

Report On Audit

HOUSING AUTHORITY
TOWN OF DOVER

For the Year Ended
September 30, 2008

Housing Authority Town of Dover
Table of Contents

	<u>Page Number</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
Financial Statements	
Statement of Net Assets	14
Statement of Revenue, Expenses and Changes in Net Assets	15
Statement of Cash Flow	16
Notes to Financial Statements	17-37
Supplementary Information	
Schedule of Expenditures of Federal Awards	38
Budgetary Comparison Schedule – Low Income Program	39
Budgetary Comparison Schedule – Housing Choice Voucher Program	40
Capital Project Leveraging Progress Report	41
Other Reports and Comments	
Independent Auditors Report Independent Auditors Report on the Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards (No Reportable Instances of Noncompliance and No Material Weakness)	42-43
Independent Auditors Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 (Unqualified Opinion on Compliance and No Reportable Condition, and No Material Weaknesses)	44-45
Status of Prior Year Finding	46
Schedule of Findings and Questioned Cost	46



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority Town of Dover
215 East Blackwell Street
Dover, New Jersey 07801

We have audited the Statement of Net Assets of Housing Authority Town of Dover, hereafter referred to as the Authority, for the fiscal year ended September 30, 2008 and 2007, and the related statement of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority Town of Dover's internal control over financial reporting. An audit also includes the examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of Housing Authority Town of Dover, as of September 30, 2008 and 2007, and the changes in financial position and, cash flows for the period then ended in conformity with auditing principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2009, on our consideration of the Housing Authority Town of Dover's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 12 and pages 39 through 40 are a required part of the financial statements and supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental information contained in this Report, is presented for the purposes of additional analysis, and is not a required part of the financial statements. The accompanying Schedule of Federal Awards is presented for the purpose of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Housing Authority Town of Dover taken as a whole. Such information has been subject to the auditing procedures applied in the audit on the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Hymanson, Parnes & Giampaolo

Date: February 4, 2009

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

As Management of the Housing Authority Town of Dover (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 14 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

Assets of the Authority's enterprise fund were \$2,080,419 greater than the liabilities, an increase in the financial position of \$305,059 or a 15% percent increase.

As noted above, the assets of the Authority exceeded its liabilities by \$2,080,419 as of September 30, 2008. Of this amount, the unrestricted net asset portion is \$962,352 representing a decrease of \$73,133 or 7% percent from the previous fiscal year. The investment in fixed assets decreased \$89,468 or 12% percent for an ending balance of \$650,407. The restricted net assets increased 467,660 from the previous fiscal year. Additional information on the Authority's unrestricted net assets can be found in Note 21 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at September 30, 2008 is \$1,245,262 representing an increase of \$134,993 or 12% percent from the prior fiscal year. The full detail of this amount can be found in the Statement of Cash Flow on page 16 of this report.

The Authority's total assets are \$2,457,190 of which capital assets net book value is \$880,407, other noncurrent assets is \$232,712, leaving total current assets at \$1,344,071. Total current assets increased from the previous year by \$182,952 or 16% percent. Cash and cash equivalents increased by \$134,993, accounts receivables increased by \$47,481, and prepaid expenses increased by \$478.

The Authority's total liabilities are reported at \$376,771, of which noncurrent liabilities are stated at \$283,677. Total liabilities increased during the year as compared to the prior year in the amount of \$251,137 or 200% percent. The Authority participated in the State of Leveraging Capital Bond program during the year which recorded bond proceeds in the amount of \$230,000 as of September 30, 2008.

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current liabilities increased from the previous fiscal year by \$5,726 or 7% percent. Accounts payables decreased by \$3,555, accrued liabilities increased by \$4,571, tenant security deposit payable decreased by \$290, and the current portion of the Capital Project Bonds increased by \$5,000.

Total noncurrent liabilities increased by \$245,411 or 641% percent. The increase was made up of three accounts, long-term capital bonds which increased by \$225,000 for an ending balance of \$225,000, and noncurrent compensated absences with an ending balance of \$6,105, with no offsetting assets, decreased \$244 from the prior fiscal year. Other noncurrent liabilities increased \$20,655 from the prior year.

The Authority had total operating revenue of \$2,625,254 as compared to \$2,606,779 from the prior year for an increase of \$18,475 or 1% percent. Total operating expenses of \$2,600,110 as compared to \$2,461,024 from the previous year for an increased of \$139,086 or 6% percent, resulting in excess revenue from operations in the amount of \$25,144 for the current year as compared to excess revenue of \$145,755 from the previous year decreased by \$120,611 or 83% percent.

Total capital improvements contributions from HUD were \$260,031 as compared to \$-0- from the previous year for an increase of \$260,031.

Total capital improvements contributions from HUD were in the amount of \$259,560 as compared to \$-0- from the previous fiscal year for an increase of \$259,560 or 100% percent. The Authority in the previous fiscal year delayed the Capital Fund program until the Capital Leveraging Fund proceeds were received to maximize the amount of construction work to be performed.

The Authority's Expenditures of Federal Awards amounted to \$2,578,288 for the fiscal year as compared to \$2,274,476 for the previous year.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

There are two major parts to the financial statements:

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

This report also contains other supplementary information in addition to the financial statements. The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types.

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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

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

The Statement of Revenue, Expenses and Changes in Net Assets present information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g.; depreciation and earned but unused vacation leave).

The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements and are an integral part of the statements. The Notes to Financial Statements can be found in this Report beginning on page 17 through 37.

The Authority activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 14 through 16.

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 38 of this report.

The comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program found on page 39 the Section Eight Housing Choice Voucher Program on page 40.

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Assets between September 30, 2008 and September 30, 2007.

Computations of Net Assets are as follows:

	<u>Year Ending</u>		<u>Increase</u>
	<u>September-08</u>	<u>September-07</u>	<u>(Decrease)</u>
Cash	\$ 1,245,262	\$ 1,110,269	\$ 134,993
Other Current Assets	98,809	50,850	47,959
Capital Assets - Net	880,407	739,875	140,532
Other Assets	232,712	-	232,712
Total Assets	2,457,190	1,900,994	556,196
Less: Current Liabilities	(93,094)	(87,368)	(5,726)
Less: Non Current Liabilities	(283,677)	(38,266)	(245,411)
Net Assets	<u>\$ 2,080,419</u>	<u>\$ 1,775,360</u>	<u>\$ 305,059</u>
Invested in Capital Assets	\$ 650,407	\$ 739,875	\$ (89,468)
Restricted Net Assets	467,660	-	467,660
Unrestricted Net Assets	962,352	1,035,485	(73,133)
	<u>\$ 2,080,419</u>	<u>\$ 1,775,360</u>	<u>\$ 305,059</u>

Cash increased by \$134,993 or 12% percent. Net cash provided by operating activities was \$97,229, net cash used by capital and related financing activities was \$1,981, and net cash provided by investing activities was \$35,783. The full detail of this amount can be found in the Statement of Cash Flow on page 16 of this audit report.

The increase in prepaid expenses of \$47,959 or 94% was attributed primary to an increase in HUD accounts receivable in the amount of \$51,438.

Capital assets report an increase in the net book value of the capital assets in the amount of \$140,532 or 19% percent. The major factors contributed for the increase was the construction expenditures and additions to fixed assets in the amount of \$259,560 made during the fiscal year offset by the recording of depreciation expense in the amount of \$119,028. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 10 Fixed Assets.

The Authority reported an increase in other assets in the amount of \$232,712. The amount consists of two accounts, the future HUD funding on the capital grant program in the amount of \$220,808, and the amortization of the underwrites cost for the financing of the capital leveraging program. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 11 & 12.

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities increased by \$5,726 or 7% percent were attributed primary to an increase in accounts payable for current portion of long term debt in the amount of \$5,000 at September 30, 2008.

Total noncurrent liabilities increased by \$245,411 or 641% percent. The increase was made up of three accounts, long-term capital bonds which increased by \$225,000 for an ending balance of \$225,000, and noncurrent compensated absences with an ending balance of \$6,105, with no offsetting assets, decreased \$244 from the prior fiscal year. Other noncurrent liabilities increased \$20,655 from the prior year.

By far the largest portion of the Authority's net assets (47% percent) reflects its Unrestricted Net Assets in the amount of \$962,352 and Restricted Net Assets in the amount of \$467,660. The Housing Authority of the Town of Dover operating results for September 30, 2008 reported a decrease in Unrestricted Net Assets of \$73,133 or 8% percent for an ending balance of \$962,352 and an increase in Restricted Net Assets of \$467,660 or 100% percent.

The investment in capital assets represents 31% of the Authority Net 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.

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

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Assets between September 30, 2008 and September 30, 2007.

Computation of Changes in Net Assets are as follows:

	<u>Year Ending</u>		Increase
	September-08	September-07	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 244,035	\$ 243,284	\$ 751
HUD Subsidies	2,318,257	2,274,476	43,781
Other Revenues	62,962	89,019	(26,057)
Total Operating Income	<u>2,625,254</u>	<u>2,606,779</u>	<u>18,475</u>
<u>Expenses</u>			
Operating Expenses	2,481,082	2,347,806	133,276
Depreciation Expense	119,028	113,218	5,810
Total Operating Expenses	<u>2,600,110</u>	<u>2,461,024</u>	<u>139,086</u>
Operating Income (Loss)			
Before Capital Grants	25,144	145,755	(120,611)
Interest Income	36,073	32,108	3,965
Extraordinary Maintenance	(16,189)	(16,429)	240
HUD Capital Grants	260,031	-	260,031
Increase in Net Assets	<u>305,059</u>	<u>161,434</u>	<u>143,625</u>
Net Assets Prior Year	1,775,360	1,613,926	161,434
Total Net Assets	<u>\$ 2,080,419</u>	<u>\$ 1,775,360</u>	<u>\$ 305,059</u>

Approximately 88% of the Authority's total revenue was provided by HUD operating subsidy, while 9% resulted from tenant revenue. Charges for various services and fraud recovery provided 3% of the total income.

The Housing Authority of the Town of Dover received from the capital fund program \$260,031 in grant money, an increase of 100% percent from the prior fiscal year. These capital expenditures of \$260,031 were used primary for apartment appliances, carpeting for the apartments, and capital leveraging program improvements.

The Authority operating expenses cover a range of expenses. The largest expense was for housing assistance payments representing 71% of total operating expenses. Administrative expenses accounted for 9%, tenant services accounted for 4%, utilities accounted for 5%, maintenance accounted for 3%, and other operating expenses and depreciation accounted for the remaining 8% of the total operating expenses.

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating revenue exceeded its operating expenses in the amount of \$25,144 as compared to the prior year in the amount of \$145,755. The key elements of this increase are as follows:

- The Authority experienced an increase in HUD operating grant subsidy in the amount of \$43,781.
- The Authority changed its investment policy to maximizing the interest income on the available cash. The change resulted in an increase of \$3,873 from the previous year.
- The Authority experienced an increase in housing assistance payments in the amount of \$192,038.
- The Authority experienced an increase in total utilities cost in the amount of \$15,426. This increase was attributed to the Public Utilities Commission granting a 13% rate increase for water and electric.

Total net cash provided by operating activities during the year was \$97,229. Full detail of this amount can be found on the Statement of Cash Flow on page 16 of this report.

Overall the Authority reported a decrease in Unrestricted Net Assets of \$73,133 or a decrease of 8% percent for an ending balance of \$962,352. Additional information on the Authority's unrestricted net assets can be found in Note 21 to the financial statements, which is included in this report.

BUDGETARY HIGHLIGHTS

For the year ended September 30, 2008, 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 39 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 39 of this report.

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

can be found in the Budget comparison to actual results for the Housing Choice Voucher Program on page 39 of this report.

The following is financial highlights of significant items for a four year period of time ending on September 30, 2008.

	September-08	September-07	September-06	September-05
Significant Income				
Total Tenant Revenue	\$ 244,035	\$ 243,284	\$ 245,159	\$ 236,641
HUD Operating Grants	2,318,257	2,274,476	1,999,817	2,023,724
HUD Capital Grants	260,031	-	27,964	10,726
Investment Income	36,073	32,108	16,887	10,942
Other Revenue	62,962	89,019	35,304	31,343
Total	<u>\$ 2,921,358</u>	<u>\$ 2,638,887</u>	<u>\$ 2,325,131</u>	<u>\$ 2,313,376</u>
Payroll Expense				
Administrative Salaries	\$ 83,172	\$ 83,869	\$ 79,723	\$ 131,799
Tenant Services Salaries	62,769	72,442	70,717	69,397
Maintenance Labor	7,427	8,136	6,773	6,772
Employee Benefits Expense	83,195	85,921	54,804	45,474
Total Payroll Expense	<u>\$ 236,563</u>	<u>\$ 250,368</u>	<u>\$ 212,017</u>	<u>\$ 253,442</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 94,324	\$ 94,011	\$ 86,534	\$ 91,567
Utilities Expense	135,626	120,200	91,933	87,469
Maintenance Contract Cost	59,084	70,792	70,439	57,112
Insurance Premiums	29,053	28,362	26,757	25,157
Housing Assistance Payments	1,843,127	1,651,089	1,637,792	1,591,519
Total	<u>\$ 2,161,214</u>	<u>\$ 1,964,454</u>	<u>\$ 1,913,455</u>	<u>\$ 1,852,824</u>
Total Operating Expenses	<u>\$ 2,600,110</u>	<u>\$ 2,461,024</u>	<u>\$ 2,328,566</u>	<u>\$ 2,310,589</u>
Total of Federal Awards	<u>\$ 2,578,288</u>	<u>\$ 2,274,476</u>	<u>\$ 2,027,781</u>	<u>\$ 2,034,450</u>

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's operating revenues were sufficient to cover all operating expenses including depreciation in the amount of \$25,144.

The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

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

THE HOUSING AUTHORITY TOWN OF DOVER'S 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 Town of Dover flat rent amount.

Housing Choice Voucher Program:

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

Capital Fund Program:

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

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

NEW INITIATIVES

The current administration of the Authority is determined to improve the financial results of the Authority's operations. Additionally, it is the Authority's goal to provide better communication with the community, commissioners, and tenants. Also, it is important to preserve the Authority assets by enhanced procurement activities and performing major capital projects where needed. The Authority has participated in the New Jersey pooled leveraging program for the year ending September 30, 2008. Through this financing of majority capital projects will be completed on an expedited basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2008, the Authority's investment in capital assets was \$880,407 (net of accumulated depreciation) reflected in the following schedule which represents an increase of \$140,532 from the previous year. This investment in capital assets includes land, buildings, equipment, and construction in progress.

Major capital expenditures of \$260,031 were made during the fiscal year. Major capital assets events during the calendar year included the following:

- Apartment appliances
- Apartment Carpet Upgrades
- Façade Restoration

	September-07	September-08	Increase (Decrease)
Land	\$ 68,000	\$ 68,000	\$ -
Building	2,226,737	2,247,985	21,248
Furniture, Equipment - Dwelling	26,102	62,580	36,478
Furniture, Equipment - Administration	104,333	104,333	-
Construction in Process	57,726	259,560	201,834
Total Fixed Assets	2,482,898	2,742,458	259,560
Accumulated Depreciation	(1,743,023)	(1,862,051)	(119,028)
Net Book Value	\$ 739,875	\$ 880,407	\$ 140,532

Additional information on the Authority's capital assets can be found in Note 10 to the financial statements, which is included in this report.

**HOUSING AUTHORITY TOWN OF DOVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

2 – Long Term Debt

The Authority has participated in the New Jersey pooled leveraging program for the year ending September 30, 2008. Through this financing of majority capital projects will be completed on an expedited basis. Restricted Cash relating to the bonded debt stood at \$5,593 at the end of the fiscal year, with Capital Project Bond payable of \$235,000 in outstanding debt. A full disclosure of loans payable at September 30, 2008 can be found in Note-18.

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 September 30, 2009.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- HUD's forthcoming project based budgeting, accounting, and reporting requirements.
- Inflationary pressure on utility rates, supplies and other cost.
- The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Roberta Strater, Executive Director, Housing Authority Town of Dover, 215 East Blackwell Street, Dover, NJ 07801, or call (973) 361-9444.

HOUSING AUTHORITY TOWN OF DOVER
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2008 AND 2007

	<u>September 30,</u>	
	2008	2007
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 1,245,262	\$ 1,110,269
Accounts Receivables, Net of Allowances	73,997	26,516
Prepaid Expenses	24,812	24,334
Total Current Assets	1,344,071	1,161,119
Noncurrent Assets:		
Capital Assets:		
Land	68,000	68,000
Building	2,247,985	2,226,737
Furniture, Equipment - Dwellings	62,580	26,102
Furniture, Equipment - Administration	104,333	104,333
Construction in Process	259,560	57,726
Total Capital Assets	2,742,458	2,482,898
Less: Accumulated Depreciation	(1,862,051)	(1,743,023)
Net Book Value	880,407	739,875
Grants Receivable - Non Current	220,808	-
Other Assets - Non Current	11,904	-
Total Other Noncurrent Assets	232,712	-
Total Noncurrent Assets	1,113,119	739,875
Total Assets	2,457,190	1,900,994
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	61,260	64,815
Accrued Expenses	5,626	1,055
Tenant Security Deposit Payable	21,208	21,498
Capital Project Bonds - Current Portion	5,000	-
Total Current Liabilities	93,094	87,368
Noncurrent Liabilities:		
Accrued Compensated Absences - Long-Term	6,105	6,349
Capital Project Bonds - Long Term	225,000	-
Noncurrent Liabilities - Other	52,572	31,917
Total Noncurrent Liabilities	283,677	38,266
Total Liabilities	376,771	125,634
Net Assets:		
Investment in Capital Assets, Net of Related Debt	650,407	739,875
Restricted Net Assets	467,660	-
Unrestricted Net Assets	962,352	1,035,485
Total Net Assets	2,080,419	1,775,360
Total of Liabilities and Net Assets	\$ 2,457,190	\$ 1,900,994

See accompanying notes to the financial statements.

HOUSING AUTHORITY TOWN OF DOVER
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>September 30,</u>	
	2008	2007
Revenue:		
Tenant Rental Revenue	\$ 244,035	\$ 243,284
HUD PHA Operating Grants	2,318,257	2,274,476
Fraud Recovery	13,691	30,030
Other Revenue	49,271	58,989
Total Revenue	<u>2,625,254</u>	<u>2,606,779</u>
Operating Expenses:		
Administrative Expenses	231,998	232,068
Tenant Services	96,487	107,156
Utilities Expense	135,626	120,200
Maintenance Expense	76,050	133,581
Protective Services	2,750	4,620
Other Operating Expenses	95,044	99,092
Housing Assistance Payments	1,843,127	1,651,089
Depreciation Expense	119,028	113,218
Total Operating Expenses	<u>2,600,110</u>	<u>2,461,024</u>
Excess Revenue Over Expenses From Operations	<u>25,144</u>	<u>145,755</u>
Nonoperating Revenue (Expenses)		
Investment Income	36,073	32,108
Extraordinary Maintenance	(16,189)	(16,429)
Total Nonoperating Revenue (Expenses)	<u>19,884</u>	<u>15,679</u>
Revenue Before Contributions and Transfers	45,028	161,434
Capital Grant Contributions	<u>260,031</u>	<u>-</u>
Change in Net Assets	305,059	161,434
Beginning Net Assets	<u>1,775,360</u>	<u>1,613,926</u>
Ending Net Assets	<u>\$ 2,080,419</u>	<u>\$ 1,775,360</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY TOWN OF DOVER
STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>September 30,</u>	
	2008	2007
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 244,035	\$ 243,284
Receipts from Federal Grants	2,578,288	2,254,091
Receipts from Fraud Recovery	13,691	30,030
Receipts from Misc. Sources	49,271	61,524
Payments to Vendors and Suppliers	(708,366)	(456,342)
Housing Assistance Payments	(1,843,127)	(1,651,089)
Payments to Employees	(153,368)	(164,447)
Payment of Employee Benefits	(83,195)	(85,921)
Net Cash Provided by Operating Activities	<u>97,229</u>	<u>231,130</u>
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	260,031	-
Acquisitions and Construction of Capital Assets	(259,560)	-
Payment of Extraordinary Maintenance	(16,189)	(16,429)
Payment of Compensated Absences - Long term	(244)	(3,063)
Increase in Noncurrent Liabilities	20,655	914
Principal Payment on Debt	-	-
Increase in Capital Project Bonds net of Receivalbe	(220,808)	-
Increase in Capital Project Bonds net of Receivalbe	230,000	-
Payment of Other Assets Non Current	(11,904)	-
Net Cash Provided (Used) by and Related Financing Activities	<u>1,981</u>	<u>(18,578)</u>
Cash Flow From Investing Activities		
Interest Income	36,073	32,108
Decrease in Tenant Security Deposit	(290)	(1,017)
Net Cash Provided by Investing Activities	<u>35,783</u>	<u>31,091</u>
 Net Increase in Cash and Cash Equivalents	 134,993	 243,643
Beginning Cash	<u>1,110,269</u>	<u>866,626</u>
Ending Cash	<u>\$ 1,245,262</u>	<u>\$ 1,110,269</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities		
Excess of Revenue Over Expenses	\$ 25,144	\$ 145,755
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense	119,028	113,218
(Increase) Decrease in:		
Accounts Receivables - Net of Adjustments	(47,481)	(17,850)
Prepaid Expenses	(478)	(17,986)
Increase (Decrease) in:		
Accounts Payable	(3,555)	10,764
Accrued Expenses	4,571	(2,771)
Net Cash Provided By Operating Activities	<u>\$ 97,229</u>	<u>\$ 231,130</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements

September 30, 2008

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

1. Organization - The Authority is a non-profit corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Town of Dover in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority.

Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of Dover, 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 Town of Dover reporting entity.

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

- A. The organization is legally separate.
- B. The primary government holds the corporate powers of the organization.
- C. The primary government appoints a voting majority of the organization's board.
- D. The primary government is able to impose its will on the organization.
- E. There is fiscal 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 TOWN OF DOVER

Notes to Financial Statements **September 30, 2008**

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.

A. Basis of Accounting –

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

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 Town of Dover'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 September 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

2. A – Basis of Accounting - Continued

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

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. Administrative fee paid by HUD to the Authority in excess of administrative expenses are also part of the undesignated fund balance and are considered to be administrative fee reserves.

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

Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non exchange transactions or ancillary activities.

There are neither fiduciary funds nor component units that are fiduciary in nature included in these financial statements.

B. Report Presentation –

The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" and Statement No.38 "Certain Financial Statement Note Disclosures" which supplements GASB Statement No. 34.

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

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

2. B. Report Presentation - Continued

GASB Statement No. 34 requires the classification of net assets into three components, Investment in Capital Assets, Net of Related Debt Restricted Net Assets, and Unrestricted Net Assets.

Net Assets Invested in Capital Assets Net of Related Debt.

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

Restricted Net Assets.

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

Unrestricted Net Assets.

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

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

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

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

Other accounting policies are as follows

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

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

Other accounting policies - Continued

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 – 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.

C. Budgetary and Policy Control –

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. 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 39 the Section Eight Housing Choice Voucher Program on page 40.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

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

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Low Rent Housing	14.850a	NJ-68	59
Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-68	248

4. Taxes - Under federal, state, and local law, the Authority's program are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes.

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

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

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

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements

September 30, 2008

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.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements **September 30, 2008**

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.

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

The bank balances at September 30, 2008 were \$1,245,262. The bank balances at September 30, 2007 were \$1,110,269 which were either insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below:

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.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. The market value of the pledged securities must equal at least 110% of the Authority's deposits.

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.

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 state and HUD requirements.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED

Cash and Cash Equivalents at September 30, 2008 and 2007 of \$1,245,262 and \$1,110,269 respectively consisted of the following financial institutions:

	<u>September-08</u>	<u>September-07</u>
Bank of America	\$ 1,125,771	\$ 1,000,181
The Provident	113,848	110,038
Wells Fargo	5,593	-
Petty Cash	50	50
Total	<u>\$ 1,245,262</u>	<u>\$ 1,110,269</u>

The Authority's checking accounts are categorized to give indication of the level of risk assumed by the Authority. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Authority or its agent in the Authority's name.

Category 2 – Collateralized with securities held by the pledging financial institution trust department or agency in the Authority's name.

Category 3 – Uncollateralized

Based on these three levels of risk, all of the Authority's deposits are classified as follows:

	<u>September-08</u>	<u>September-07</u>
Category #1	\$ 205,642	\$ 200,050
Category #2	1,039,620	910,219
Total	<u>\$ 1,245,262</u>	<u>\$ 1,110,269</u>

NOTE 5 – TENANT SECURITY DEPOSIT

The authority has restricted cash at September 30, 2008 in the amount of \$21,208. The Authority has restricted cash at September 30, 2007 in the amount of \$21,498. Both of these amounts were accounted for in cash and cash equivalents in Note 4. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at Bank of America. Based on custodial credit risk in Note 4, all of the Authority's security deposits located at Bank of America are classified as category #1.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements

September 30, 2008

NOTE 6 – RESTRICTED CASH

The Authority also has restricted cash in the amount of \$5,593 for September 30, 2008 and was also accounted for in cash and cash equivalents in Note 4. It is held in trust at the Wells Fargo Bank with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Wells Fargo Bank are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project which the Authority is under taking. Based on custodial credit risk in Note 4, all of the Authority's restricted cash are classified as follows are classified as category #1.

NOTE 7 - ACCOUNTS RECEIVABLE

The Housing Authority of the Town of Dover 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.

Accounts Receivable at September 30, 2008 and 2007 consisted of the following:

	September-08	September-07
Morris County Receivable	\$ 2,174	\$ 6,131
HUD Receivable	71,823	20,385
Total	<u>\$ 73,997</u>	<u>\$ 26,516</u>

These funds were received in October 2008 and 2007 respectively and the Authority's management elected not to make an allowance for doubtful account.

NOTE 8 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at September 30, 2008 and 2007 consisted of prepaid insurance in the amount of \$24,812 and \$24,334 respectively.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements **September 30, 2008**

NOTE 9 – 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. Services provided, deemed to be at market, or near market rates, are treated as revenue and expenses. Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

NOTE 10 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated at cost as determined by an appraisal.

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. Property and equipment are stated at cost. 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 carrying value of long-live assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," 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 does not have any impairment at September 30, 2008.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

NOTE 10 - FIXED ASSETS (CONTINUED)

Below is a schedule of changes in fixed assets for the twelve months ending September 30, 2008 and 2007:

	September-06	Additions	Transfers	September-07
Land	\$ 68,000	\$ -	\$ -	\$ 68,000
Building	2,221,493		5,244	2,226,737
Furniture, Equipment - Dwelling	26,102			26,102
Furniture, Equipment - Administration	104,333			104,333
Construction in Process	62,970		(5,244)	57,726
Total Fixed Assets	2,482,898	-	-	2,482,898
Accumulated Depreciation	1,629,805	113,218	-	1,743,023
Net Book Value	<u>\$ 853,093</u>			<u>\$ 739,875</u>

	September-07	Additions	Transfers	September-08
Land	\$ 68,000	\$ -	\$ -	\$ 68,000
Building	2,226,737		21,248	2,247,985
Furniture, Equipment - Dwelling	26,102		36,478	62,580
Furniture, Equipment - Administration	104,333			104,333
Construction in Process	57,726	259,560	(57,726)	259,560
Total Fixed Assets	2,482,898	\$ 259,560	\$ -	2,742,458
Accumulated Depreciation	1,743,023	\$ 119,028	\$ -	1,862,051
Net Book Value	<u>\$ 739,875</u>			<u>\$ 880,407</u>

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

NOTE 11- GRANTS RECEIVABLE - NON CURRENT

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 \$10,000,000. The Authority received a net amount of \$235,000. The funds received were deposited with the Wells Fargo Bank which is acting as the Trustee. All funds must be expended within a four year period. The Trustee must receive copies of all invoices prior to release of funds. The Trustee may only draw funds from HUD E-LOCCS for repayment of debt and related interest. The amount of HUD future CFP State Leveraging Program funds receivable at September 30, 2008 are as follows:

	September-08
HUD CFP Future Funds Receivable	\$ 225,808
Less Current Receivable	(5,000)
Net of Current Receivable	<u>\$ 220,808</u>

NOTE 12- OTHER ASSETS - NON CURRENT

During 2007, the Authority entered into a Capital Fund leveraging pool and incurred underwrites cost at the closing with the Capital Program Revenue Bonds. The leveraging cost is recorded as other assets and amortized over the life of the bond using the straight line method.

	September-08
Capital Fund Leveraging - Underwriter's Cost	\$ 12,937
Less Amortization - Underwriter's Cost	(1,033)
Net Book Value - Underwriter's Cost	<u>\$ 11,904</u>

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements

September 30, 2008

NOTE 13 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its balance sheet as of September 30, 2008 and 2007. 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 September 30, 2008 and 2007 in the amount of \$61,260 and \$64,815 respectively consist of the following:

	September-08	September-07
Accounts Payable Vendors	\$ 38,543	\$ 52,504
Accounts Payable - Other Government	22,717	12,311
Total Accounts Payable	<u>\$ 61,260</u>	<u>\$ 64,815</u>

NOTE 14 – 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 Town of Dover. 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.

	September-08	September-07
Pilot Expense September 2007	\$ 12,311	\$ 12,311
Pilot Expense September 2008	10,406	-
Total P.I.L.O.T. Payable	<u>\$ 22,717</u>	<u>\$ 12,311</u>

NOTE 15 – ACCRUED EXPENSES

The Authority reported accrued expenses on its balance sheet in the amount of \$5,626 for September 30, 2008 and \$1,055 for September 30, 2007. Accrued expenses are liabilities covering expenses incurred on or before September 30, and are payable at some future date. Accrued liabilities at September 30, 2008 and 2007 consist of the following:

	September-08	September-07
Compensated Absences - Current Portion	\$ 679	\$ 705
Accrued Payroll Taxes	492	350
Accrued Interest Payable	4,455	-
Total Accrued Liabilities	<u>\$ 5,626</u>	<u>\$ 1,055</u>

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

NOTE 16 – 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 unused vacation days with a maximum amount of forty percent (40%) of gross pay under the current personnel policy. Generally, unused vacation may be carried over for a twenty four month period and then must be used. In the event of separation from the Authority, the employee is eligible for compensation for any unused allowed vacation time earned in the year of separation.

For September 30, 2008 and 2007, the Authority has determined that the potential liability for accumulated vacation time, sick leave, and terminal pay to be as follows:

	September-08	September-07
Accumulated Sick Time	\$ 869	\$ 1,833
Accumulated Vacation Time	5,350	4,534
Accrued Payroll Taxes	565	687
Total	6,784	7,054
Compensated Absences - Current Portion	(679)	(705)
Total Compensated Absences - Noncurrent	\$ 6,105	\$ 6,349

The Authority's management estimated that ten percent (10%) is a reasonable amount for the current portion of accrued compensated absences.

NOTE 17 – LONG TERM DEBT

At September 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.

GASB Interpretation No. 2, "Disclosure of Conduit Debt Obligations," provided guidance as to the proper GAAP treatment of this HUD-guaranteed debt. The debt transactions between the Authority and HUD are similar to conduit debt obligations, which are "certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by the state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer" financial reporting entity.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements **September 30, 2008**

NOTE 17 – LONG TERM DEBT - CONTINUED

The transaction between the Authority and HUD is similar to HUD giving funds to the Authority to operate and the funds are a capital contribution. HUD has essentially made an investment in the Authority. Therefore, the liability was reclassified as a capital contribution. Since HUD is paying the obligations directly, the outstanding Long Term Debt balance at September 30, 2008 and 2007 could not be readily determined.

NOTE 18 – 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 \$235,000. 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 Town of Dover 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.

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.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

NOTE 18 – LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND - CONTINUED

The interest paid on the Bonds thru September 30, 2008 was \$11,978 which will be capitalized under construction in process cost. The interest payable for November 1, 2008 is \$5,346 and May 1, 2009 is \$5,346

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

September 30, 2009	\$ 5,000
September 30, 2010	10,000
September 30, 2011	10,000
September 30, 2012	10,000
September 30, 2013	10,000
Sub Total	45,000
Next Five Years Ending September, 2018	50,000
Next Five Years Ending September, 2023	70,000
Next Five Years Ending September, 2027	65,000
Total Capital Project Bonds	<u>\$ 230,000</u>

NOTE 19 – NON CURRENT LIABILITY - FSS ESCROW PAYABLE

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited. The bank account balance at September 30, 2008 is \$52,572. The bank account balance at September 30, 2007 is \$31,917.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

NOTE 20 – RESTRICTED NET ASSETS

The Authority Restricted Net Assets account balance at September 30, 2008 is \$467,660. The detail of the reserve account balances is as follows:

	HAP Reserve
September 30, 2005 HAP Reserves	\$ -
September 30, 2006 HAP Reserves	948
September 30, 2007 HAP Reserves	194,048
September 30, 2008 HAP Reserves	272,664
Balance September 30, 2008	<u>\$ 467,660</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 2007-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets during the year.

NOTE 21 – UNRESTRICTED NET ASSETS

The Authority Unrestricted Net Assets account balance at September 30, 2008 is \$962,352 and \$1,035,485 for 2007. The detail of the account balance is as follows:

	LIH Program	Housing Choice Voucher Program		
	Reserves	HAP Payments	Reserves	Total
Balance September 30, 2006	\$ 222,014	\$ 948	\$ 537,871	\$ 760,833
Increase During the Year	33,673	194,048	46,931	274,652
Balance September 30, 2007	255,687	194,996	584,802	1,035,485
Increase During the Year	62,531	272,664	59,332	394,527
Transfer Reserves	-	(467,660)		(467,660)
Balance September 30, 2008	<u>\$ 318,218</u>	<u>\$ -</u>	<u>\$ 644,134</u>	<u>\$ 962,352</u>

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements **September 30, 2008**

NOTE 21 – UNRESTRICTED NET ASSETS - CONTINUED

Housing Choice Voucher Program - Reserves

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

NOTE 22 – 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 September 30, 2008 and 2007, 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 senior building for the purpose of determining potential liability issues.

During the year ended September 30, 2008, the Authority did not reduce insurance coverage's from coverage levels in place as of September 30, 2007. No settlements have exceeded coverage levels in place during 2006, 2007, and 2008.

NOTE 23 - 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 September 30, 2008 and 2007 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 September 30, 2008 and 2007 were \$143,164 and \$110,012 respectively.

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements September 30, 2008

NOTE 23 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES - CONTINUED

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. The Authority is also eligible to receive reimbursement for preliminary expenses prior to lease up. . HUD contributions for the Housing Choice Voucher for September 30, 2008 were \$2,098,324. HUD contributions for the Housing Choice Voucher for September 30, 2007 were \$2,093,214.

NOTE 24 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

Total financial support by HUD was \$2,502,919 for the year ending September 30, 2008.

NOTE 25 - CONSTRUCTION COMMITMENTS

The Authority has obligated construction commitments, for the Authority assets for the Low Income Housing Program in the amount of \$116,263 for the Capital Fund Programs. These commitments are expected to be funded from existing Capital Fund Programs from HUD.

	Authorized	Obligated	Expended	Available Balance
Capital Fund Program P-501-05	\$ 66,494	\$ 66,494	\$ 8,297	\$ 58,197
Capital Fund Program P-501-06	58,819	13,000	-	58,819
Capital Fund Program P-501-07	61,986	33,769	4,500	57,486
Capital Fund Program P-501-08	65,423	3,000	-	65,423
Total Capital Fund Program	<u>\$ 252,722</u>	<u>\$ 116,263</u>	<u>\$ 12,797</u>	<u>\$ 239,925</u>

HOUSING AUTHORITY TOWN OF DOVER

Notes to Financial Statements **September 30, 2008**

NOTE 22 - CONTINGENCIES

Litigation – At September 30, 2008, the Authority was not involved in any threatened litigation.

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

HOUSING AUTHORITY TOWN OF DOVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDING SEPTEMBER 30, 2008

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

	<u>CFDA#</u>	<u>Expenditures</u>
<u>PHA Owned Housing</u>		
Low Rent Public Housing	14.850a	\$ 143,164
Public Housing Capital Fund Program	14.872	274,031
Subtotal		<u>417,195</u>
 Rental Assistance Housing Programs		
Housing Choice Vouchers	14.871	M <u>2,161,093</u>
Subtotal		<u>2,161,093</u>
 Total Awards		 <u><u>\$ 2,578,288</u></u>

M = Major Programs

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority Town of Dover. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2. Loans Outstanding:

Housing Authority Town of Dover had Capital Project Bonds payable in the amount of \$235,000, outstanding at September 30, 2008. See Note 18 on page 32 of this report for full detail.

Note 3. Sub recipients:

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

**HOUSING AUTHORITY TOWN OF DOVER
BUDGETARY COMPARISON SCHEDULE
LOW INCOME HOUSING PROGRAM
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 244,035	\$ 222,291	\$ 21,744
HUD PHA Operating Grants	143,164	127,132	16,032
Other Revenue	28,879	26,050	2,829
Total Revenue	416,078	375,473	40,605
Operating Expenses:			
Administration:			
Administrative Salaries	47,764	49,447	1,683
Audit Fee's	4,028	3,800	(228)
Compensated Absences	(649)	1,000	1,649
Employee Benefit Contributions	28,379	22,727	(5,652)
Other Operating Administrative Expenses	30,218	45,370	15,152
Total Administrative Expenses	109,740	122,344	12,604
Tenant Services:			
Tenant Services Salaries	-	-	-
Employee Benefit Contributions	-	-	-
Tenant Services Other	1,350	1,000	(350)
Total Tenant Services	1,350	1,000	(350)
Utilities:			
Water	9,155	10,630	1,475
Electricity	126,471	98,080	(28,391)
Total Utilities	135,626	108,710	(26,916)
Maintenance:			
Maintenance Labor	7,427	7,193	(234)
Materials	5,298	5,500	202
Maintenance Contract Cost	59,084	30,175	(28,909)
Employee Benefit Contributions	4,241	3,103	(1,138)
Total Maintenance	76,050	45,971	(30,079)
Protective Services:			
Protective Services - Other Cost	2,750	-	(2,750)
Total Protective Services	2,750	-	(2,750)
Other Operating Expenses:			
Insurance	29,053	25,850	(3,203)
Extraordinary Maintenance	16,189	62,000	45,811
Payment in Lieu of Taxes	10,406	11,358	952
Total Other Operating Expenses	55,648	99,208	43,560
Total Operating Expenses	381,164	377,233	(3,931)
Excess Revenue Over Expenses From Operations	34,914	(1,760)	36,674
Other Income and (Expenses):			
Investment Income - Unrestricted	13,617	1,800	11,817
Transfer In	14,000	14,000	-
Total Other Income and (Expenses)	27,617	15,800	11,817
Excess Revenue over Expenses (Loss)	\$ 62,531	\$ 14,040	\$ 48,491

See accompanying notes to the financial statements.

**HOUSING AUTHORITY TOWN OF DOVER
BUDGETARY COMPARISON SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	\$ 1,863,435	\$ 19,830,296	\$ (17,966,861)
Ongoing Administrative Fees Earned	297,658	215,712	81,946
Fraud Recovery	13,691	-	13,691
Other Income	20,722	-	20,722
Total Revenue	2,195,506	20,046,008	(17,850,502)
Operating Expenses:			
Administration:			
Administrative Salaries	35,408	39,563	4,155
Audit Fee's	3,888	3,800	(88)
Compensated Absences	379	1,750	1,371
Employee Benefit Contributions	18,207	17,753	(454)
Other Operating Administrative Expenses	63,871	18,390	(45,481)
Total Administrative Expenses	121,753	81,256	(40,497)
Tenant Services:			
Tenant Services Salaries	62,769	39,848	(22,921)
Employee Benefit Contributions	32,368	17,880	(14,488)
Total Tenant Services	95,137	57,728	(37,409)
Other Operating Expenses:			
Other General Expenses	54,822	14,000	(40,822)
Housing Assistance Payments	1,843,127	19,830,296	17,987,169
Total Other Operating Expenses	1,897,949	19,844,296	17,946,347
Total Operating Expenses	2,114,839	19,983,280	17,868,441
Excess Revenue Over Expenses From Operations	80,667	62,728	17,939
Other Income and (Expenses):			
Investment Income - Unrestricted	12,664	-	12,664
Total Other Income and (Expenses)	12,664	-	12,664
Excess Revenue over Expenses (Loss)	\$ 93,331	\$ 62,728	\$ 30,603

See accompanying notes to the financial statements.

**HOUSING AUTHORITY TOWN OF DOVER
CAPITAL PROJECT LEVERAGING PROGRESS REPORT
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

CAPITAL PROJECT WORK ITEM	PROJECTED COST	FUNDS OBLIGATED	FUNDS EXPENDED
Bond Leveraging Fees	\$ 12,937	\$ 12,937	\$ 12,937
Administration	-	-	-
A & E Fee's	7,875	7,875	7,875
Moderization Cost	214,188	214,188	218,478
Total Capital Project	<u>\$ 235,000</u>	<u>\$ 235,000</u>	<u>\$ 239,290</u>

Reconciliation of Debt Service Account

Balance September 30, 2007	\$ -
Bond Proceeds Received	226,353
Plus Interest Earned Thru September 30, 2008	5,570
Total Funds Available	<u>\$ 231,923</u>
Less Disbursement Made during the Year	<u>(226,353)</u>
Balance September 30, 2008	<u>\$ 5,570</u>

See accompanying notes to the financial statements.



Hymanson, Parnes & Giampaolo

Certified Public Accountants

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467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

**INDEPENDENT AUDITORS REPORT INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENTAL AUDITING STANDARDS
(No Reportable Instances of Noncompliance and No Material Weaknesses)**

Board of Commissioners
Housing Authority Town of Dover
215 East Blackwell Street
Dover, New Jersey 07801

We have audited the financial statements of Housing Authority Town of Dover as of and for the year ended September 30, 2008 and have issued our report thereon dated February 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Housing Authority Town of Dover'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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority Town of Dover's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Housing Authority Town of Dover'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*.

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

Hymanson, Parnes & Giampaolo

Date: February 4, 2009



Hymanson, Parnes & Giampaolo

Certified Public Accountants

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**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Unqualified Opinion on Compliance, No Material Weaknesses and
No Reportable Conditions Identified)**

Board of Commissioners
Housing Authority Town of Dover
215 East Blackwell Street
Dover, New Jersey 07801

Compliance

We have audited the compliance of Housing Authority Town of Dover with the types of compliance requirements described in the U.S. Office of Management and Budgets (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2008. Authority's major federal programs are identified in the summary of the auditors result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, Housing Authority Town of Dover complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended September 30, 2008. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned cost.

Internal Control Over Compliance

The management of the Housing Authority Town of Dover is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in Housing Authority Town of Dover 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 noncompliance with a type of compliance requirement of the federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not prevent or detect by the Authority's internal control.

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

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

Hymanson, Parnes & Giampaolo

Date: February 4, 2009

HOUSING AUTHORITY TOWN OF DOVER

Schedule of Findings and Questioned Cost Year Ended September 30, 2008

Prior Audit Findings

None reported

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statement of Housing Authority Town of Dover.
2. No significant deficiencies relating to the audit of the financial statements are reported in the REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS.
3. No instances of noncompliance material to the financial statements of Housing Authority Town of Dover were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the Housing Choice Voucher Program expressed a Unqualified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program tested as major program were Housing Choice Voucher Program, CFDA#14.871 with expenditures of \$2,161,093.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Housing Authority Town of Dover qualify as a low risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported