

MANAGEMENT LETTER AUDIT PERIOD ENDED SEPTEMBER 30, 2025

June 8, 2026

Mr. Charles Matthew Bailey, Executive Director
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079

Dear Matt,

We have completed our audit of the financial statements of the Housing Authority of the City of Salem for the year ended September 30, 2025. Our report thereon, dated May 8, 2026, is attached to this letter. We have also completed the Housing Authority of the City of Salem portion of the single audit for the year ended September 30, 2025. The federal program tested as a major program for the Housing Authority of the City of Salem was the Public Housing Capital fund Program.

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Housing Authority of the City of Salem, which comprise the statement of financial position as of September 30, 2025, and the respective changes in financial position, and cash flows for the year then ended, and notes to the financial statements.

We do not express an opinion on the accompanying financial statements of the Housing Authority of the City of Salem. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Management has not provided us with a written representation letter as required by auditing standards. Such a letter is necessary to confirm certain oral representations made to us during the audit and to support other audit evidence obtained. In the prior year there were two cases of litigation, and we could not obtain the status of those cases. Because of the absence of this representation, we were unable to obtain sufficient appropriate audit evidence regarding management's assertions underlying the financial statements. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts and disclosures.

Compliance

We conducted our audit of compliance in accordance with generally accepted auditing standards accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and OMB Circular required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Salem'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.

Matters Giving Rise to Qualified Opinion Public Housing Capital Fund Program

As described in the accompanying schedule of findings and questioned costs, the Housing Authority of the City of Salem did not comply with requirements regarding described in finding numbers:

Finding#	CFDA #	Program Name	Compliance Requirement
2025-001	14.872	Public Housing Capital Fund Program	Procurement

Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of Salem to comply with the requirements applicable to that program.

Qualified Opinion on Public Housing Capital Fund Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Housing Authority of the City of Salem, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Public Housing Capital Fund Program for the year ended September 30, 2025.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we have considered to be a material weakness.

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

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2025-001** to be material weaknesses.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

This report by nature focuses on exceptions, weaknesses, and problems. This should not be understood to mean there are not also various strengths and accomplishments. Our consideration of the internal control over administration of federal programs would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended solely for the information and use of Housing Authority of the City of Salem and is not intended to be and should not be used by anyone other than this specified party.

We appreciate the courtesy and assistance extended to us by the personnel of Housing Authority of the City of Salem during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please call.

Sincerely,

Anthony Giampaolo

Anthony Giampaolo, CPA
Giampaolo & Associates

Report On Audit

**HOUSING AUTHORITY OF THE
CITY OF SALEM**

**For the Year Ended
September 30, 2025**

Housing Authority of the City of Salem

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**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

Management of the Housing Authority of the City of Salem (the Authority) presents the following discussion and analysis, which is supplementary information required by the Governmental Accounting Standards Board (GASB). This section is intended to provide readers with a clear and understandable overview of the information contained in the accompanying financial statements.

The Management's Discussion and Analysis focus on the Authority's current activities, resulting in changes, and known facts at the time of preparation. Because this discussion is necessarily summarized, readers are encouraged to review the financial statements and accompanying footnotes in their entirety—beginning on page 19 of this report—to gain a more comprehensive understanding of the Authority's financial position.

We encourage readers to consider this discussion in conjunction with the Authority's financial statements and related disclosures presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

At the close of the most recent fiscal year, the Authority's assets exceeded its liabilities by \$3,078,101, reflecting a decrease of \$320,602 (9%) compared with the prior year.

As of September 30, 2025, the Authority reported a total net position of \$3,078,101. Of this amount, the unrestricted net position reflected a deficit of \$659,609, representing an increase in the deficit of \$504,302 (325%) from the prior year. Additional details regarding unrestricted net position are provided in Note 20 to the financial statements included in this report.

The Authority's net investment in capital assets increased by \$177,718 (5%), resulting in an ending balance of \$3,729,748. This increase was primarily driven by the acquisition of fixed assets totaling \$463,992, offset by \$396,274 in depreciation expense. In addition, the Authority made \$110,000 in debt principal payments during the fiscal year.

The restricted net position increased by \$5,982 (302%), ending the year at \$7,962. Further information related to restricted net position can be found in Note 19 to the financial statements.

Cash and Asset Position

As of September 30, 2025, the Authority reported total cash and cash equivalents of \$295,666, representing a decrease of \$732,686 (71%) from the prior fiscal year. Operating cash declined by \$740,800 (73%), ending the year at \$274,267, while restricted deposits and funded reserves increased by \$8,114 (61%), for an ending balance of \$21,399. Additional details are presented in the Statement of Cash Flows (pages 22–23) of this report.

Total assets and deferred outflows amounted to \$4,781,517, of which \$3,784,748 represents net book value of capital assets, and \$325,064 represents deferred outflows of resources. The remaining \$671,705 consists of total current assets.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current assets declined by \$623,619 (48%) compared with the prior year. This change was driven by a \$740,800 decrease in unrestricted cash and cash equivalents, partially offset by increases in restricted cash (\$8,114), accounts receivable (\$106,667), and prepaid expenses (\$2,400).

Net capital assets increased by \$67,718 (2%), reflecting capital purchases of \$463,992, net of \$396,274 in depreciation. Additional details regarding capital outlays are included in Note 8 – Fixed Assets to the financial statements.

Deferred Outflows and Liabilities

Deferred outflows related to pension costs decreased by \$85,016 (21%), resulting in an ending balance of \$325,064. Deferred inflows associated with pension costs declined by \$68,980 (8%), ending the year at \$757,307. Further details related to pension reporting requirements are disclosed in Note 9 – Deferred Outflows/Inflows of Resources.

Total liabilities at year-end were \$946,109, consisting of \$191,831 in current liabilities and \$754,278 in noncurrent liabilities. Overall liabilities decreased by \$251,335 (21%) compared with the prior year.

Current liabilities declined by \$105,436 (35%), reflecting decreases in accrued liabilities (\$52,369), unearned revenue (\$5,152), and the current portion of bonds payable (\$55,000), partially offset by increases in accounts payable (\$6,933) and tenant security deposits (\$152).

Noncurrent liabilities decreased by \$145,899 (16%), primarily due to a \$55,000 reduction in noncurrent bonds payable. Long-term compensated absences increased by \$9,888, resulting in an ending balance of \$25,733.

Accrued pension and OPEB liabilities decreased by \$100,787 (12%), resulting in an ending balance of \$728,545. Additional information regarding the impact of GASB Statements No. 68 and No. 75 can be found in Notes 16 and 17 to the financial statements.

Operating Results

Total operating revenue for the fiscal year was \$2,171,492, representing a decrease of \$626,676 (22%) from the prior year. Total operating expenses increased to \$2,992,705, an increase of \$451,914 (18%) compared with the previous year. As a result, the Authority reported a net operating loss of \$821,213, compared to a net operating income of \$257,377 in the prior year—an unfavorable change of \$1,078,590 (419%), after consideration of depreciation expense.

Capital improvement contributions from HUD totaled \$409,656, reflecting an increase of \$130,316 (47%) from the prior year. During the year, the Authority incurred \$463,992 in capital outlays and made \$110,000 in principal payments on capital bonds. Additional information regarding capital activity is included in Note 8 – Fixed Assets.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority's Expenditures of Federal Awards totaled \$1,972,870 for fiscal year 2025, compared with \$2,344,848 in fiscal year 2024, representing a decrease of \$371,978 (16%).

USING THIS ANNUAL REPORT

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

1. Public and Indian Housing Program
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report, with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 19 through 23.

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

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION – CONTINUED

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

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 24 through 61.

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 68-69 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION – CONTINUED

The Schedule of Expenditures of Federal Awards -Continued

- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of Salem are those which equal or exceeded \$1,000,000 in expenditures for the fiscal year ended September 30, 2025. Type B programs for the Housing Authority of the City of Salem are those which are less than \$1,000,000 in expenditures for the fiscal year ended September 30, 2025.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between September 30, 2025, and September 30, 2024:

Computations of Net Position are as follows:

	<u>Year Ended</u>		<u>Increase</u>	
	<u>September-25</u>	<u>September-24</u>	<u>(Decrease)</u>	<u>% Change</u>
Cash	\$ 295,666	\$ 1,028,352	\$ (732,686)	-71%
Other Current Assets	376,039	266,972	109,067	41%
Capital Assets - Net	3,784,748	3,717,030	67,718	2%
Deferred Outflows	325,064	410,080	(85,016)	-21%
Total Assets	4,781,517	5,422,434	(640,917)	-12%
Less: Current Liabilities	(191,831)	(297,267)	105,436	-35%
Less: Non Current Liabilities	(754,278)	(900,177)	145,899	-16%
Less: Deferred Inflows	(757,307)	(826,287)	68,980	-8%
Net Position	<u>\$ 3,078,101</u>	<u>\$ 3,398,703</u>	<u>\$ (320,602)</u>	<u>-9%</u>
Net Investment in Capital Assets	\$ 3,729,748	\$ 3,552,030	\$ 177,718	5%
Restricted Net Position	7,962	1,980	5,982	302%
Unrestricted Net Position	(659,609)	(155,307)	(504,302)	325%
Net Position	<u>\$ 3,078,101</u>	<u>\$ 3,398,703</u>	<u>\$ (320,602)</u>	<u>-9%</u>

Total cash decreased by \$732,686 or 71%. Net cash used by operating activities was \$584,594, net cash used by capital and related financing activities was \$148,458, and net cash provided by investing activities was \$366. The full details of this amount can be found in the Statement of Cash Flows on pages 22-23 of this audit report.

Other current assets increased \$109,067 or 41%. Accounts receivable increased \$106,667 or 54%, and prepaid expenses increased \$2,400 or 4%.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

Capital assets reported an increase in the netbook value of the capital assets in the amount of \$67,718 or 2%. The major factor that contributed to the increase was the purchase of fixed assets in the amount of \$463,992, less the recording of depreciation expense in the amount of \$396,274. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$85,016 or 21% for an ending balance of \$325,064. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of \$68,980 or 8% for an ending balance of \$757,307. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

The Authority's total current liabilities decreased from the previous year by \$105,436 or 35%. Accounts payable increased by \$6,933, accrued liabilities decreased by \$52,369, tenant security deposit liability increased by \$152, unearned revenue decreased by \$5,152, and the current portion of bonds payable decreased by \$55,000.

Total noncurrent liabilities decreased by \$145,899 or 16%. Bonds payable – noncurrent decreased in the amount of \$55,000, and long-term obligations for compensated absences increased in the amount of \$9,888 for an ending balance of \$25,733.

Accrued pension and OPEB liabilities decreased \$100,787 or 12% for an ending balance of \$728,545. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities on September 30, 2025, can be found in Notes 16-17 to the financial statements, which is included in this report.

The Authority's reported net position of \$3,078,101 is made up of three categories. The net investment in capital assets in the amount of \$3,729,748 represents a majority of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

The schedule below reflects the activity in the net investment in capital assets account for the current fiscal year:

Balance September 30, 2024	\$ 3,552,030
Acquisition in Fixed Assets	463,992
Depreciation Expense	(396,274)
Debt Payment	110,000
Balance September 30, 2025	<u>\$ 3,729,748</u>

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported a restricted net position of \$7,962, representing an increase of \$5,982 or 302% from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The account balance consists of the amount of cash that is restricted for the capital fund leveraging program. Additional information on these funds can be found in Note 4 Restricted Cash and Note 19 Restricted Net Position.

The Housing Authority of the City of Salem operating results for September 30, 2025, reported a decrease in unrestricted position of \$504,302 for an ending deficit balance of (\$659,609). Full details of these accounts can be found in the Notes to the Financial Statements Section Note – 20 Unrestricted Net Position.

The following summarizes the changes in Net Position between September 30, 2025, and September 30, 2024:

	<u>Year Ended</u>		<u>Increase</u>	
	<u>September-24</u>	<u>September-24</u>	<u>(Decrease)</u>	<u>% Change</u>
<u>Revenues</u>				
Tenant Revenues	\$ 457,600	\$ 492,422	\$ (34,822)	-7%
HUD Subsidies	1,563,214	2,065,508	(502,294)	-24%
Other Revenues	150,678	240,238	(89,560)	-37%
Interest Income	214	254	(40)	-16%
Total Operating Income	<u>2,171,706</u>	<u>2,798,422</u>	<u>(626,716)</u>	<u>-22%</u>
<u>Expenses</u>				
Operating Expenses	2,596,431	2,184,687	411,744	19%
Depreciation Expense	396,274	356,104	40,170	11%
Total Operating Expenses	<u>2,992,705</u>	<u>2,540,791</u>	<u>451,914</u>	<u>18%</u>
Operating (Loss)				
Before Capital Grants	(820,999)	257,631	(1,078,630)	-419%
HUD Capital Grants	409,656	279,340	130,316	47%
Increase in Net Position	<u>(411,343)</u>	<u>536,971</u>	<u>(948,314)</u>	<u>-177%</u>
Net Position Prior Year	3,398,703	2,824,571	574,132	20%
Prior Period Adjustment	90,741	37,161	53,580	144%
Total Net Position	<u>\$ 3,078,101</u>	<u>\$ 3,398,703</u>	<u>\$ (320,602)</u>	<u>-9%</u>

Approximately 72% of the Authority's total operating revenue was provided by HUD operating subsidy, while 21% resulted from tenant revenue. Charges for various services provided the remaining 7% of the total operating income.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total capital improvement contributions from HUD totaled \$409,656, an increase of \$130,316 (47%) compared to \$279,340 in the prior year. During the fiscal year, the Authority incurred \$463,992 in capital outlays and made \$110,000 in principal payments on capital bonds. The remaining funding requirements were supported through management's reserves. Capital additions completed during the year included roof replacements, lighting upgrades, sump pump replacement, new ranges and refrigerators, bathroom toilet replacements, and various building repairs.

The Authority's operating expenses encompass a broad range of cost categories. Maintenance expenses represented the largest portion, accounting for 26% of total operating expenses. Utility expenses comprised 23%, administrative expenses 16%, housing assistance payments 11%, and other operating expenses 10%. Depreciation expense accounted for the remaining 13%, while interest expense represented less than 1% of total operating expenses.

Operating expenses exceeded operating revenues during the fiscal year, resulting in an operating loss of \$821,213, compared to an operating surplus of \$257,377 in the prior year. This represents a year-over-year decline in operating results of \$1,078,590. Key factors contributing to this decrease are outlined below:

- Tenant rental income declined by \$34,822 (7%).
- HUD-funded operating grants decreased by \$502,294 (24%).
- Other revenue declined by \$89,560 (37%), primarily due to reduced portability income and lower insurance proceeds.
- Interest expense decreased by \$5,170 (44%), partially offsetting revenue declines.

These revenue and expense reductions were outweighed by increases in multiple operating cost categories, including:

- Administrative expenses, which increased by \$143,943 (45%)
- Maintenance expenses, which increased by \$140,022 (22%)
- Utility expenses, which rose by \$67,472 (11%)
- Housing Assistance Payments, which increased by \$49,539 (18%)
- Depreciation expense, which increased by \$40,170 (11%)
- Other operating expenses, which increased by \$15,938 (6%)

Net cash used in operating activities totaled \$584,594 for the fiscal year. Additional details regarding operating cash flows are provided in the Statement of Cash Flows on pages 22-23 of this report.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four-year period of time ending on September 30, 2025:

	September-25	September-24	September-23	September-22
Significant Income				
Total Tenant Revenue	\$ 457,600	\$ 492,422	\$ 501,701	\$ 515,488
HUD Operating Grants	1,563,214	2,065,508	2,097,141	1,688,637
HUD Capital Grants	409,656	279,340	368,575	434,722
Investment Income	214	254	272	68
Other Income	150,678	240,238	37,584	68,499
Total	<u>\$ 2,581,362</u>	<u>\$ 3,077,762</u>	<u>\$ 3,005,273</u>	<u>\$ 2,707,414</u>
Payroll Expense				
Administrative Salaries	\$ 152,037	\$ 103,702	\$ 78,758	\$ 37,011
Maintenance Labor	125,276	53,897	69,734	65,005
Employee Benefits Expense	95,194	7,964	48,889	87,747
Total Payroll Expense	<u>\$ 372,507</u>	<u>\$ 165,563</u>	<u>\$ 197,381</u>	<u>\$ 189,763</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 262,943	\$ 214,285	\$ 232,835	\$ 248,580
Utilities Expense	699,818	632,346	602,299	562,105
Maintenance Materials Cost	86,414	94,541	33,314	58,261
Maintenance Contract Cost	5,342,479	497,789	394,102	445,757
Insurance Premiums	254,073	236,442	207,167	195,973
Housing Assistance Payments	330,080	280,541	224,319	255,793
Total	<u>\$ 6,975,807</u>	<u>\$ 1,955,944</u>	<u>\$ 1,694,036</u>	<u>\$ 1,766,469</u>
Total Operating Expenses	<u>\$ 2,992,705</u>	<u>\$ 2,540,791</u>	<u>\$ 2,276,262</u>	<u>\$ 2,425,247</u>
Total of Federal Awards	<u>\$ 1,972,870</u>	<u>\$ 2,344,848</u>	<u>\$ 2,465,716</u>	<u>\$ 2,123,359</u>

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

BUDGETARY HIGHLIGHTS

The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also 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.

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 revenues were not sufficient to cover all expenses.

By far, the largest portion of the Authority's net position reflects its net 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 "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

HOUSING AUTHORITY OF THE CITY OF SALEM PROGRAMS

Public and Indian Housing Program:

Under the Public and Indian 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 can lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) Housing Authority of the City of Salem flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

HOUSING AUTHORITY OF THE CITY OF SALEM PROGRAMS -CONTINUED

Section 8 Housing Choice Voucher Program

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

NEW INITIATIVES

For the fiscal year 2025, the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 76% of its revenue from the Department of Housing and Urban Development, (2024 fiscal year was 76%), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's net book value in fixed assets as of September 30, 2025, was \$3,784,748 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increase during the year in the Authority's investment in capital assets was \$67,718 or 2%. Major capital expenditures of \$463,992 were made during the year. Major capital assets events during the fiscal year included the following:

- Replace Roofing
- Lighting Upgrades
- Sump Pump Replacement
- New Ranges and Refrigerators
- Bathroom Toilet Replacements
- Various Building Repairs

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED

	September-25	September-24	Increase (Decrease)
Land	\$ 183,069	\$ 183,069	\$ -
Building	14,357,944	14,264,914	93,030
Furniture, Equipment - Dwelling	468,005	459,712	8,293
Furniture, Equipment - Administration	56,546	56,546	-
Leasehold Improvements	3,858,835	2,935,299	923,536
Construction in Process	442,839	1,003,706	(560,867)
Total Capital Assets	19,367,238	18,903,246	463,992
Less: Accumulated Depreciation	(15,582,490)	(15,186,216)	(396,274)
Net Book Value	\$ 3,784,748	\$ 3,717,030	\$ 67,718

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

2 – Debt Administration

The Authority has participated in the New Jersey pooled leveraging program. Through this, the financing of majority capital projects will be completed on an expedited basis. Restricted Cash relating to the bonded debt stood at \$1,980 at the end of the fiscal year, with Capital Project Bond payable of \$55,000 in outstanding debt. A full disclosure of loans payable on September 30, 2025, can be found in Note 15 to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the City of Salem is primarily dependent on funding from the U.S. Department of Housing and Urban Development (HUD) to support its operations. As a result, the Authority is more significantly impacted by federal budgetary decisions than by local economic conditions. Ongoing pressure on the federal budget—driven by record deficits and competing national funding priorities—is expected to continue, and management does not anticipate a reversal of this trend in the foreseeable future.

Capital budget submissions for the fiscal year ending September 30, 2026, have been completed and submitted to HUD for review and approval. No substantial changes to the proposed capital budget are anticipated. Capital Fund resources are dedicated to the modernization and preservation of public housing properties and include related administrative costs.

In developing the Authority's operating and capital budgets for fiscal year 2026, the following key factors were considered:

- Economic conditions in the State of New Jersey, including trends in inflation, recessionary pressures, and employment levels, all of which influence tenant income. As tenant rental payments are income-based, fluctuations in resident earnings directly affect rental revenue.
- Rising health insurance costs, which are expected to place continued upward pressure on employee benefit expenses over the coming years.
- Inflationary impacts on operating costs, including increases in utility rates, supplies, and other goods and services required to maintain Authority operations.
- The conversion of Low-Income Public Housing units to Rental Assistance Demonstration (RAD) subsidy units, which continues to affect funding structure and long-term financial planning.
- Housing market trends affecting the Section 8 Program, including the availability of rental units and rent levels charged by private landlords, both of which are expected to continue influencing Housing Assistance Payment (HAP) expenses.

Even if HUD's Operating and Capital Fund programs are fully authorized, it remains unlikely that Congress will provide appropriate funding at levels sufficient to meet all program needs. Continued federal fiscal constraints and competing priorities are expected to keep pressure on housing program funding.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide a general overview of the Authority's financial condition for residents, stakeholders, and other interested parties. Questions regarding the information presented in this report, or requests for additional financial details, should be directed to:

Mr. Charles Matthew Bailey
Executive Director
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079
Phone: (856) 935-5022

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of the Housing Authority of the City of Salem, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Salem basic financial statements as listed in the table of contents.

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Housing Authority of the City of Salem, which comprise the statement of financial position as of September 30, 2025, and the respective changes in financial position, and cash flows for the year then ended, and notes to the financial statements.

We do not express an opinion on the accompanying financial statements of the Housing Authority of the City of Salem. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Management has not provided us with a written representation letter as required by auditing standards. Such a letter is necessary to confirm certain oral representations made to us during the audit and to support other audit evidence obtained. In the prior year there were two cases of litigation, and we could not obtain the status of those cases. Because of the absence of this representation, we were unable to obtain sufficient appropriate audit evidence regarding management's assertions underlying the financial statements. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts and disclosures.

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Housing Authority of the City of Salem and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Salem's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit in accordance with applicable auditing standards. However, because of the matter described in the Basis for Disclaimer of Opinion section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Salem's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Salem.
- Housing Authority of the City of Salem's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 1 through 14 and pages 62-67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Salem's basic financial statements. The accompanying supplemental information on pages 68-78 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, and the Financial Data Schedule, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Expenditures of Federal Awards, and the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2026, in our consideration of the Housing Authority of the City of Salem's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Housing Authority of the City of Salem's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Salem's internal control over financial reporting and compliance.



Lincroft, New Jersey

Date: May 8, 2026

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

	<u>2025</u>
Assets	
Current Assets:	
Cash and Cash Equivalents- Unrestricted	\$ 274,267
Cash and Cash Equivalents- Restricted	21,399
Cash and Cash Equivalents	<u>295,666</u>
Accounts Receivables, Net of Allowances	305,926
Prepaid Expenses	70,113
Total Current Assets	<u>671,705</u>
Noncurrent Assets	
Capital Assets	
Land	183,069
Building	14,357,944
Furniture, Equipment - Dwelling	468,005
Furniture, Equipment - Administration	56,546
Leasehold Improvements	3,858,835
Construction in Process	442,839
Total Capital Assets	19,367,238
Less: Accumulated Depreciation	<u>(15,582,490)</u>
Net Book Value	<u>3,784,748</u>
Total Assets	<u>4,456,453</u>
Deferred Outflow of Resources	
Total Deferred Outflows of Resources	<u>325,064</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 4,781,517</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

	<u>2025</u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 105,343
Accrued Liabilities	12,296
Tenant Security Deposit Payable	11,457
Unearned Revenue	7,735
Long Term Debt - Current	55,000
Total Current Liabilities	<u>191,831</u>
Noncurrent Liabilities	
Accrued Compensated Absences - Long-Term	25,733
Accrued Other-Post Employment Benefits (OPEB) Liabilities	728,545
Total Noncurrent Liabilities	<u>754,278</u>
Total Liabilities	<u>946,109</u>
Deferred Inflow of Resources	
Total Deferred Inflow of Resources	<u>757,307</u>
Net Position:	
Net Investment in Capital Assets	3,729,748
Restricted	7,962
Unrestricted	(659,609)
Total Net Position	<u>3,078,101</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 4,781,517</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025

	2025
Revenue:	
Tenant Rental Revenue	\$ 457,600
HUD PHA Operating Grants	1,563,214
Other Revenue	150,678
Total Revenue	<u>2,171,492</u>
Operating Expenses:	
Administrative Expense	467,170
Utilities Expense	699,818
Maintenance Expense	788,973
Other Operating Expenses	303,927
Interest Expense	6,463
Housing Assistance Payments	330,080
Depreciations Expense	396,274
Total Operating Expenses	<u>2,992,705</u>
Excess Expenses From Operations	(821,213)
Non Operating Income:	
Investment Income	<u>214</u>
Excess Expenses Before Capital Grant Contributions	(820,999)
Capital Grant Contributions	<u>409,656</u>
Change in Net Position	<u>(411,343)</u>
Beginning Net Position	3,398,703
Prior period Adjustment	<u>90,741</u>
Beginning Net Position - Restated	<u>3,489,444</u>
Ending Net Position	<u><u>\$ 3,078,101</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF CASH FLOWS - 1
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025

	<u>2025</u>
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 276,004
Receipts from Federal Grants	1,492,582
Receipts from Misc. Sources	92,443
Payments to Vendors and Suppliers	(1,043,218)
Payment of Utilities	(699,818)
Housing Assistance Payments	(330,080)
Payments to Employees	(277,313)
Payment of Employee Benefits	(95,194)
Net Cash (Used) by Operating Activities	<u>(584,594)</u>
Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	409,656
Acquisitions and Construction of Capital Assets	(463,992)
Increase in Compensated Absences - Long Term	9,888
Net Effect of Deferred Inflows and Outflows	16,036
Change in Accrued Net Pension and OPEB Liabilities	(100,787)
Prior Period Adjustments	90,741
Payment of Debt	(110,000)
Net Cash Used by Capital and Related Financing Activities	<u>(148,458)</u>
Cash Flow From Investing Activities	
Interest Income	214
Increase of Tenant Security Deposit	152
Net Cash Provided by Investing Activities	<u>366</u>
Net (Decrease) in Cash and Cash Equivalents	(732,686)
Beginning Cash, Cash Equivalents and Restricted Cash	<u>1,028,352</u>
Ending Cash, Cash Equivalents and Restricted Cash	<u>\$ 295,666</u>
Reconciliation of Cash Balances:	
Cash and Cash Equivalents - Unrestricted	\$ 274,267
Cash and Cash Equivalents - Restricted	21,399
Total Ending Cash	<u>\$ 295,666</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF CASH FLOWS - 2
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025

	<u>2025</u>
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess Expenses From Operations	\$ (821,213)
Adjustments to reconcile excess expenses	
to net cash (used) by operating activities:	
Depreciation Expense	396,274
(Increase) Decrease in:	
Accounts Receivables	(106,667)
Prepaid Expenses	(2,400)
Increase (Decrease) in:	
Accounts Payable	6,933
Accrued Expenses	(52,369)
Unearned Revenue	(5,152)
Net Cash (Used) By Operating Activities	<u><u>\$ (584,594)</u></u>
Supplemental Disclosure of Cash Flow Information:	
Interest Paid	<u><u>\$ 6,462</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

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

Organization – The Authority is a governmental public corporation organized pursuant to federal and state housing laws, as defined by New Jersey statute (N.J.S.A. 40A:12A-1 et seq., the Housing Authority Act). The Authority was established for the purpose of developing, acquiring, and administering low-income housing programs, as well as other programs with similar objectives, for low- and moderate-income families residing in the City of Salem. These activities are carried out in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners and operates with a significant degree of autonomy; however, it remains subject to oversight by HUD and the New Jersey Department of Community Affairs. An Executive Director, appointed by the Board of Commissioners, is responsible for managing the day-to-day operations of the Authority. The Authority's responsibilities include the development, maintenance, and management of public housing for low- and moderate-income families within the City of Salem. Operating and modernization subsidies are provided by the federal government.

The financial statements include all accounts of the Authority. The Authority represents the lowest level of government over which the Board of Commissioners and the Executive Director exercise oversight responsibility. The Authority is not included in any other governmental reporting entity. Although the members of the Board of Commissioners are primarily appointed by the Mayor and City Council of the City of Salem, the Board possesses decision-making authority, the power to appoint management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. Accordingly, the Authority has determined that it is excluded from the City of Salem's reporting entity.

In accordance with Section 2100 and 2300 of the Governmental Accounting Standards Board (GASB) Codification, the Authority evaluates whether any organization should be included as component units within its reporting entity. The criteria include:

- Legal separateness (ability to sue and be sued)
- Possession of corporate powers
- Appointment of a voting majority of the organization's board
- Ability to impose its will on the organization
- Potential for financial benefit or burden
- Fiscal dependency on the Authority

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.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

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 employers 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.

In October 2021, the Authority adopted GASB Statement No. 87, *Accounting for Leases*. This standard enhances the usefulness and comparability of governmental financial statements by requiring recognition of certain lease receivables and liabilities previously unreported. It establishes a single model for lessees and lessors and improves decision-usefulness by mandating detailed note disclosures regarding the timing, significance, and purpose of leasing arrangements.

GASB Statement No. 87, *Accounting for Leases*, is a standard issued by the Governmental Accounting Standards Board to improve how leases are reported in governmental financial statements. Here's a clear explanation:

Purpose

Before GASB 87, many leases were treated as operating leases and kept off the balance sheet, which limited transparency. GASB 87 requires governments to recognize most leases as assets and liabilities, similar to how capital leases were previously treated, creating a more accurate picture of financial obligations.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Basis of Accounting –

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner like private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Revenue Recognition

The Authority's revenues are classified as either exchange or nonexchange transactions, in accordance with applicable Governmental Accounting Standards Board (GASB) guidance. The Authority reports are in conformity with GASB standards and, accordingly, Accounting Standards Codification (ASC) Topic 606 does not apply.

Exchange Revenues

Exchange revenues include dwelling rental income and certain fees received from tenants, in which each party receives and gives up essentially equal value. Rental income is recognized monthly as it is earned, based on tenant occupancy of housing units and collectible amounts. Tenant charges, including late fees and excess utility charges, are recognized when earned and considered collectible.

Nonexchange Revenues

Nonexchange revenues consist primarily of operating subsidies, housing assistance payments (HAP), and capital grants received from the U.S. Department of Housing and Urban Development (HUD). These revenues are accounted for in accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. Operating Subsidies

HUD operating subsidies are classified as government-mandated nonexchange transactions. Revenue is recognized in the period in which the Authority meets all applicable eligibility requirements, including statutory and regulatory compliance, and when any time requirements imposed by HUD are satisfied. Amounts received prior to meeting eligibility or time requirements are reported as unearned revenue.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Revenue Recognition - Continued

Capital Grants

Capital fund grants are also considered government-mandated nonexchange transactions. Capital grant revenue is recognized when the Authority has met all eligibility requirements and allowable capital expenditures are incurred. Grant funds received prior to meeting these requirements are recorded as unearned revenue within deferred inflows of resources.

Housing Choice Voucher Program

Housing assistance payments (HAP) revenue is recognized as nonexchange revenue in the period in which eligible assistance is provided to program participants, and all program requirements have been met. Administrative fee revenue earned under the Housing Choice Voucher program is considered exchange revenue and is recognized monthly as administrative services are provided.

The tenant rental revenues are recognized as exchange revenues as earned, while HUD subsidies, capital grants, and housing assistance payments are recognized as nonexchange revenues in accordance with GASB Statement No. 33, based on the satisfaction of eligibility and time requirements. The amounts not received by September 30, are accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

The major sources of income for the Authority are HUD operating subsidies, rental payments from tenants, and other sources such as tenant charges and fees, and HAP portability payments. The Authority recognizes short-term rental income from tenants who have signed a lease agreement for less than one year, in accordance with HUD guidelines. Additionally, the Authority also generates revenue from tenant charges and fees, and HAP portability payments all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

The Authority provides housing assistance payments to participating owners on behalf of eligible tenants. The Authority also provides provide decent, safe, and sanitary housing for extremely low and very low-income families. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. 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 accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Public Housing Operating Fund Program

HUD's rent subsidy program provides housing to low-income families so that they can lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant's gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the City of Salem's flat rent amount.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

Report Presentation –

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

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.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Other accounting policies are as follows:

- 1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- 2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts.
- 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 does not have any infrastructure assets for its Enterprise Fund.
- 9 – 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.
- 10- Advertising cost is charged to expense when incurred.
- 11- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.
- 12- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Other accounting policies - Continued

13- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority, but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

14 - Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Under federal, state, and local law, the Authority's program is 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 pay the municipality a 10% of its net shelter rent.

15 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*, the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Other accounting policies - Continued

15 - Net Position -Continued

Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

16 - Operating and non-operating revenues and expenses

The major sources of revenue are HUD operating subsidies, tenants dwelling rents, and other revenue. Other revenue composed primarily of tenant charges and fees, and HAP portability payments that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Non-Operating Revenue and Expenses

Authority's nonoperating revenues relate primarily to capital grants provided by HUD and interest income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

17-Impairment Losses

The Authority has been and is currently involved in various activities in conjunction with its modernization programs. In accordance within accordance with GASB #42 "Accounting for the Impairment or Disposal of Capital Assets and for Insurance Recoveries. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. As of September 30, 2025, the Authority has determined that no impairment of its long-lived assets exists.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Other accounting policies - Continued

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Budgetary and Policy Control -

The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also 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.

Activities - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-58	179
Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ058	31

Public and Indian Housing Program:

Under the Public and Indian 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 City of Salem flat rent amount.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Activities -Continued

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Section 8 Housing Choice Voucher Program:

Under the Section 8 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.

Board of Commissioners

The following criteria define the scope of the entity for financial reporting purposes:

1. Oversight of Financial Independence
The Board has the authority to supervise and ensure the financial independence of any component unit.
2. Governing and Decision-Making Authority
The Board possesses ultimate governing authority, including responsibility for financial decision-making and accountability for those decisions.
3. Appointment and Accountability of Management
The Board appoints the Authority's management team, which is responsible for day-to-day operations and is directly accountable to the Board.
4. Influence Over Operations
The Board exercises significant influence over operations through budget approvals, contract authorization, control of facilities, and decisions regarding the hiring or retention of key managerial personnel.
5. Fiscal Control and Accountability
The Board maintains absolute authority over all funds of the Authority and assumes full accountability for fiscal matters.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenants who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenants have to be income qualified in accordance with income limitations before allowed to occupy units.

The lease agreement has similar terms therefore; all lease contract revenue has been aggregated in the caption rental income in the statement of income. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the buildings(s). Since the performance of these services is completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be charged a late fee. Any rental payment received in advance of the first day of the month is recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

NOTE 2 – ESTIMATES

The financial statements and related disclosures are prepared in conformity with generally accepted accounting principles (GAAP) 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 collectability 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 those estimates. The most significant estimates included in the preparation of the financial statements are allowance for doubtful accounts and estimated fixed asset lives.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

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 employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

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

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

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2025divisioncombined.pdf>

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2025 amounted to \$16,350 and for 2024 was \$15,806.

Post Employment Retirement Benefits

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

Further information on the Pension Plan and its effects due to the adoption of GASB 68 can be found in Note 17 – Accrued Pension Liability.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 4 – CASH, CASH EQUIVALENTS

The Authority records cash and cash equivalents at cost, which approximates market value. Cash, cash equivalents, and investments include bank deposits, petty cash, a money market checking account, certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For purposes of the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less at the time of purchase.

Concentration of Credit Risk

HUD regulations require housing authorities to invest excess funds in obligations of the United States, certificates of deposit, or other federally insured investments. HUD also mandates that all deposits be fully collateralized at all times. Acceptable collateral includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the Authority. U.S. government obligations may also be used as security for deposits. All collateral must be held either by the Authority or by an unaffiliated bank or trust company on behalf of the Authority. These deposits, held at various banking institutions, are collateralized in accordance with the New Jersey Government Code and the Banking Law.

Risk Disclosures

Collateral for Deposits

Under N.J.S.A. 40A:5-14, New Jersey authorities must deposit public funds in a bank or trust company located in New Jersey and organized under federal or state law, or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 specifies the types of securities that may be purchased by New Jersey authorities.

The Authority must deposit funds in public depositories protected by the Governmental Unit Deposit Protection Act ("GUDPA"). Enacted in 1970, GUDPA provides safeguards to prevent governmental units from losing funds deposited in a New Jersey banking institution that later fails.

Interest Rate Risk

To limit exposure to fair value losses from rising interest rates, the Authority's investment policy restricts investment maturities to no more than two years at the time of purchase. As of September 30, 2025, all deposits and investments met this standard, were available on demand, or had maturities of less than two years.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 4 – CASH, CASH EQUIVALENTS- CONTINUED

Credit Risk

Credit risk refers to the possibility that the value of a security or investment portfolio may decline due to actual or perceived reductions in the issuer's ability to repay its debt. The Authority's investment policy prohibits investing any portion of the portfolio in securities of a single issuer, except for securities issued by the U.S. Government, its agencies, or instrumentalities.

The Authority's checking accounts and investments are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure; the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows on September 30, 2025 and 2024:

<u>Depository Accounts</u>	<u>September-25</u>	<u>September-24</u>
Insured	\$ 295,666	\$ 677,347
Collateralized held by pledging bank's trust department in the Authority's name	-	351,005
Total Cash and Cash Equivalents	<u>\$ 295,666</u>	<u>\$ 1,028,352</u>

Restricted Deposits

The Authority has total restricted deposits on September 30, 2025, in the amount of \$21,399. The tenant security deposit restricted deposits on September 30, 2025, was in the amount of \$11,457. This amount is held as security deposits for the tenants of the Public and Indian Housing Program in an interest-bearing account.

The amount of \$1,980 for 2025 is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

The restricted cash in the amount of \$7,962 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on September 30, 2025, consisted of the following:

	September-25	September-24
Tenants Accounts Receivable - Present	\$ 363,192	\$ 259,742
Less: Allowance for Doubtful Accounts	(181,596)	(129,871)
Net Tenants Accounts Receivable	181,596	129,871
Tenants Receivable for Repayment Agreements	57,771	62,278
Less: Allowance for Doubtful Accounts	(28,886)	(31,139)
Net Accounts Receivable - Tenants	28,885	31,139
Accounts Receivable HUD	70,632	34,673
Accounts Receivable Other Government	24,813	3,576
Total Other Receivables	95,445	69,388
Total Accounts Receivables	\$ 305,926	\$ 199,259

Tenant Rent and Receivables Policy

Tenant rent is due on the first day of each month. Payments not received by the fifth day are considered past due, and late fees are assessed accordingly.

Tenant receivables are reported at the net amount management reasonably expects to collect, after deducting an allowance for doubtful accounts. Receivables deemed uncollectible are charged to bad debt expense following a periodic review conducted by management.

While generally accepted accounting principles (GAAP) in the United States require the use of the allowance method to recognize bad debts, the impact of applying the direct write-off method is not materially different from the results that would be achieved under the allowance method.

Any recoveries of previously written-off debts are recognized as income in the year they are received. For the fiscal period ending September 30, 2025, the total bad debt expense recorded was \$49,472 and for 2024 was \$50,893.

NOTE 6 - PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off monthly. Acquisition of materials and supplies is accounted for by the consumption method, that is, the expenses are charged when the items are consumed.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short-term loans, services provided during the course of operations, reimbursements, or transfers. Short-term loans are reported as interfund short term receivable and payable as appropriate. The amounts between the various programs administered by the Authority on September 30, 2025, are detailed in the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets primarily represent expenditures incurred to acquire, construct, place into operation, and improve the Authority's facilities. These assets are recorded at cost, as determined by appraisal.

Routine repairs, maintenance, and minor renewals are expensed in the year incurred, while major renewals and improvements are capitalized. Capitalization occurs when expenditure meets the requirements outlined in the Authority's Capitalization Policy. Under this policy, assets purchased or constructed at a cost of \$1,000 or less are expensed immediately.

Property and equipment are stated at cost, and donated fixed assets are recorded at their fair value on the date of donation.

Depreciation Expense

Depreciation expense for September 30, 2025, was \$396,274 and \$356,104 for 2024. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

1.) Building and Structure	40 Years
2.) Site Improvements	15 Years
3.) Furniture & Equipment	15 Years
4.) Vehicles	5 Years
5.) Computer Equipment	5 years

The Authority has been and is currently involved in various activities in conjunction with its modernization programs. In accordance with in accordance with GASB #42 "Accounting for the Impairment or Disposal of Capital Assets and for Insurance Recoveries. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. As of September 30, 2025, the Authority has determined that no impairment of its long-lived assets exists.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 8 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending September 30, 2025:

	Balance September-24	Additions	Transfer	Balance September-25
Land	\$ 183,069	\$ -	\$ -	\$ 183,069
Buildings	14,264,914	93,030	-	14,357,944
Furniture & Equipment - Dwelling	459,712	8,293	-	468,005
Furniture & Equipment - Administration	56,546	-	-	56,546
Leasehold Improvements	2,935,299	63,013	860,523	3,858,835
Construction in Progress	1,003,706	299,656	(860,523)	442,839
Total Fixed Assets	18,903,246	463,992	-	19,367,238
Accumulated Depreciation	(15,186,216)	(396,274)	-	(15,582,490)
Net Book Value	\$ 3,717,030	\$ 67,718	-	\$ 3,784,748

Below is a schedule of the netbook value of the fixed assets for the Authority as of September 30, 2025:

<u>Net Book Value of the Fixed Assets</u>	<u>September-25</u>
Land	\$ 183,069
Buildings	1,390,345
Furniture & Equipment - Dwelling	27,678
Furniture & Equipment - Administration	7,748
Leasehold Improvements	1,733,069
Construction in Progress	442,839
Net Book Value	<u>\$ 3,784,748</u>

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The OPEB and Pension Liability discussed in Note 16 and 17 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Deferred Outflows of Resources

	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 28,627	\$ 3,271	\$ 31,898
Changes in Assumptions	94,503	203	94,706
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	185,358	13,102	198,460
Total	\$ 308,488	\$ 16,576	\$ 325,064

Deferred Inflows of Resources

	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 95,777	\$ 435	\$ 96,212
Changes in Assumptions	93,832	1,858	95,690
Net Difference Between Projected and Actual Earning on Pension Plan Investments	256	7,570	7,826
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	505,619	51,960	557,579
Total	\$ 695,484	\$ 61,823	\$ 757,307

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - CONTINUED

Difference in Expected and Actual Experience

Differences between expected and actual experience arising from economic and demographic factors are amortized over a five-year closed period, reflecting the average remaining service life of plan members (active and inactive). The portion recognized during the first year is included in pension expense, with the remaining balance reported as either a deferred outflow of resources or a deferred inflow of resources. For the fiscal year, the collective difference between expected and actual experience totaled \$31,898 and \$96,212.

Changes in Assumptions

Changes in assumptions related to future economic or demographic factors, or other inputs, are amortized over a five-year closed period based on the average remaining service life of plan members (active and inactive). The initial year of amortization is recognized as pension expense, while the remaining portion is reported as either a deferred outflow of resources or a deferred inflow of resources. For the fiscal year, the collective impact of changes in assumptions amounted to \$94,706 and \$95,690.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the pension system's expected rate of return and actual investment earnings is amortized over a five-year closed period in accordance with GASB Statements No. 68 through 75. The first year of amortization is recognized as pension expense, with the remaining balance reported as either a deferred outflow of resources or a deferred inflow of resources. For the fiscal year, the collective difference in investment earnings was \$-0- and \$7,826.

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

Changes in the employer's proportionate share represent the difference between the employer's share of the net pension liability in the prior fiscal year compared to the current fiscal year. Differences between employer contributions and the employer's proportionate share of contributions represent the variance between total contributions made and the employer's allocated share. These amounts are amortized over a six-year closed period for PERS, reflecting the average remaining service life of ERS plan members (active and inactive). For the fiscal year, changes in proportion and differences between contributions and proportionate share of contributions totaled \$198,460 and \$557,579, respectively.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 10 – ACCOUNTS PAYABLE

Accounts payable is a liability account that represents the amount owed by the Authority to its creditors for goods or services received but not yet paid for. When the Authority receives goods or services on credit, it incurs a liability to pay the vendor or supplier in the future. This liability is recorded as an account payable on the Authority's financial statements, specifically on the Statement of Net Position under the category of current liabilities. Accounts payable are an important aspect of a company's financial management, as it represents its short-term obligations to its vendors and suppliers. Accounts payable on September 30, 2025, and 2024 consist of the following:

	September-25	September-24
Accounts Payable Vendors	\$ 105,343	\$ 97,200
Accounts Payable P.I.L.O.T.	-	1,210
Total Accounts Payable	<u>\$ 105,343</u>	<u>\$ 98,410</u>

NOTE 11 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of Salem. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes. During the fiscal year ended September 30, 2025, there was PILOT accrued of \$-0- and \$1,210 for 2024.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 12 – ACCRUED EXPENSES

Accrued expenses represent obligations incurred by the Authority as of the fiscal year end for which payment has not yet been made. These amounts primarily consist of payroll and related benefits, including salaries and wages earned by employees, payroll taxes, and other routine operating costs such as utilities, professional services, and maintenance expenses. Accrued expenses are recorded to properly reflect expenses in the period in which they are incurred, regardless of when payment is made, in accordance with the accrual basis of accounting.

Accrued expenses are liquidated in the subsequent fiscal year through the use of available current financial resources.

	September-25	September-24
Accrued Wages and Payroll Taxes	\$ 8,360	\$ 4,490
Compensated Absences - Current Portion	2,859	1,761
Accrued Interest Payable	1,077	3,231
Accrued Utilities	-	55,183
Total Accrued Liabilities	<u>\$ 12,296</u>	<u>\$ 64,665</u>

NOTE 13 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with *GASB Statement No. 101*. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Policy

Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service. Employees may be compensated for sick leave at retirement, to a maximum of \$12,000.

The Authority has determined that the potential liability for accumulated vacation and sick time on September 30, 2025, is as follows:

Balance September-24	Additions	Payments Made	Balance September-25	Current Portion
\$ 33,902	\$ 10,986	\$ (16,296)	\$ 28,592	\$ 2,859

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 14 – UNEARNED REVENUE

Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In conformity with GASB standards, rental payments with acceptance provisions and future delivery commitments, wherein the Authority has not completed its obligations under the lease, are also offset against the associated accounts receivable since the requirements for revenue recognition have not been met. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized.

The Authority primary government unearned revenue for September 30, 2025, consisted of October 2025 rents.

NOTE 15 – LONG TERM DEBT – CAPITAL PROJECT BOND PAYABLE

The Authority participated on December 23, 2004, with other New Jersey Housing Authorities in the issuance of \$79,860,000 in Series 2004 HMFA Bonds. The Authority portion of the Series 2004 HMFA Bonds is \$6,400,000. 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, 2026.

The faith and credit of the Housing Authority of the City of Salem 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, 2005. 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 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 Bank of New York, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 15 – LONG TERM DEBT – CAPITAL PROJECT BOND PAYABLE-CONTINUED

The payable interest for November 1, 2025, is \$1,292. These amounts were not accrued since the payment would be made from the Authority Capital Fund Program (CFP) and would be considered grant revenue in the year ended September 30, 2025.

Balance September 30, 2024	\$	165,000
Additions		-
Payment of Debt		(110,000)
Balance September 30, 2025	\$	<u>55,000</u>

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

September 30, 2026	\$	55,000
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NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of September 30, 2025, and 2024 reported accrued pension and OPEB liability amounts as follows:

	September-25	September-24
Accrued OPEB Liability	\$ 565,275	\$ 658,037
Accrued Pension Liability	163,270	171,295
Total OPEB and Pension Liability	\$ 728,545	\$ 829,332

These amounts arose due to adoption of GASB #75 in 2018 year as well as GASB #68 which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 17 will discuss the effect of GASB #68 and the pension liability which arose from that.

OPEB Liability

The Authority as of September 30, 2025, reported a net OPEB liability in the amount of \$565,275 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2024, the last evaluation date, is as follows:

Employer OPEB Liability	\$	560,312	\$	652,908
Plan Net Position		4,963		5,129
Employer Net OPEB Liability	\$	<u>565,275</u>	\$	<u>658,037</u>

The Authority allocation percentage is 0.0031570% as of June 30, 2024 and 0.004385% as of June 30, 2023.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS – CONTINUED

OPEB Liability – Plan Description and Benefits Provided

Plan Description: The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple- employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided: The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who:

- 1) retired on a disability pension; or
- 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation's agreement.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Benefits Provided- Continued

Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended September 30, 2025, was \$565,275.

Employees covered by benefits terms: On June 30, 2024 (the census date), the following employees were covered by the benefits terms:

Plan Members

3

Net OPEB Liability

The total OPEB liability as of June 30, 2024, latest report, was determined by an actuarial valuation as of June 30, 2024, which was rolled forward to June 30, 2024. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions: The total OPEB Liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.16%

Salary Increases

Through 2026 = 2.75% to 6..55%

Thereafter = 3.00% to 7.00%

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Net OPEB Liability - Continued

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale.

Certain actuarial assumptions used in the September 30, 2024, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013, to June 30, 2024, and July 1, 2014 to June 30, 2024, respectively. 100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2024, was 3.93% and for 2023 was 3.65%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.93%	3.93%	4.93%
Total OPEB Liability	\$ 658,484	\$ 565,275	\$ 490,622

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 478,107	\$ 565,275	\$ 677,348

Change in Assumptions: Effective June 30, 2024.

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for the 2024.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	2025	2024
Service Cost	\$ 17,208	\$ 26,184
Interest on Total OPEB liability	17,504	25,493
Expected Investment Return	-	137
Administrative Expenses	-	553
Changes in Benefits Term	3,399	1,010
Current Period Deferred		
Inflows/Outflows of Resources	54,805	31,781
Inputs	(180,978)	(35,223)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	12,896	70
Benefit Payments	(17,596)	-
Change in Plan	-	-
Net Change in Total OPEB Liability	(92,762)	50,005
Total OPEB Liability, Beginning	658,037	608,032
Total OPEB Liability, Ending	<u>\$ 565,275</u>	<u>\$ 658,037</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year Ending June 30, 2025	\$ (35,484)
Year Ending June 30, 2026	(15,277)
Year Ending June 30, 2027	(2,625)
Year Ending June 30, 2028	(13,996)
Year Ending June 30, 2029	(8,917)
Therafter	9,564
Total	<u>\$ (66,735)</u>

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 17 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of September 30, 2025, reported a net pension liability in the amount of \$163,270 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2024, the last evaluation date, is as follows:

	<u>September-25</u>	<u>September-24</u>
Employer Total Pension Liability	\$ 504,742	\$ 496,781
Plan Net Position	(341,472)	(325,486)
Employer Net Pension Liability	<u>\$ 163,270</u>	<u>\$ 171,295</u>

The Authority allocation percentage is 0.00120157% for June 30, 2025, and 0.00118262% for 2024.

Plan Description

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. The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

Net Pension Liability Information

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

The following represents the membership tiers for PERS:

- 1) Tier 1 – Members who enrolled prior to July 1, 2007
- 2) Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3) Tier 3 – Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
- 4) Tier 4 – Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 5) Tier 5 – Members who were eligible to enroll on or after June 28, 2011.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Net Pension Liability Information - Continued

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2024, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2024.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2024 the State's pension contribution was less than the actuarial determined amount.

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions

The total pension liability for June 30, 2024, measurement dates were determined by using an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the total pension liability to June 30, 2024. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2024.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2024. In accordance with State statute, the long-term expected rate of return on plan investments (7.00% on June 30, 2024, and 7.00% on June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions - Continued

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2024, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	4.00%	4.91%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Investment Grade Credit	7.00%	3.38%
High Yield	4.00%	4.95%
Private Credit	7.00%	8.10%
Real Assets	8.00%	11.19%
Real Estate	3.00%	7.60%
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024 and 7.00% as of June 30, 2023.. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0% percent) or 1 percentage-point higher (8.0% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 228,473	\$ 163,270	\$ 130,426

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2025	\$ (9,189)
Year Ending June 30, 2026	(5,129)
Year Ending June 30, 2027	10,550
Year Ending June 30, 2028	(650)
Year Ending June 30, 2029	90
Total	<u>\$ (4,328)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2024, are as follows:

Service Cost	\$	15,035
Interest on the Total Pension Liability		35,453
Benefits Changes		-
Member Contributions		(5,403)
Administrative Expenses		159
Expected Investment Return Net of Investment Expenses		(188)
Pension Expense Related to Specific Liabilities of Individual Employers		(134)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		(587)
Changes of Assumptions		(16,426)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		(980)
Total	\$	<u>26,929</u>

NOTE 18 – NET INVESTMENT IN CAPITAL ASSETS

This component consists of land, construction in process and depreciable assets, net of accumulation and net of related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of investment in Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Balance September 30, 2024	\$	3,552,030
Fixed Assets Acquisitions		463,992
Depreciation Expenses		(396,274)
Payment of Debt		110,000
Balance September 30, 2025	\$	<u>3,729,748</u>

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 19 – RESTRICTED NET ASSETS

The Authority restricted net position account balance on September 30, 2025, is \$7,962 and \$1,980 on September 30, 2024.

The restricted cash in the amount of \$7,962 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The amount of \$1,980 for 2024 is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on September 30, 2025, was not made available.

NOTE 20 – UNRESTRICTED NET POSITION

Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

The Authority's unrestricted net position account balance on September 30, 2025, is negative (\$659,609). The details of the account balance are as follows:

	PIH Program Reserves	HCV Program Adm Reserves	Total
Balance September 30, 2024	\$ (200,579)	\$ 45,272	\$ (155,307)
Increase During the Year	-	-	-
Decrease During the Year	(503,829)	(473)	(504,302)
Balance September 30, 2025	\$ (704,408)	\$ 44,799	\$ (659,609)

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 21 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ending September 30, 2025, were \$1,025,000.

Annual Contributions Contracts for the Section 8 Housing Choice Program provide housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for September 30, 2025, were in the amount of \$345,722.

NOTE 22 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

Total financial support by HUD was \$1,972,870 to the Authority which represents approximately 76% percent of the Authority's total revenue for the year ended September 30, 2025.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2025

NOTE 23 - CONTINGENCIES

Litigation – On September 30, 2025, the Authority was not involved in any threatened litigation.

Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended September 30, 2025.

Other Insurance

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Construction Commitments

On September 30, 2025, the Authority outstanding construction commitments pertaining to its capital fund were not material. The cost pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 24 – PRIOR PERIOD ADJUSTMENT

For year ending September 30, 2025

As of September 30, 2025, the Authority had a prior period adjustment in the amount of \$90,741 while recording the opening Net Pension Liability and OPEB as of October 1, 2023.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements September 30, 2025

NOTE 25 – SUBSEQUENT EVENTS

The events described in the statements pertain to the period between the statement of net assets date and the availability of the financial statements for issuance. During this interim period, any events that occurred must be assessed for potential recognition or disclosure. The effects of subsequent events serve as evidence regarding conditions that existed after the statement of net assets date, necessitating disclosure in the accompanying notes.

Management has conducted an evaluation of the Authority's activity up to May 8, 2026, which is the date when the financial statements became available for issuance. Following this assessment, it has been determined that no subsequent events have transpired that would require recognition in the financial statements or disclosure in the notes accompanying the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2025

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

	2025	2024	2023	2022
Total OPEB Liability				
Service Cost	\$ 17,208	\$ 26,184	\$ 29,994	\$ 40,079
Interest on Total OPEB liability	17,504	25,493	15,112	19,603
Expected Investment Return	-	137	3	(113)
Administrative Expenses	-	553	464	537
Changes in Benefits Term	3,399	1,010	15,153	96
Current Period Deferred				
Inflows/Outflows of Resources	54,805	31,781	(23,735)	(33,328)
Inputs	(180,978)	(35,223)	(31,460)	(17,777)
Net Difference Between Projected and				
Actual Investments Earning on OPEB	12,896	70	(250,149)	(189,813)
Plan Investments				
Benefit Payments	(17,596)	-	-	-
Change in Plan				
Net Change in Total OPEB Liability	(92,762)	50,005	(244,618)	(180,716)
Total OPEB Liability, Beginning	658,037	608,032	852,650	1,033,366
Total OPEB Liability, Ending	\$ 565,275	\$ 658,037	\$ 608,032	\$ 852,650
Covered, Employee Payroll	\$ 157,599	\$ 157,599	\$ 147,414	\$ 103,486
Total OPEB Liability as a percentage of				
covered employee payroll	358.68%	417.54%	412.47%	823.93%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

*The amounts determined for each fiscal year were determined as of June 30.

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2025

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

<u>Total OPEB Liability</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 34,891	\$ 41,721	\$ 41,721	\$ 3,913
Interest on Total OPEB liability	28,643	39,812	39,812	16,498
Expected Investment Return	(439)	(706)	(706)	-
Administrative Expenses	571	593	593	-
Changes in Benefits Term	60	(119)	(119)	-
Current Period Deferred				
Inflows/Outflows of Resources				
Inputs	(31,703)	(38,769)	(38,769)	
Net Difference Between Projected and	129,388	(50,659)	(50,659)	-
Actual Investments Earning on OPEB				
Plan Investments	24,106	8,127	224	
Benefit Payments	-	-	-	(34,648)
Change in Plan	-	-	381,292	-
Net Change in Total OPEB Liability	185,517	-	373,389	(14,237)
Total OPEB Liability, Beginning	847,849	847,849	474,460	488,697
Total OPEB Liability, Ending	\$ 1,033,366	\$ 847,849	\$ 847,849	\$ 474,460
Covered, Employee Payroll	\$ 96,021	\$ 139,486	\$ 173,208	\$ 122,790
Total OPEB Liability as a percentage of covered employee payroll	1076.19%	607.84%	489.50%	386.40%

*The amounts determined for each fiscal year were determined as of June 30.

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2025

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2025	2024	2023	2022	2021
Housing Authority's proportion of the net pension liability	0.00120157%	0.00118262%	0.00112962%	0.00162870%	0.00108734%
Housing Authority's proportionate share of the net pension liability	\$ 163,270	\$ 171,295	\$ 170,475	\$ 192,944	\$ 311,554
Housing Authority's covered employee payroll	\$ 157,599	\$ 157,599	\$ 147,414	\$ 103,486	\$ 96,021
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.60%	108.69%	115.64%	186.44%	324.46%
Plan fiduciary net position as a percentage of the total pension liability	32.34%	34.48%	21.50%	29.35%	24.08%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2025

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2020	2019	2018	2017	2016
Housing Authority's proportion of the net pension liability	0.00108734%	0.00108734%	0.00107261%	0.00108734%	0.00109491%
Housing Authority's proportionate share of the net pension liability	\$ 204,024	\$ 204,024	\$ 211,192	\$ 253,114	\$ 324,280
Housing Authority's covered employee payroll	\$ 139,486	\$ 173,208	\$ 122,790	\$ 95,689	\$ 109,666
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146.27%	117.79%	171.99%	264.52%	295.70%
Plan fiduciary net position as a percentage of the total pension liability	43.42%	43.42%	53.60%	48.01%	59.86%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2025

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2025	2024	2023	2022	2021
Contractually required contribution	\$ 16,350	\$ 15,806	\$ 14,245	\$ 19,704	\$ 20,900
Contribution in relation to the contractually required contribution	0	(16,350)	(15,806)	(19,704)	(20,900)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 157,599	\$ 157,599	\$ 147,414	\$ 103,486	\$ 96,021
Contribution as a percentage of covered employee payroll	10.37%	10.03%	9.66%	19.04%	21.77%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information September 30, 2025

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 11,115	\$ 11,014	\$ 10,669	\$ 10,073	\$ 9,727
Contribution in relation to the contractually required contribution	(11,115)	(11,014)	(10,669)	(10,073)	(9,727)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 139,486	\$ 173,208	\$ 122,790	\$ 95,689	\$ 109,666
Contribution as a percentage of covered employee payroll	7.97%	6.36%	8.69%	10.53%	8.87%

**The amounts determined for each fiscal year were determined as of June 30.*

**HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025**

Programs funded by:

U.S. Department of Housing and Urban Development

	<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>Public and Indian Housing Program</u>					
NJ058	14.850	\$ -	\$ 1,025,000	\$ 1,025,000	\$ -
Grant Total 14.850		-	1,025,000	1,025,000	-
<u>Section 8 Housing Choice Voucher Program</u>					
NJ39P058	14.871	-	345,722	345,722	-
Grant Total 14.871		-	345,722	345,722	-
<u>Public Housing Capital Fund Program</u>					
NJ39P058	14.872	-	602,148	602,148	-
Grant Total 14.872		-	602,148	602,148	-
Total Expenditures of Federal Awards		\$ -	\$ 1,972,870	\$ 1,972,870	\$ -

**HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of Salem under programs of the federal government for the year ended September 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the City of Salem, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the City of Salem.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Housing Authority of the City of Salem has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:

Housing Authority City of Salem had Capital Project Bonds payable in the amount of \$55,000, outstanding on September 30, 2025. See Note 15 of this report for full detail.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2025.

Note 6. Sub recipients:

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

Salem Housing Authority (NJ058)
SALEM, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$215,736	\$58,531	\$274,267		\$274,267
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$1,980	\$7,962	\$9,942		\$9,942
114 Cash - Tenant Security Deposits	\$11,457		\$11,457		\$11,457
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$229,173	\$66,493	\$295,666	\$0	\$295,666
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$70,632		\$70,632		\$70,632
124 Accounts Receivable - Other Government		\$24,813	\$24,813		\$24,813
125 Accounts Receivable - Miscellaneous	\$57,771		\$57,771		\$57,771
126 Accounts Receivable - Tenants	\$363,192		\$363,192		\$363,192
126.1 Allowance for Doubtful Accounts - Tenants	-\$181,596		-\$181,596		-\$181,596
126.2 Allowance for Doubtful Accounts - Other	-\$28,886	\$0	-\$28,886		-\$28,886
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful	\$281,113	\$24,813	\$305,926	\$0	\$305,926
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$70,113		\$70,113		\$70,113
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From	\$38,345		\$38,345	-\$38,345	\$0
145 Assets Held for Sale					

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
150 Total Current Assets	\$618,744	\$91,306	\$710,050	-\$38,345	\$671,705
161 Land	\$183,069		\$183,069		\$183,069
162 Buildings	\$14,357,944		\$14,357,944		\$14,357,944
163 Furniture, Equipment & Machinery - Dwellings	\$468,005		\$468,005		\$468,005
164 Furniture, Equipment & Machinery - Administration	\$56,546		\$56,546		\$56,546
165 Leasehold Improvements	\$3,858,835		\$3,858,835		\$3,858,835
166 Accumulated Depreciation	-\$15,582,490		-\$15,582,490		-\$15,582,490
167 Construction in Progress	\$442,839		\$442,839		\$442,839
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,784,748	\$0	\$3,784,748	\$0	\$3,784,748
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current -					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$3,784,748	\$0	\$3,784,748	\$0	\$3,784,748
200 Deferred Outflow of Resources	\$325,064		\$325,064		\$325,064
290 Total Assets and Deferred Outflow of Resources	\$4,728,556	\$91,306	\$4,819,862	-\$38,345	\$4,781,517
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$105,143	\$200	\$105,343		\$105,343
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$8,360		\$8,360		\$8,360
322 Accrued Compensated Absences - Current Portion	\$2,859		\$2,859		\$2,859

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
324 Accrued Contingency Liability					
325 Accrued Interest Payable	\$1,077		\$1,077		\$1,077
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits	\$11,457		\$11,457		\$11,457
342 Unearned Revenue	\$7,735		\$7,735		\$7,735
343 Current Portion of Long-term Debt - Capital	\$55,000		\$55,000		\$55,000
344 Current Portion of Long-term Debt - Operating					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To		\$38,345	\$38,345	-\$38,345	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$191,631	\$38,545	\$230,176	-\$38,345	\$191,831
351 Long-term Debt, Net of Current - Capital					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$25,733		\$25,733		\$25,733
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities	\$728,545		\$728,545		\$728,545
350 Total Non-Current Liabilities	\$754,278	\$0	\$754,278	\$0	\$754,278
300 Total Liabilities	\$945,909	\$38,545	\$984,454	-\$38,345	\$946,109
400 Deferred Inflow of Resources	\$757,307		\$757,307		\$757,307

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
508.4 Net Investment in Capital Assets	\$3,729,748		\$3,729,748		\$3,729,748
511.4 Restricted Net Position		\$7,962	\$7,962		\$7,962
512.4 Unrestricted Net Position	-\$704,408	\$44,799	-\$659,609		-\$659,609
513 Total Equity - Net Assets / Position	\$3,025,340	\$52,761	\$3,078,101	\$0	\$3,078,101
600 Total Liabilities, Deferred Inflows of Resources and	\$4,728,556	\$91,306	\$4,819,862	-\$38,345	\$4,781,517

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$457,600		\$457,600		\$457,600
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	\$457,600	\$0	\$457,600	\$0	\$457,600
70600 HUD PHA Operating Grants					
70610 Capital Grants	\$1,217,492	\$345,722	\$1,563,214		\$1,563,214
70710 Management Fee	\$409,656		\$409,656		\$409,656
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$214		\$214		\$214
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$117,840	\$32,838	\$150,678		\$150,678
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$2,202,802	\$378,560	\$2,581,362	\$0	\$2,581,362
91100 Administrative Salaries					
91200 Auditing Fees	\$152,037		\$152,037		\$152,037
91300 Management Fee	\$11,465		\$11,465		\$11,465
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$52,190		\$52,190		\$52,190

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
91600 Office Expenses	\$36,795		\$36,795		\$36,795
91700 Legal Expense	\$34,891		\$34,891		\$34,891
91800 Travel					
91810 Allocated Overhead					
91900 Other	\$138,801	\$40,991	\$179,792		\$179,792
91000 Total Operating - Administrative	\$426,179	\$40,991	\$467,170	\$0	\$467,170
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other					
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0
93100 Water	\$213,294		\$213,294		\$213,294
93200 Electricity	\$362,197		\$362,197		\$362,197
93300 Gas	\$124,327		\$124,327		\$124,327
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$699,818	\$0	\$699,818	\$0	\$699,818
94100 Ordinary Maintenance and Operations - Labor	\$125,276		\$125,276		\$125,276
94200 Ordinary Maintenance and Operations - Materials and	\$86,414		\$86,414		\$86,414
94300 Ordinary Maintenance and Operations Contracts	\$534,279		\$534,279		\$534,279
94500 Employee Benefit Contributions - Ordinary	\$43,004		\$43,004		\$43,004
94000 Total Maintenance	\$788,973	\$0	\$788,973	\$0	\$788,973

Salem Housing Authority (NJ058)
SALEM, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2025

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance					
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance	\$254,073		\$254,073		\$254,073
96100 Total Insurance Premiums	\$254,073	\$0	\$254,073	\$0	\$254,073
96200 Other General Expenses	\$382		\$382		\$382
96210 Compensated Absences					
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents	\$49,472		\$49,472		\$49,472
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$49,854	\$0	\$49,854	\$0	\$49,854
96710 Interest of Mortgage (or Bonds) Payable	\$6,463		\$6,463		\$6,463
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$6,463	\$0	\$6,463	\$0	\$6,463
96900 Total Operating Expenses	\$2,225,360	\$40,991	\$2,266,351	\$0	\$2,266,351
97000 Excess of Operating Revenue over Operating	-\$22,558	\$337,569	\$315,011	\$0	\$315,011

Salem Housing Authority (NJ058)
SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$299,415	\$299,415		\$299,415
97350 HAP Portability-In		\$30,665	\$30,665		\$30,665
97400 Depreciation Expense	\$396,274		\$396,274		\$396,274
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$2,621,634	\$371,071	\$2,992,705	\$0	\$2,992,705
10010 Operating Transfer In	\$185,647		\$185,647	-\$185,647	\$0
10020 Operating transfer Out	-\$185,647		-\$185,647	\$185,647	\$0
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$418,832	\$7,489	-\$411,343	\$0	-\$411,343
11020 Required Annual Debt Principal Payments	\$110,000	\$0	\$110,000		\$110,000
11030 Beginning Equity	\$3,353,431	\$45,272	\$3,398,703		\$3,398,703
11040 Prior Period Adjustments, Equity Transfers and	\$90,741		\$90,741		\$90,741

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2025

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts -					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity		\$44,799	\$44,799		\$44,799
11180 Housing Assistance Payments Equity		\$7,962	\$7,962		\$7,962
11190 Unit Months Available	2160	360	2520		2520
11210 Number of Unit Months Leased	1531	351	1882		1882
11270 Excess Cash	\$169,965		\$169,965		\$169,965
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$0		\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$299,656		\$299,656		\$299,656
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$116,463		\$116,463		\$116,463
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

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

Board of Commissioners
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Housing Authority of the City of Salem, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Salem's basic financial statements, and have issued our report thereon dated May 8, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the City of Salem's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Salem's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Salem's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Salem's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Lincroft, New Jersey
Date: May 8, 2026

**INDEPENDENT AUDITOR'S REPORT
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
UNIFORM GUIDANCE**

Board of Commissioners
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Authority of the City of Salem's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Salem's major federal program for the year ended September 30, 2025. Housing Authority of the City of Salem's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Public Housing Capital Fund Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Housing Authority of the City of Salem, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Public Housing Capital Fund Program for the year ended September 30, 2025.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Housing Authority of the City of Salem and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Housing Authority of the City of Salem's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion Public Housing Capital Fund Program

As described in the accompanying schedule of findings and questioned costs, the Housing Authority of the City of Salem did not comply with requirements regarding described in finding numbers:

Finding#	CFDA #	Program Name	Compliance Requirement
2025-001	14.872	Public Housing Capital Fund Program	Procurement

Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of Salem to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Housing Authority of the City of Salem's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing Authority of the City of Salem's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Housing Authority of the City of Salem's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the City of Salem's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Housing Authority of the City of Salem's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Salem's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we have considered to be a material weakness.

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

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2025-001** to be material weaknesses.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Housing Authority of the City of Salem response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Housing Authority of the City of Salem response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did identify one **2025-001** deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Housing Authority of the City of Salem as of and for the year ended September 30, 2025, and have issued our report thereon dated May 8, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed 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 the Uniform Guidance 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole

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



Lincroft, New Jersey
Date: May 8, 2026

HOUSING AUTHORITY OF THE CITY OF SALEM
Schedule of Findings, Questioned Costs, and Recommendations
Year Ended September 30, 2025

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Disclaimer

Internal Control over Financial Reporting:

Material Weakness (es) Identified?

_____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)?

_____ yes X none reported

Noncompliance Material to Financial Statements Noted?

_____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified?

X yes _____ no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)?

_____ yes X no

Type of audit report issued on compliance for
major programs:

Qualified

Any audit findings disclosed that are required to be
reported in accordance with section Title 2 U.S. Code of Federal Regulation
Part 200, Uniform Administrative Requirements,

X yes _____ no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.872	Public Housing Capital Fund Program	\$ 602,148

Dollar threshold used to Distinguish between Type A and Type B Programs

\$ 1,000,000

Auditee qualified as a low-risk auditee

_____ yes X no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

**FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM
AUDIT**

Finding 2025-001

HOUSING AUTHORITY OF THE CITY OF SALEM

Summary Schedule of Current Audit Findings

Year Ended September 30, 2025

MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding #2025-001

Contractor File Maintenance - 14.872

Department of Housing and Urban Development

Public Housing Capital fund Program – CFDA #14.872

Compliance Requirement – Procurement

Type of Control Finding – Material Weakness

Condition

During our audit of the Public Housing Capital Fund Program, we identified deficiencies related to procurement compliance within a contractor file. Specifically, the contractor file reviewed did not contain documentation required to ensure compliance with applicable HUD laws and regulations.

Total of possible contractor file sample = 1

Auditor deemed a sample size of 1 contractor file = 100%

Deficiencies Noted:

1. We the following items could not be presents upon review of the contractor file:
 - a. New Jersey Business Registration Certificate
 - b. A Bid Proposal
 - c. A Bid Tabulation
 - d. Proof that the Contractor was not on the HUD Debarred List
 - e. Price cost Analysis form
 - f. A Notice to Proceed Letter to the Contractor
 - g. A Board Resolution for Acceptance of the Contractor
 - h. A Schedule of Payments made to the Contractor
 - i. A Disclosure Form signed by the Contractor
 - j. A Non-Collusion Form signed by the Contractor
 - k. A License from the Contractor
 - l. Site Inspections performed by the Authority
 - m. Contractor Certified Payroll Forms during the construction period
 - n. Signed HUD- 11 Employee Interview Forms

Criteria

HUD regulations require that all contractor files be properly maintained and include complete documentation demonstrating compliance with procurement and contracting requirements. Applicable guidance is contained within HUD Handbook No. 7460.8 REV-2 and 24 CFR §85.36.

Cause

The Capital Fund Program (CFP) Coordinator did not adequately review the contractor file to ensure compliance with HUD procurement and documentation requirements.

HOUSING AUTHORITY OF THE CITY OF SALEM

Summary Schedule of Current Audit Findings

Year Ended September 30, 2025

MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding #2025-001 - Continued

Effect

As a result, the contractor file lacked essential documentation required by HUD and the State of New Jersey, increasing the risk of noncompliance with federal and state procurement regulations.

Questioned Cost = Amounted to \$299,656

Recommendation

The Executive Director should instruct the Capital Fund Program Coordinator to utilize the HUD procurement and contractor file review checklist for each contractor file to ensure full compliance with HUD requirements prior to authorizing any payments. Relevant guidance is provided in HUD Handbook No. 7460.8 REV-2.

Management's Response

Management concurs with the auditor's finding that the contractor file did not contain the required HUD documentation. The Authority has implemented corrective measures, including a formal corrective action plan, to address the deficiencies identified and strengthen contractor file compliance going forward.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079

We have performed the applicable procedures enumerated in the American Institute of Certified Public Accountants' Statement of Position (SOP) 02-1, Performing Agreed-Upon Procedures Engagements that Address the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), by Housing Authority of the City of Salem (the PHA) compliance with the reporting requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), for the year ended September 30, 2025. Management of Housing Authority of the City of Salem is responsible for compliance with the requirements of the electronic submission of the items listed in the "UFRS Rule Information" column.

The management of Housing Authority of the City of Salem has agreed to and acknowledged that the procedures performed are appropriate to assist users in evaluating Housing Authority of the City of Salem's compliance with the reporting requirements of the "UFRS Rule Information" column for the year ended September 30, 2025. This report may not be suitable for any other purpose. The procedures may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the findings are included in the attached Appendix.

We were engaged by Housing Authority of the City of Salem to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of the "UFRS Rule Information" column an opinion or conclusion, respectively, on Housing Authority of the City of Salem's compliance with the requirements of "UFRS Rule Information" column for the year ended September 30, 2025. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Housing Authority of the City of Salem and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

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

Giampardo Associates

Lincroft, New Jersey
May 8, 2026

Procedure	UFRS Rule Information	Hard Copy Document(s)	Findings
1	Balance Sheet and Revenue Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's, if applicable	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental report on FDS	Agrees
4	Audit findings narrative (data element G5200-010)	Schedule of findings and Questioned Costs	Agrees
5	General information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Agrees
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Agrees
9	Basic financial statements and auditor reports required to be submitted electronically	Basic Financial Statements (inclusive of auditor reports)	Agrees



HOUSING AUTHORITY OF THE CITY OF SALEM

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Housing Authority of the City of Salem

Corrective Action Plan: For Year Ending September 30, 2025

Audit Finding

Prepared By: Charles Matthew Bailey, Executive Director

Audit Finding #2005-001

Contractor File Maintenance

Corrective Action:

The Housing Authority of the City of Salem, the Executive Director will instruct the Capital Fund Program Coordinator to utilize the HUD procurement contractor file review checklist for all the contractors going forward prior to authorizing any payments to the contractor.

Anticipated date: July 1, 2026