

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)**

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Berkeley Housing Authority as of and for the year ended December 31, 2012, and have issued our report thereon dated May 14, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

May 14, 2013
Toms River, New Jersey

Fallon & Larsen LLP

**BERKELEY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Federal and State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditures</u>
U.S. Department of Housing and Urban Development:		
Section 8 New Construction / Substantial Rehabilitation Program	14.182	\$ 1,054,498
Low Rent Public Housing	14.850	215,156
Housing Choice Vouchers	14.871	324,932
Public Housing Capital Fund Program	14.872	<u>79,431</u>
		<u>\$ 1,674,017</u>

**BERKELEY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Berkeley Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, 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 basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribes, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3. SUBRECIPIENTS

The Authority was not a subrecipient of any federal awards and did not pass-through any federal awards to subrecipients.

NOTE 4. NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2012.

**BERKELEY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012**

I. Summary of Auditor's Results

Financial Statement Section

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| | a. Material Weakness(es) identified? | No |
| | b. Were significant deficiencies identified not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | |
|----|--|------------|
| 1. | Dollar threshold used to determine Type A Programs: | \$300,000 |
| 2. | Auditee qualified as low-risk Auditee? | Yes |
| 3. | Type of auditor's report on compliance for major programs: | Unmodified |
| 4. | Internal Control over compliance: | |
| | a. Material weakness(es) identified? | No |
| | b. Were significant deficiencies not considered to be material weaknesses? | No |
| | c. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) ? | No |
| 5. | Identification of major programs: | |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.182	Section 8 NC / SR Program

BERKELEY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
DECEMBER 31, 2012

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

IV. Schedule of Prior Year Audit Findings

None.

**BERKELEY HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>501-10</u>	<u>501-11</u>	<u>501-12</u>	<u>Totals</u>
Budget	\$ <u>102,467</u>	\$ <u>85,137</u>	\$ <u>78,431</u>	\$ <u>266,035</u>
<u>Advances:</u>				
Cumulative through 12/31/2011	\$ 100,540	\$ 15,660	\$ -	\$ 116,200
Current year	<u>1,927</u>	<u>60,447</u>	<u>2,340</u>	<u>64,714</u>
Cumulative through 12/31/2012	<u>102,467</u>	<u>76,107</u>	<u>2,340</u>	<u>180,914</u>
<u>Costs:</u>				
Cumulative through 12/31/2011	100,540	15,660	-	116,200
Current year	<u>1,927</u>	<u>69,477</u>	<u>8,028</u>	<u>79,432</u>
Cumulative through 12/31/2012	<u>102,467</u>	<u>85,137</u>	<u>8,028</u>	<u>195,632</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>(9,030)</u>	\$ <u>(5,688)</u>	\$ <u>(14,718)</u>
 <u>Summary</u>				
<u>Soft Costs:</u>				
Cumulative through 12/31/2011	\$ 88,239	\$ 15,660	\$ -	\$ 103,899
Current year	<u>1,927</u>	<u>67,677</u>	<u>6,028</u>	<u>75,632</u>
Cumulative through 12/31/2012	<u>90,166</u>	<u>83,337</u>	<u>6,028</u>	<u>179,531</u>
<u>Hard Costs:</u>				
Cumulative through 12/31/2011	12,301	-	-	12,301
Current year	<u>-</u>	<u>1,800</u>	<u>2,000</u>	<u>3,800</u>
Cumulative through 12/31/2012	<u>\$ 12,301</u>	<u>\$ 1,800</u>	<u>\$ 2,000</u>	<u>\$ 16,101</u>
Cumulative	\$ <u>102,467</u>	\$ <u>85,137</u>	\$ <u>8,028</u>	\$ <u>195,632</u>

Berkeley Housing Authority						
N.F.056						
Financial Data Schedule (FDS)						
December 31, 2012						
Line Item #	Account Description	Projects	Housing Choice Vouchers	N/C S/R Section 8 Programs	Eliminations	Total
ASSETS:						
CURRENT ASSETS:						
Cash:						
111	Cash - unrestricted	\$ 324,636	\$ 63,475	\$ 171,985	\$ -	\$ 560,096
112	Cash - restricted - modernization and development	-	-	-	-	-
113	Cash - other restricted	218,567	71,605	-	-	290,172
114	Cash - tenant security deposits	31,084	-	-	-	31,084
115	Cash - restricted for payment of current liabilities	-	-	-	-	-
100	Total cash	574,287	135,080	171,985	-	881,352
Accounts and notes receivables:						
121	Accounts receivable - PHA projects	-	-	-	-	-
122	Accounts receivable - HUD other projects	14,718	-	-	-	14,718
123	Accounts receivable - other government	-	-	-	-	-
124	Accounts receivable - miscellaneous	-	-	-	-	-
125	Accounts receivable - tenants	4,969	-	-	-	4,969
126.1	Allowance for doubtful accounts - tenants	(2,484)	-	-	-	(2,484)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-
127	Notes and mortgages receivable - current	-	-	-	-	-
128	Fraud recoveries	2,364	-	-	-	2,364
128.1	Allowance for doubtful accounts - fraud	(1,182)	-	-	-	(1,182)
129	Accrued interest receivable	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	18,385	-	-	-	18,385
Current investments:						
131	Investments - unrestricted	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	-	-
143	Inventories	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-
144	Interprogram - due from	16,800	-	-	(16,800)	-
145	Assets held for sale	-	-	-	-	-
130	TOTAL CURRENT ASSETS	609,472	135,080	171,985	(16,800)	899,737
NONCURRENT ASSETS:						
Fixed assets:						
161	Land	31,000	-	-	-	31,000
162	Buildings	4,562,245	-	-	-	4,562,245
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-
164	Furniture, equipment & machinery - administration	143,883	-	-	-	143,883
165	Leasehold improvements	542,330	-	-	-	542,330
166	Accumulated depreciation	(3,947,152)	-	-	-	(3,947,152)
167	Construction in Progress	12,301	-	-	-	12,301
168	Infrastructure	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	1,344,607	-	-	-	1,344,607
Other non-current assets:						
171	Notes and mortgages receivable - non-current	-	-	-	-	-
172	Notes and mortgages receivable - non-current - past due	-	-	-	-	-
174	Other assets	-	-	-	-	-
175	Undistributed debits	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	1,344,607	-	-	-	1,344,607
180	TOTAL ASSETS	\$ 1,954,079	\$ 135,080	\$ 171,985	\$ (16,800)	\$ 2,261,344

Berkeley Housing Authority						
N4056						
Financial Data Schedule (FDS)						
December 31, 2012						
Line Item #	Account Description	Projects	Housing Choice Vouchers	N/C S/R Section 8 Programs	Eliminations	Total
LIABILITIES AND EQUITY						
Liabilities:						
Current Liabilities:						
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable ≤ 90 days	-	-	-	-	-
313	Accounts payable > 90 days past due	28,096	-	-	-	28,096
321	Accrued wage/payroll taxes payable	2,499	-	-	-	2,499
322	Accrued compensated absences - current portion	45,392	-	-	-	45,392
324	Accrued contingency liability	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-
333	Accounts payable - other government	5,917	-	-	-	5,917
341	Tenant security deposits	31,084	-	-	-	31,084
342	Deferred revenue	778	-	-	-	778
343	Current portion of L-T debt - capital projects	15,000	-	-	-	15,000
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-
346	Accrued liabilities - other	-	-	-	-	-
347	Interprogram - due to	-	4,800	12,000	(16,800)	-
310	TOTAL CURRENT LIABILITIES	128,766	4,800	12,000	(16,800)	145,566
NONCURRENT LIABILITIES:						
351	Long-term debt, net of current - capital projects	305,000	-	-	-	305,000
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-
353	Non-current liabilities- other	-	-	-	-	-
354	Accrued compensated absences - (noncurrent)	56,052	-	-	-	56,052
355	Loan Liability - Non Current	-	-	-	-	-
356	PASB's Liabilities	-	-	-	-	-
357	Accrued pension and OPEB liabilities	-	-	-	-	-
350	TOTAL NONCURRENT LIABILITIES	361,052	-	-	-	361,052
300	TOTAL LIABILITIES	489,818	4,800	12,000	(16,800)	506,618
EQUITY:						
508.1	Invested in Capital Assets, Net of Related Debt	1,024,607	-	-	-	1,024,607
511.1	Restricted Net Assets	215,618	71,608	-	-	287,226
512.1	Unrestricted Net Assets	254,036	58,675	150,385	-	463,096
513	TOTAL EQUITY	1,494,261	130,283	150,385	-	1,774,929
600	TOTAL LIABILITIES AND EQUITY	\$ 1,954,079	\$ 135,083	\$ 171,985	\$ (16,800)	\$ 2,244,344
Proof of concept						

Berkeley Housing Authority							
NJ056							
Financial Data Schedule (FDS)							
December 31, 2012							
Line Item #	Account Description	Operating Fund Program	Capital Fund Program	Housing Choice Vouchers	N/C B/R Section 8 Programs	Eliminations	Total
REVENUE							
70300	Net tenant rental revenue	\$ 298,338	\$ -	\$ -	\$ -	\$ -	\$ 298,338
70400	Tenant revenue - other	20,349	-	-	-	-	20,349
70500	Total tenant revenue	318,687	-	-	-	-	318,687
70600	HUD PIA grants	213,156	75,631	466,439	1,044,498	-	1,611,724
70610	Capital grants	-	3,800	-	-	-	3,800
70660	Other government grants	-	-	-	-	-	-
71100	Investment income - unrestricted	21	-	-	-	-	21
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-
71400	Federal recovery	-	-	2,384	-	-	2,384
71400	Other revenue	(2,707)	-	73,238	-	-	84,935
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-
70000	TOTAL REVENUE	546,701	79,431	541,049	1,054,498	-	2,021,679
EXPENSES							
Administrative							
91100	Administrative salaries	8,164	4,813	16,800	40,000	-	137,978
91200	Auditing fees	7,901	-	500	500	-	8,900
91300	Outside management fees	-	-	-	-	-	-
91310	Book-keeping fee	-	-	-	-	-	-
91400	Advertising and marketing	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	27,133	-	4,200	15,000	-	46,333
91600	Office expenses	22,780	-	1,000	5,564	-	31,344
91700	Legal expenses	16,899	-	1,200	1,200	-	19,299
91800	Travel	1,346	-	-	-	-	1,346
91810	Allocated overhead	-	-	-	-	-	-
91900	Other	(4,024)	14,300	1,800	2,400	-	33,534
92000	Asset Management Fee	-	-	-	-	-	-
Tenant services							
92100	Tenant services - salaries	10,000	-	-	-	-	10,000
92200	Retirement costs	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	4,024	-	-	-	-	5,024
92400	Tenant services - other	922	-	-	-	-	922
Utilities							
93100	Water	20,619	-	-	-	-	20,619
93200	Electricity	54,533	-	-	-	-	54,533
93300	Gas	49,671	-	-	-	-	49,671
93400	Fuel	-	-	-	-	-	-
93500	Labor	73,622	-	-	-	-	73,622
93600	Sewer	24,424	-	-	-	-	24,424
93700	Employee benefit contributions- utilities	31,181	-	-	-	-	31,181
93800	Other utilities expense	-	-	-	-	-	-
Ordinary maintenance & operation							
94100	Ordinary maintenance and operations - labor	97,819	8,131	-	-	-	100,152
94200	Ordinary maintenance and operations - materials & other	29,061	-	-	-	-	29,061
94300	Ordinary maintenance and operations - contract costs	14,181	10,564	-	-	-	30,915
94800	Employee benefit contributions- ordinary maintenance	37,181	-	-	-	-	37,181
Protective services							
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services - other contract costs	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-
95800	Employee benefit contributions- protective services	-	-	-	-	-	-

Berkeley Housing Authority							
NJ056							
Financial Data Schedule (FDS)							
December 31, 2012							
Line Item #	Account Description	Operating Fund Program	Capital Fund Program	Housing Choice Vouchers	N/C S/R Section # Program	Elimination	Total
	General expenses						
96100	Insurance premiums	27,107	-	1,800	2,400	-	31,307
96200	Other general expenses	-	-	-	-	-	-
96210	Compensated absences	4,606	-	-	-	-	4,606
96300	Payments in lieu of taxes	4,917	-	-	-	-	4,917
96400	Bad debt - former tenants	2,803	-	-	-	-	2,803
96500	Bad debt - mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96700	Interest expense	15,612	-	-	-	-	15,612
96710	Amortization of bond issue costs	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
96900	TOTAL OPERATING EXPENSES	646,080	43,019	29,300	74,064	-	812,464
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(109,379)	34,412	311,749	979,433	-	1,216,215
97100	Extraordinary maintenance	14,080	-	-	-	-	14,080
97200	Casualty losses - non capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	228,492	983,239	-	1,211,731
97350	HAP Portability - in	-	-	67,140	-	-	67,140
97400	Depreciation expense	135,954	-	-	-	-	135,954
97500	Food losses	-	-	-	-	-	-
97600	Dwelling units rent expense	-	-	-	-	-	-
99990	TOTAL EXPENSES	806,034	43,019	324,932	1,059,704	-	2,234,289
	OTHER FINANCING SOURCES (USES)						
10010	Operating transfers in	34,412	-	-	-	-	34,412
10020	Operating transfers out	-	(34,412)	-	-	-	(34,412)
10030	Operating transfers from/to primary government	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-
10091	Inter Project excess cash transfer in	-	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-	-
10093	Transfer between program and project in	-	-	-	-	-	-
10094	Transfer between program and project out	-	-	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	34,412	(34,412)	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(244,921)	-	16,117	(7,866)	-	(216,610)
	MEMO ACCOUNT INFORMATION:						
11020	Required annual debt principal payments	-	15,000	-	-	-	15,000
11030	Beginning equity	1,758,756	12,301	114,161	163,701	-	2,048,919
11040	Prior period adjustments and equity transfers	(81,875)	-	-	-	-	(81,875)
11170	Administrative fee equity	-	-	58,875	-	-	58,875
11180	Housing assistance payments equity	-	-	71,615	-	-	71,615
11190	Unit rental available	840	-	307	1,200	-	2,347
11210	Number of unit rentals leased	835	-	296	1,200	-	2,331
	Equity Roll Forward Test:						
	Calculation from R/E Statement	\$ 1,464,261	\$ -	\$ 130,280	\$ 159,985	\$ -	\$ 1,754,526
	(D/S Line 51)	\$ 1,464,261	\$ -	\$ 130,280	\$ 159,985	\$ -	\$ 1,754,526
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -