was covered by the FDIC insurance and \$63,640 was covered by a collateral pool maintained by the banks as required by New Jersey Statutes. Cash equivalents, except petty cash are held in the Authority's name. As described above, none of the Authority's deposits exceeded FDIC insurance and are covered under New Jersey's Governmental Unit Deposit Protection Act (GUDPA) which collateralizes securities held by the pledging institutions trust department but are not in the Authority's name.

Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013

Note 4: Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation, and improve the facilities of the Authority and are stated at cost less accumulated depreciation. The following is a summary of the changes in fixed assets for the year ended December 31, 2014 and 2013:

	Balance 1/1/2014	Additions	Disposals	Other	Balance 12/31/14
Land	\$ 95,000	-	-	-	\$ 95,000
Buildings & Improvements	3,399,728	-	-	204,491	3,604,219
Dwelling	34,106	-	-	-	34,106
Administration	67,600	-	-	-	67,600
Construction in Progress	78,443	133,518	-	(204,491)	7,470
Total Fixed Assets	3,674,877	133,518	-	-	3,808,395
Accumulated Depreciation	(2,882,806)	(217,212)	-	-	(3,100,018)
Net Fixed Assets	<u>\$ 792,071</u>	<u>\$ (83,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 708,377</u>

	Balance 1/1/2013	Additions	Disposals	Other	Balance 12/31/13
Land	\$ 95,000	-	-	-	95,000
Buildings & Improvements	3,399,728	-	-	-	3,399,728
Dwelling	34,106	-	-	-	34,106
Administration	84,917	-	(17,317)	-	67,600
Construction in Progress	65,094	13,349	-	-	78,443
Total Fixed Assets	3,678,845	13,349	(17,317)	-	3,674,877
Accumulated Depreciation	(2,712,123)	(188,000)	17,317	-	(2,882,806)
Net Fixed Assets	<u>\$ 966,722</u>	<u>\$ (174,651)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 792,071</u>

Depreciation expense for the fiscal years ended December 31, 2014 and 2013 amounted to \$217,212 and \$188,000, respectively.

Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

	<u>Years</u>
Buildings	40
Components	15
Site Improvements	15
Furniture	5
Equipment	7
Vehicles	5
Computers	3

**Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013**

Note 5: Payment in Lieu of Taxes (PILOT)

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 Town of Newton. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% its net shelter rent or the approximate full real property taxes. During the fiscal years ended December 31, 2014 and December 31, 2013, PILOT expense was \$28,876 and \$26,397, respectively.

Note 6: Accrued Compensated Absences

Accrued compensated absences of \$42,616 at December 31, 2014 and \$26,376 at December 31, 2013 represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the authority's personnel policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Vacation leave may be carried for a maximum of one year. Sick leave may be accumulated without limit and employees may be paid at a rate of 100% to a maximum of \$15,000 beginning with the change incorporated in 2008. The current portion of compensated absences was \$5,227 at December 31, 2014 and \$2,110 at December 31, 2013.

Note 7: Notes Payable

In order to fund the acquisition of a geothermal hot water system, the Authority borrowed \$150,000 from Lakeland Bank. The loan has a fixed interest rate of 5.5% and is payable in 60 equal monthly installments of \$2,870 including principal and interest, beginning October 20, 2009. The loan was paid in full during the year ended December 31, 2014.

In May of 2010, the Authority borrowed \$250,000 from Lakeland Bank for the purpose of converting to energy efficient water closets in each apartment and the installation of two new high efficiency natural gas furnaces at Liberty Towers. The loan has a fixed interest rate of 5.95% and is paid in monthly installments of \$2,781, until November, 2015. In November, 2015, interest will be adjusted to 200 basis points over the five year Federal Home Loan Bank Rate, with a floor of 6.00%, for the remainder of the loan, the monthly installment payment will be adjusted at this time. The note is collateralized by a mortgage lien and an assignment of rents and leases on the Authority's building in Newton, NJ and a security interest in all building appurtenances of the mortgaged premises. The portion due in one year is \$24,035 and is included in the current portion of long term debt on the comparative statement of net position.

Principal and interest payments of the mortgage notes due in future years are as follows:

Year ending December, 31

	Principal	Interest
2015	\$ 24,035	\$ 9,337
2016	25,502	7,870
2017	27,108	6,264
2018	28,789	4,583
2019	30,711	2,661
2020	27,722	2,869
	\$ 163,867	\$ 33,584

**Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013**

Note 8: Pension Plan

The Authority participates in the 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 benefits pension plan. PERS was established in January 1955 under the provisions of New Jersey Statute 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, it's counties, municipalities, school district or public agencies provided the employee is not a member of another State administered retirement system. Membership is mandatory for such employees.

Contributions are made both by employees and the Authority. Required employee contributions to the system are based on a flat rate which is determined by the New Jersey Division of Pension 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 the PERS and are billed annually to the Authority. The Authority was required to make a contribution to the system of \$17,238 during the audit period.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information to PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 0862-0295.

Note 9: Other Post Employee Retirement Benefits (OPEB)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), and 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:

Annual Required Contribution	\$ 7,368
Interest on net OPEB obligation	\$ -
Adjustment to annual required contribution	\$ -
Annual OPEB cost (expense)	\$ 7,368
Contributions made	\$ -
Increase in net OPEB obligation	\$ 7,368
Net OPEB Obligation - beginning of year	29,472
Net OPEB Obligation - end of year	\$ 36,840

**Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013**

Note 9: Other Post Employee Retirement Benefits (OPEB) - continued

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2014 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$ 7,368	-	\$ 7,368
12/31/2013	\$ 7,368	-	\$ 7,368
12/31/2014	\$ 7,368	-	\$ 7,368

FUNDED STATUS AND FUNDING PROGRESS

As of January 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$60,151, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAL) of \$60,151. The covered payroll (annual payroll of active employees covered by the plan) was \$210,901 and the ratio of the UAL to covered payroll was not computed since benefit and retiree rates were not based on payroll.

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.

EFFECT OF 1% CHANGE IN HEALTHCARE TREND RATES

In the event that healthcare trend rates were 1% higher than forecast and employee contributions increased at the forecast rates, the Actuarial Accrued Liability would increase to \$75,859 or by 14.0% and the corresponding Normal Cost would increase to \$6,802.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on 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.

**Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013**

Note 9: Other Post Employee Retirement Benefits (OPEB) – (continued)

Actuarial Cost Method Investment	Projected Unit Credit 5.00% per annum
Rate of Return	
Healthcare Trend Rate	
Year	Medical Including Prescription
FY 2009	Costs are Known
FY 2010	Costs are Known
FY 2011	Costs are Known
FY 2012	9.00%
FY 2013	8.00%
FY 2014	7.00%
FY 2015	6.00%
FY 2016	5.00%
Actuarial Value of Assets:	Market Value
Amortization of UAAL:	Amortized as level dollar amount of 30 years at transition
Remaining Amortization Period:	30 Years at January 1, 2011

Reconciliation of Plan Participation

Active Employees	1/1/2014	1/1/2013
A. Average Age of Hire	N/A	N/A
B. Average Service	13	12
C. Average Current Age	47	46

Note 10: Prior Period Adjustment

During the year ended December 31, 2014, the Organization received funding from its capital grant for reimbursement of funds that were expended, in the amount of \$31,899, during the year ended December 31, 2013. Since the funds were expended in a prior year, the reimbursement of the funds was recorded as prior period adjustment during the year ended December 31, 2014.

Note 11: Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omission, and natural disasters for which the Authority carries commercial insurance. During the years ended December 31, 2014 and December 31, 2013, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public officials' errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

**Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013**

Note 12: Construction Commitments

At December 31, 2014 and December 31, 2013, the Authority's outstanding construction commitments pertaining to its capital fund were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the authority by HUD.

Note 13: Economic Dependency

For the year ended December 31, 2014 and December 31, 2013, a substantial portion of the Authority's revenues were received from HUD, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with federal rules and regulations.

Note 14: Board Designated Funds

During the fiscal year ended December 31, 2014 the Authority's Board of Commissioners, by resolution, designated \$25,000 of its unrestricted net assets to be set aside to fund accrued post-retirement benefits other than pensions. Therefore, these funds are no longer available to fund operations of the Authority. Since the restrictions placed on these funds are internal, the funds are included in unrestricted net assets in the statement of net position. The funds may be released from restrictions by Board resolution in the future.

Note 15: Subsequent Events

The Authority has evaluated events and transactions that occurred after December 31, 2014 through the date of the auditors' report and the date of issuance for potential recognition or disclosure. The Authority has determined that there are no subsequent events that require additional disclosure.

**Housing Authority of the Town of Newton
 Newton, New Jersey
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2014**

	Beginning Balance	Revenue Recognized	Expenditures	Ending Balance
<u>Low Income Housing Program</u>				
Operating Subsidy (CFDA#14.850a)	\$ -	\$ 174,161	\$ 174,161	\$ -
Capital Fund Program (CFDA#14,872)	-	133,518	133,518	-
	<u>\$ -</u>	<u>\$ 307,679</u>	<u>\$ 307,679</u>	<u>\$ -</u>

**Housing Authority of the Town of Newton
Notes to Financial Statements
December 31, 2014 and 2013**

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

1. There were no subrecipient activities during the audit period.

Newton Housing Authority (NJ076)
 NEWTON, NJ
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2014

	Project Total	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$128,357	\$33,112	\$161,469		\$161,469
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$56,171		\$56,171		\$56,171
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$184,528	\$33,112	\$217,640		\$217,640
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants					
126.1 Allowance for Doubtful Accounts - Tenants					
126.2 Allowance for Doubtful Accounts - Other					
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0		\$0
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$8,510		\$8,510		\$8,510
143 Inventories	\$3,951		\$3,951		\$3,951
143.1 Allowance for Obsolete Inventories	-\$2,331		-\$2,331		-\$2,331
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$194,658	\$33,112	\$227,770		\$227,770
161 Land	\$95,000		\$95,000		\$95,000
162 Buildings	\$3,236,219		\$3,236,219		\$3,236,219
163 Furniture, Equipment & Machinery - Dwellings	\$34,106		\$34,106		\$34,106
164 Furniture, Equipment & Machinery - Administration	\$67,600		\$67,600		\$67,600
165 Leasehold Improvements	\$368,000		\$368,000		\$368,000
166 Accumulated Depreciation	-\$3,100,018		-\$3,100,018		-\$3,100,018
167 Construction in Progress	\$7,470		\$7,470		\$7,470
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$708,377	\$0	\$708,377		\$708,377
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$708,377	\$0	\$708,377		\$708,377
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$903,035	\$33,112	\$936,147		\$936,147
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$11,613		\$11,613		\$11,613
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion	\$5,227		\$5,227		\$5,227
324 Accrued Contingency Liability					
325 Accrued Interest Payable	\$542		\$542		\$542
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					

Newton Housing Authority (NJ076)
 NEWTON, NJ

See independent auditors' report and accompanying notes to financial statements

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2014

333	Accounts Payable - Other Government	\$28,876		\$28,876	\$28,876
341	Tenant Security Deposits	\$56,171		\$56,171	\$56,171
342	Unearned Revenue	\$0		\$0	\$0
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$24,035		\$24,035	\$24,035
344	Current Portion of Long-term Debt - Operating Borrowings				
345	Other Current Liabilities				
346	Accrued Liabilities - Other	\$5,604		\$5,604	\$5,604
347	Inter Program - Due To				
348	Loan Liability - Current				
310	Total Current Liabilities	\$132,068	\$0	\$132,068	\$132,068
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$139,832		\$139,832	\$139,832
352	Long-term Debt, Net of Current - Operating Borrowings				
353	Non-current Liabilities - Other				
354	Accrued Compensated Absences - Non Current	\$37,389		\$37,389	\$37,389
355	Loan Liability - Non Current				
356	FASB 5 Liabilities				
357	Accrued Pension and OPEB Liabilities	\$36,840		\$36,840	\$36,840
350	Total Non-Current Liabilities	\$214,061	\$0	\$214,061	\$214,061
300	Total Liabilities	\$346,129	\$0	\$346,129	\$346,129
400	Deferred Inflow of Resources				
508.4	Net Investment in Capital Assets	\$544,510		\$544,510	\$544,510
511.4	Restricted Net Position	\$0		\$0	\$0
512.4	Unrestricted Net Position	\$12,396	\$33,112	\$45,508	\$45,508
513	Total Equity - Net Assets / Position	\$556,906	\$33,112	\$590,018	\$590,018
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$903,035	\$33,112	\$936,147	\$936,147

See independent auditors' report and accompanying notes to financial statements

Newton Housing Authority (NJ076)
 NEWTON, NJ
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2014

	Project Total	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$438,208		\$438,208		\$438,208
70400 Tenant Revenue - Other	\$15,187		\$15,187		\$15,187
70500 Total Tenant Revenue	\$453,395	\$0	\$453,395		\$453,395
70600 HUD PHA Operating Grants	\$174,161		\$174,161		\$174,161
70610 Capital Grants	\$133,518		\$133,518		\$133,518
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$72		\$72		\$72
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	\$75,142	\$2,508	\$77,650		\$77,650
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$836,288	\$2,508	\$838,796		\$838,796
91100 Administrative Salaries	\$147,630		\$147,630		\$147,630
91200 Auditing Fees	\$7,020		\$7,020		\$7,020
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$247		\$247		\$247
91500 Employee Benefit contributions - Administrative	\$45,750		\$45,750		\$45,750
91600 Office Expenses					
91700 Legal Expense	\$8,480		\$8,480		\$8,480
91800 Travel	\$174		\$174		\$174
91810 Allocated Overhead					
91900 Other	\$48,365	\$1,072	\$49,437		\$49,437
91000 Total Operating - Administrative	\$257,666	\$1,072	\$258,738		\$258,738
92000 Asset Management Fee					
92100 Tenant Services - Salaries	\$22,161		\$22,161		\$22,161
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services	\$10,157		\$10,157		\$10,157
92400 Tenant Services - Other	\$14,454		\$14,454		\$14,454
92500 Total Tenant Services	\$46,772	\$0	\$46,772		\$46,772
93100 Water	\$23,545		\$23,545		\$23,545
93200 Electricity	\$58,097		\$58,097		\$58,097
93300 Gas	\$49,947		\$49,947		\$49,947
93400 Fuel					
93500 Labor	\$24,077		\$24,077		\$24,077
93600 Sewer					
93700 Employee Benefit Contributions - Utilities	\$8,971		\$8,971		\$8,971
93800 Other Utilities Expense					
93000 Total Utilities	\$164,637	\$0	\$164,637		\$164,637
94100 Ordinary Maintenance and Operations - Labor	\$37,606		\$37,606		\$37,606
94200 Ordinary Maintenance and Operations - Materials and Other	\$20,875		\$20,875		\$20,875
94300 Ordinary Maintenance and Operations Contracts	\$31,977		\$31,977		\$31,977
94500 Employee Benefit Contributions - Ordinary Maintenance	\$14,011		\$14,011		\$14,011
94000 Total Maintenance	\$104,469	\$0	\$104,469		\$104,469

See independent auditors' report and accompanying notes to financial statements

Newton Housing Authority (NJ076)
 NEWTON, NJ
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2014

95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs	\$8,123		\$8,123	\$8,123
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$8,123	\$0	\$8,123	\$8,123
96110 Property Insurance	\$25,195		\$25,195	\$25,195
96120 Liability Insurance	\$1,052		\$1,052	\$1,052
96130 Workmen's Compensation	\$9,390		\$9,390	\$9,390
96140 All Other Insurance	\$4,155		\$4,155	\$4,155
96100 Total insurance Premiums	\$39,792	\$0	\$39,792	\$39,792
96200 Other General Expenses				
96210 Compensated Absences	\$16,240		\$16,240	\$16,240
96300 Payments in Lieu of Taxes	\$28,876		\$28,876	\$28,876
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$45,116	\$0	\$45,116	\$45,116
96710 Interest of Mortgage (or Bonds) Payable	\$10,672		\$10,672	\$10,672
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$10,672	\$0	\$10,672	\$10,672
96900 Total Operating Expenses	\$677,247	\$1,072	\$678,319	\$678,319
97000 Excess of Operating Revenue over Operating Expenses	\$159,041	\$1,436	\$160,477	\$160,477
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$217,212		\$217,212	\$217,212
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$894,459	\$1,072	\$895,531	\$895,531
10010 Operating Transfer In				
10020 Operating transfer Out				
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$58,171	\$1,436	-\$56,735	-\$56,735
11020 Required Annual Debt Principal Payments	\$24,035	\$0	\$24,035	\$24,035
11030 Beginning Equity	\$583,179	\$31,676	\$614,855	\$614,855
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$31,899		\$31,899	\$31,899
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				

See independent auditors' report and accompanying notes to financial statements

Newton Housing Authority (NJ076)
NEWTON, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2014

11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity				
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	960		960	960
11210 Number of Unit Months Leased	959		959	959
11270 Excess Cash	-\$3,977		-\$3,977	-\$3,977
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$133,518		\$133,518	\$133,518
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0	\$0
11650 Leasehold Improvements Purchases	\$0		\$0	\$0
11660 Infrastructure Purchases	\$0		\$0	\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0

See independent auditors' report and accompanying notes to financial statements

**Housing Authority of the Town of Newton
 Newton, New Jersey
 Statement and Certification of Actual Modernization Costs
 As of December 31, 2014**

Annual Contributions Contract

	Total	NJ39P07650112	NJ39P076501-13
Funds Approved	\$ 131,709	\$ 67,049	\$ 64,660
Funds Expended	131,709	67,049	64,660
Excess/(Deficiency) Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

All modernization work done in connection with these programs have been completed.

All liabilities in connection with this program have been paid.

Modernization costs included on the Actual Modernization Cost Certificate submitted to HUD are in agreement with the PHA's records.

See independent auditors' report and accompanying notes to financial statements

Housing Authority of the Town of Newton

Supplementary Information and Reports

December 31, 2014 and 2013



CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

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

**To the Board of Commissioners
Housing Authority of the Town of Newton
Newton, New Jersey**

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 Town of Newton, which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Newton'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

Caristia, Kulsar & Wade, LLC

CARISTIA, KULSAR & WADE, LLC

Sparta, New Jersey

April 3, 2015

Housing Authority of the Town of Newton
Newton, New Jersey
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014

Prior Audit Findings

The prior audit contained no findings.

Current Audit Findings

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Authority of Newton.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Housing Authority of the Town of Newton's financial statements for the year ended December 31, 2014.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the Town of Newton were disclosed during the audit.
4. The Housing Authority of the Town of Newton was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None.

C. Federal Awards Findings and Questioned Costs

None.