

**Approving the Salem Housing Authority's
Annual Audit for FYE 09/30/12**

WHEREAS, the Housing Authority of the City of Salem, a public body created and organized pursuant to and in accordance with the provisions of the laws of the State of New Jersey, is required by statute 40A:5A-15 to perform an annual audit of its records;

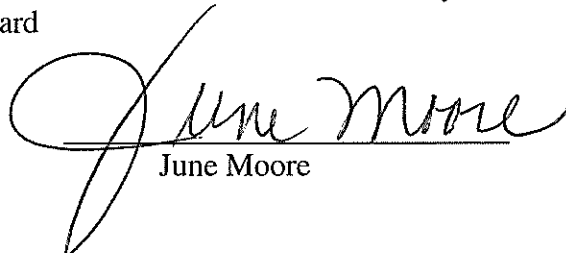
AND WHEREAS, the annual audit for the fiscal year ending **09/30/12** has been completed and filed with the U. S. Department of Housing and Urban Development (HUD);

AND WHEREAS, statute 40A:5A-15 requires the Board of Commissioners to certify that each member thereof has personally reviewed the Annual Audit report, and specifically, the sections of the report entitled "**General Findings and Recommendations**";

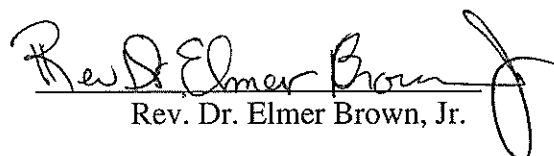
AND WHEREAS, in accordance with statute 40A:5A-15, each Board member has received the annual Audit and has reviewed the report and specifically, the section entitled "**General Findings and Recommendations**";

NOW THEREFORE, BE IT RESOLVED THAT THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF SALEM certifies to the Local Finance Board of the State of New Jersey that each member has personally reviewed the Annual Audit report and specifically, the section entitled "**General Findings and Recommendations**" and has attested the same by the accompanying signed group affidavit;

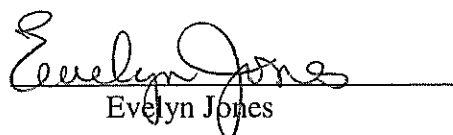
AND BE IT FURTHER RESOLVED THAT the Executive Director is hereby authorized to submit these documents to the Local Finance Board


June Moore

Rev. Dr. Holland Fields


Rev. Dr. Elmer Brown, Jr.


Juan Rosario


Evelyn Jones

Tyrus Davis

Date:

6/27/2013

Attest:



Paul F. Dice, Secretary

HOUSING AUTHORITY OF THE CITY OF SALEM

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Preliminary Draft
for Discussion Purposes Only

**HOUSING AUTHORITY OF THE CITY OF SALEM
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

<u>Contents</u>	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Financial Statements:	
Statements of Net Assets	9
Statements of Revenues, Expenses, and Changes in Net Assets	10
Statements of Cash Flows	11-12
Notes to Financial Statements	13-24
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	25-26
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	27-28
Supplementary Information:	
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Questioned Costs	31-35
Schedules of Grant Program Costs and Advances:	
Capital Fund Program	36
Capital Fund Stimulus Program	37
Financial Data Schedule	38-42



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
The Housing Authority of the City of Salem:

We have audited the financial statements of the Housing Authority of the City of Salem ("the Authority") as of and for the years ended September 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Salem as of September 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2013 on our consideration of the Housing Authority of the City of Salem's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and important for assessing the results of our audits.

INDEPENDENT AUDITOR'S REPORT (continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 historic 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Salem taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The accompanying financial data schedule and schedules of grant program costs and advances are also not required parts of the financial statements and are presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development. The schedule of federal awards, financial data schedule and schedules of grant program costs and advances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

June 12, 2013
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

Preliminary Draft
for Discussion Purposes Only

HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

As Management of the Housing Authority of the City of Salem ("the Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A. Financial Highlights

1. The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,777,678 (net assets) as opposed to \$4,334,593 for the prior fiscal year.
2. As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Assets of \$94,020.
3. The Authority's cash and cash equivalents, restricted cash and investment balance including tenant security deposits at September 30, 2012 was \$420,350 representing an increase of \$52,625 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$1,732,321 and Total Operating Expenses of \$2,353,789, including depreciation of \$627,660 for the year ended September 30, 2012.
5. The Authority's capital outlays for the fiscal year were \$51,627, all of which were funded by the Capital Fund Program and Capital Fund Stimulus Grant.
6. The Authority's Expenditures of Federal Awards amounted to \$1,309,590.

B. Using the Annual Report

1. Management's Discussion and Analysis

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

2. Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of The Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows.

HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

B. Using the Annual Report (continued)

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

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

The Statements of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 9 through 12.

3. Notes To Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found in this Report after the financial statements.

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 29 of this report.

C. The Authority as a Whole

The Authority's Net Assets decreased during the fiscal year. The Authority's revenues are primarily 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.

HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

C. The Authority as a Whole (continued)

The Authority's revenues were insufficient to cover all expenses, excluding depreciation during the fiscal year. By far, the largest portion of the Authority's net assets reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to tenants. Consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

D. Budgetary Highlights

For the year ended September 30, 2012, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

Operating income after adding back depreciation expense totaled \$6,192 for the fiscal year ended September 30, 2012 versus a budgeted deficit of \$48,536. The major reasons for the differences between actual and budgeted operations are as follows:

- Actual HUD operating grants of \$1,172,560 exceeded budgeted operating grants of \$1,131,494 by \$41,066.
- Actual operating expenses (excluding depreciation) of \$1,726,129 were \$8,881 less than budgeted. Utilities expense was \$62,945 less than budget, while maintenance costs exceeded budget by approximately \$20,000. Housing assistance payments expense also exceeded budget by approximately \$23,000.
- Other categories of revenue and expense were reasonably consistent with budgeted amounts.

E. Capital Assets and Debt Administration

As of September 30, 2012, the Authority's investment in capital assets for its Proprietary Fund was \$4,955,786 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased of \$51,627, during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Program and Capital Fund Stimulus Grant.

Additional information on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this Report.

HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

E. Capital Assets and Debt Administration (continued)

During the fiscal year ended September 30, 2005, the Authority entered into a Capital Fund Leveraging Pool. The New Jersey Housing and Mortgage and Finance Agency issued bonds and the funds were distributed to the Housing Authority. On December 24, 2004, the Authority received \$1,920,000 (grant for \$1,867,861 net of financing costs of \$52,139) to be used for capital improvements to its buildings.

F. Significant Changes From Prior Year

Accounts receivable due from HUD decreased by \$65,247 due to the Authority being reimbursed for capital grant expenditures prior to the fiscal year end.

Long term debt decreased by \$80,000 as HUD drawdowns under the Capital Fund Leveraging Program were used to make required debt service payments.

Tenant accounts receivable increased by \$31,176 due to management's inability to properly monitor collections. The increase in delinquent balances was a result of late charges and charges for damages assessed against tenants not being collected. The Authority's new management team has implemented a system to ensure that all charges to tenants are properly supported and collections vigorously pursued. Delinquent balances outstanding will be reviewed and a determination made as to their collectability. All uncollectible balances will be written-off or reserved.

Deferred revenues increased by \$32,021 due to the Authority receiving operating subsidies of approximately \$33,000 for the fourth quarter of 2012 prior to September 30, 2012.

Tenant revenue increased by approximately \$23,301 due to increased tenant late charges and charges for damages. A substantial portion of these charges proved to be uncollectible and collection losses of \$15,268 were recorded during the fiscal year ended September 30, 2012.

Operating grants decreased by \$63,960 primarily due to HUD reducing the amount of subsidy provided under the Low Rent Public Housing Program.

Capital grants decreased by \$87,767 as the Authority utilized the majority of funding from the Capital Fund Stimulus Program in 2010 and 2011. Consequently less funding was available in 2012.

Administrative expenses increased \$87,767 due primarily to an increase of \$84,503 in administrative salaries.

Ordinary maintenance and operations expenses decreased \$21,231 as the Authority incurred costs in 2011 for the rehabilitation of off line units in the Low Rent Public Housing Program which were not incurred in 2012.

HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

F. Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2013:

1. The state of the economy, particularly in light of current world affairs.
2. The need for Congress to balance the federal budget and the possible continued cut in HUD subsidies and grants.
3. The use of the Authority's Unrestricted Net Assets to fund any shortfalls rising from a possible economic downturn and reduced subsidies and grants. The Authority's Unrestricted Net Assets appear sufficient to cover any shortfall.

H. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Salem, 205 Seventh Street, Salem, NJ 08079 or call (856) 935-5022.

I. Summarized Financial Data

Computation of Net Assets are as follows:		As of	
		9/30/2012	9/30/2011
Cash and Other Assets		\$ 515,385	\$ 496,257
Capital Assets - Net		<u>4,955,786</u>	<u>5,531,819</u>
Total Assets		5,471,171	6,028,076
Less: Total Liabilities		<u>1,693,493</u>	<u>1,693,483</u>
Net Assets		<u>\$ 3,777,678</u>	<u>\$ 4,334,593</u>
Invested in Capital Assets		\$ 3,490,786	\$ 3,986,819
Restricted Net Assets		192,872	197,892
Unrestricted Net Assets		<u>94,020</u>	<u>149,882</u>
Total Net Assets		<u>\$ 3,777,678</u>	<u>\$ 4,334,593</u>

HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

I. Summarized Financial Data (continued)

Computations of Changes in Net Assets are as follows:				
			Year Ended	
			9/30/12	9/30/11
<u>Revenues</u>				
Tenant Revenues			\$ 516,848	\$ 493,547
HUD Subsidies			1,172,560	1,236,520
Other Revenues			42,913	48,871
Total Operating Revenues			1,732,321	1,778,938
<u>Expenses</u>				
Other Operating Expenses			1,508,224	1,546,190
Housing Assistance Payments			217,905	208,539
Depreciation Expense			627,660	564,778
Total Operating Expenses			2,353,789	2,319,507
Excess (Deficiency) of Operating Revenues				
Over Expenses			(621,468)	(540,569)
<u>Non-Operating Income/(Expenses)</u>				
Interest income			460	652
Interest expense			(67,534)	(70,314)
Net non-operating revenue (expense)			(67,074)	(69,662)
Excess of Revenues over Expenses				
Before Capital Grant Received			(688,542)	(610,231)
<u>Capital Grants</u>				
HUD Capital Grants			131,627	219,394
Excess (Deficiency) of Revenues Over Expenses			(556,915)	(390,837)
Net Assets – Beginning			4,334,593	4,725,430
Net Assets – Ending			\$ 3,777,678	\$ 4,334,593

FINANCIAL STATEMENTS

Preliminary Draft
for Discussion Purposes Only

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENTS OF NET ASSETS
AS OF SEPTEMBER 30, 2012 AND 2011

ASSETS		
	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 227,478	\$ 169,833
Accounts receivable - HUD	-	65,247
Account receivable - tenants, net	50,795	19,619
Prepaid expenses	<u>44,240</u>	<u>43,666</u>
Total current assets	<u>322,513</u>	<u>298,365</u>
Non-current assets:		
Restricted cash and cash equivalents	192,872	197,892
Capital assets, net	<u>4,955,786</u>	<u>5,531,819</u>
Total non-current assets	<u>5,148,658</u>	<u>5,729,711</u>
Total assets	<u>\$ 5,471,171</u>	<u>\$ 6,028,076</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 74,694	\$ 40,955
Accrued wages and payroll taxes	10,364	11,964
Accrued compensated absences	41,635	35,499
Tenant security deposits	47,549	41,359
Deferred revenues	36,429	4,408
Current portion of bonds payable	<u>80,000</u>	<u>80,000</u>
Total current liabilities	<u>290,671</u>	<u>214,185</u>
Non-current liabilities:		
Accrued compensated absences, net of current portion	17,822	14,298
Bonds payable, net of current portion	<u>1,385,000</u>	<u>1,465,000</u>
Total non-current liabilities	<u>1,402,822</u>	<u>1,479,298</u>
Total liabilities	<u>1,693,493</u>	<u>1,693,483</u>
NET ASSETS		
Net assets:		
Invested in capital assets, net	3,490,786	3,986,819
Restricted	192,872	197,892
Unrestricted	<u>94,020</u>	<u>149,882</u>
Total net assets	<u>\$ 3,777,678</u>	<u>\$ 4,334,593</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Tenant revenue	\$ 516,848	\$ 493,547
HUD operating grants	1,172,560	1,236,520
Other revenues	<u>42,913</u>	<u>48,871</u>
Total operating revenues	<u>1,732,321</u>	<u>1,778,938</u>
Operating expenses:		
Administrative	419,797	334,361
Tenant services	1,604	31,201
Utilities	521,025	565,224
Ordinary maintenance and operations	404,735	425,966
Protective services	37,784	40,783
Insurance and general expenses	123,279	148,655
Housing assistance payments	217,905	208,539
Depreciation	<u>627,660</u>	<u>564,778</u>
Total operating expenses	<u>2,353,789</u>	<u>2,319,507</u>
Operating gain (loss)	<u>(621,468)</u>	<u>(540,569)</u>
Non-operating revenues (expenses):		
Interest income	460	652
Interest expense	<u>(67,534)</u>	<u>(70,314)</u>
Net non-operating revenue (expense)	<u>(67,074)</u>	<u>(69,662)</u>
Income (loss) before capital grants	(688,542)	(610,231)
Capital grants	<u>131,627</u>	<u>219,394</u>
Change in net assets	(556,915)	(390,837)
Total net assets, beginning of year, as restated	<u>4,334,593</u>	<u>4,725,430</u>
Total net assets, end of year	<u>\$ 3,777,678</u>	<u>\$ 4,334,593</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Cash received from tenants	\$ 566,796	\$ 548,332
Cash received from grantors	1,237,807	1,249,688
Cash paid to suppliers	(1,292,099)	(1,382,460)
Cash paid to employees	<u>(392,805)</u>	<u>(427,616)</u>
Net cash flows provided (used) by operating activities	<u>119,699</u>	<u>(12,056)</u>
Cash Flows from Capital and Related Financing Activities:		
Repayment of debt	(80,000)	(80,000)
Purchases of capital assets	(51,627)	(139,394)
Capital grants	<u>131,627</u>	<u>219,394</u>
Net cash flows provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest expense	(67,534)	(70,314)
Interest received on investments	<u>460</u>	<u>652</u>
Net cash flows provided (used) by investing activities	<u>(67,074)</u>	<u>(69,662)</u>
Net increase (decrease) in cash	52,625	(81,718)
Cash and cash equivalents, beginning of year	<u>367,725</u>	<u>449,443</u>
Cash and cash equivalents, end of year	<u>\$ 420,350</u>	<u>\$ 367,725</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets:		
Cash and cash equivalents	\$ 227,478	\$ 169,833
Restricted cash	<u>192,872</u>	<u>197,892</u>
Cash and cash equivalents, at end of year	<u>\$ 420,350</u>	<u>\$ 367,725</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating gain (loss)	\$ (621,468)	\$ (540,569)
Items which did not use cash:		
Depreciation	627,660	564,778
Bad debts	15,268	43,121
Changes in operating assets and liabilities:		
Accounts receivable - HUD	65,247	13,168
Accounts receivable - tenants	(46,444)	(45,949)
Accounts receivable - other	-	2,310
Prepaid expenses	(574)	2,045
Accounts payable	33,739	(10,268)
Accrued expenses	(1,600)	1,794
Accrued compensated absences	9,660	(19,341)
Tenant security deposits	6,190	2,026
Deferred revenues	32,021	4,406
Other liabilities	<u>-</u>	<u>(29,577)</u>
Net cash provided (used) by operating activities	<u>\$ 119,699</u>	<u>\$ (12,056)</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Salem ("the Authority") is a governmental, public corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Salem, New Jersey. The Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development ("HUD") and the State of New Jersey, Division of Local Government Services ("the Division"). An executive director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority.

The Authority maintains its accounting records by program.

B. Description of Programs

The following programs are operated by the Authority:

Low Rent Public Housing Program

The public housing program is designed to provide low-cost housing. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Housing Assistance Payments Program - Section 8

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family. The Authority also administers a program of Section 8 Rental assistance funded by the State of New Jersey to supplement federal funding.

Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Description of Programs (continued)

American Reinvestment and Recovery Act (ARRA) Grant

The purpose of the ARRA Grant Program is to provide funds for the capital and management activities of Public Housing Agencies as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the "Act"), with the exception that funds cannot be used for operations or rental assistance. The funds shall be awarded by competition for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation retrofit investments.

C. Reporting Entity

In accordance with Statement No. 39 of the Government Accounting Standards Board ("GASB"), the Authority's basic financial statements include those of the Housing Authority and any component units. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

1. The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority.
2. The Authority has the ability to access a majority of the economic resources held by the separate organization.
3. The economic resources referred to in No. 2 are significant to the Authority.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

D. Basis of Accounting

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered enterprise funds that are used to account for activities that are operated in a manner similar to those found in the private sector.

All enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, 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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board pronouncements, Accounting Principles Board Opinions and Accounting Research Bulletins issued that do not conflict with or contradict GASB Pronouncements.

On January 30, 2008, HUD issued PIH Notice 2008-9 which among other things clarifies HUD's reporting position that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net assets, with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net assets, with the associated assets being reported on the FDS as unrestricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

Any investment income earned on these funds is reflected in the net asset account on which the investment income was earned. Investment income earned on HAP cash balances is credited to the HAP restricted net asset account and investment income earned on administrative fee cash balances is credited to the unrestricted net asset account.

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and cash equivalents

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

It is the Authority's policy to maintain collateralization in accordance with HUD requirements.

F. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and vacated units. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled but earned as of year end.

G. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

H. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Assets. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- | | |
|---------------------------|-----------|
| • Buildings | 40 Years |
| • Furniture and Equipment | 3-5 Years |

The Authority has established a capitalization threshold of \$1,000.

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees earn one sick day per month during the remainder of the first calendar year of employment and fifteen sick days in every calendar year thereafter. Annual vacation leave with pay shall be earned at rates based on length of employment. These amounts range from thirteen days for one to five years employment and twenty-six days for twenty-one years or more. Employees may be compensated for sick leave at retirement at a rate of one half the number of unused sick days accumulated not to exceed \$12,000.

J. Deferred Revenue

The Authority's deferred revenue primarily consists of the prepayment of rent by residents.

K. Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, interprogram receivables and payables are eliminated for financial statement purposes.

L. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues as non-operating.

M. Use of Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment and contingencies. Actual results could differ significantly from these estimates.

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Taxes

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

O. Equity Classifications

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

P. Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its programs receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

The Public Housing Program prepares its budget annually. The Board of Commissioners adopts the budget through passage of a budget resolution and submits it to HUD at least ninety days prior to the beginning of the program year.

Q. Economic Dependency

The Section 8 and Low Rent Housing programs of the Authority are economically dependent on operating grants and subsidies from HUD.

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions; and natural disasters. The Authority maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, crime coverage, personal property and general liability. Settlement amounts have not exceeded insurance coverage for the last three years.

NOTE 2. CASH AND CASH EQUIVALENTS

At September 30, 2012 and 2011, the Authority had funds on deposit in checking and money market accounts.

For the fiscal years ended September 30, 2012 and 2011, the carrying amount of the Authority's cash (including restricted cash) was \$420,350 and \$367,725, respectively. The bank balances were \$435,822 and \$408,716, respectively.

Of the bank balances, \$250,000 and \$250,000 was covered by federal depository insurance and the remaining \$185,822 and \$158,716 were collateralized with the pledging financial institution for the fiscal years ended September 30, 2012 and 2011.

<u>Cash Account</u>	<u>2012</u>	<u>2011</u>
Insured:		
FDIC	\$ 250,000	\$ 250,000
Collateralized:		
Collateralized amount held by pledging financial institution	<u>185,822</u>	<u>158,716</u>
	<u>\$ 435,822</u>	<u>\$ 408,716</u>

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of September 30, 2012 and 2011, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE

A. Accounts Receivable - Tenants, net

Accounts Receivable - Tenants, net consists of rental money due to the Authority for providing housing. Tenant receivables are shown net of an allowance for doubtful accounts of \$25,019 and \$19,619 as of September 30, 2012 and 2011, respectively.

HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 3. ACCOUNTS RECEIVABLE (continued)

B. Accounts Receivable - HUD

At September 30, 2012 and 2011, Accounts receivable - HUD consists of amounts due to the Authority for operating and capital grants. The Authority considers these amounts fully collectible and accordingly, have made no allowance.

NOTE 4. RESTRICTED CASH

Restricted cash consists of the following at September 30, 2012 and 2011:

<u>Description</u>	<u>2012</u>	<u>2011</u>
Debt leveraging account	\$ 180,930	\$ 180,637
Housing assistance payment reserves	<u>11,942</u>	<u>17,255</u>
	<u>\$ 192,872</u>	<u>\$ 197,892</u>

Capital fund debt leveraging proceeds are restricted for use in the Low Rent Public Housing Program in accordance with the Authority's annual plan.

Housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Program for tenant rents.

NOTE 5. CAPITAL ASSETS, NET

A summary of the changes in capital assets during the year ended September 30, 2012 were as follows:

<u>Description</u>	<u>September 30, 2011</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>September 30, 2012</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 183,069	\$ -	\$ -	\$ -	\$ 183,069
Construction in progress	<u>640,848</u>	<u>51,627</u>	<u>-</u>	<u>(102,829)</u>	<u>589,646</u>
Total	<u>823,917</u>	<u>51,627</u>	<u>-</u>	<u>(102,829)</u>	<u>772,715</u>
<u>Depreciable capital assets:</u>					
Buildings	14,520,805	-	-	102,829	14,623,634
Furniture and equipment	<u>279,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,950</u>
Total	<u>14,800,755</u>	<u>-</u>	<u>-</u>	<u>102,829</u>	<u>14,903,584</u>
Less: accumulated depreciation	<u>10,092,853</u>	<u>627,660</u>	<u>-</u>	<u>-</u>	<u>10,720,513</u>
Net capital assets	<u>\$ 5,531,819</u>	<u>\$ (576,033)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,955,786</u>

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 5. CAPITAL ASSETS, NET (continued)

A summary of the changes in capital assets during the year ended September 30, 2011 were as follows:

Description	September 30, 2010	Additions	Dispositions	Transfers	September 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 183,069	\$ -	\$ -	\$ -	\$ 183,069
Construction in progress	610,374	139,394	-	(108,920)	640,848
Total	<u>793,443</u>	<u>139,394</u>	<u>-</u>	<u>(108,920)</u>	<u>823,917</u>
<u>Depreciable capital assets:</u>					
Buildings	14,411,885	-	-	108,920	14,520,805
Furniture and equipment	279,950	-	-	-	279,950
Total	<u>14,691,835</u>	<u>-</u>	<u>-</u>	<u>108,920</u>	<u>14,800,755</u>
Less: accumulated depreciation	<u>9,528,075</u>	<u>564,778</u>	<u>-</u>	<u>-</u>	<u>10,092,853</u>
Net capital assets	<u>\$ 5,957,203</u>	<u>\$ (425,384)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,531,819</u>

Depreciation expense for the years ended September 30, 2012 and 2011 amounted to \$627,660 and \$564,778, respectively.

NOTE 6. COMPENSATED ABSENCES

Accrued compensated absences represents the amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's personnel policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service. Employees may be compensated for sick leave at retirement at a rate of one half the number of unused sick days accumulated not to exceed \$12,000. Compensated absences activity for the years ended September 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Beginning accumulated compensated absences	\$ 49,797	\$ 69,138
Compensated absences earned	39,687	32,202
Compensated absences redeemed	<u>(30,027)</u>	<u>(51,543)</u>
Ending accumulated compensated absences	59,457	49,797
Less: current portion of accumulated compensated absences	<u>41,635</u>	<u>35,499</u>
Accumulated compensated absences, net of current portion	<u>\$ 17,822</u>	<u>\$ 14,298</u>

HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 7. NON-CURRENT LIABILITIES

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A on December 23, 2004. The Authority's share of funds from the bond issue pool amounted to \$1,920,000. The related closing costs of \$52,139 were expensed at the issuance of the bonds. Interest accrues at 4.418% and is payable semi-annually on May 1st and November 1st. Repayment of the funds shall be paid solely from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development.

Debt service activity for the years ended September 30, 2012 and 2011 consisted of the following:

Description	September 30, 2011	Additions	Principal Payments	September 30, 2012	Amounts due within one year
Capital Fund Revenue Bonds	\$ 1,545,000	\$ -	\$ (80,000)	\$ 1,465,000	\$ -
Compensated absences	<u>49,797</u>	<u>39,687</u>	<u>(30,027)</u>	<u>59,457</u>	<u>41,635</u>
Total	<u>\$ 1,594,797</u>	<u>\$ 39,687</u>	<u>\$ (110,027)</u>	<u>\$ 1,524,457</u>	<u>\$ 41,635</u>

Description	September 30, 2010	Additions	Principal Payments	September 30, 2011	Amounts due within one year
Capital Fund Revenue Bonds	\$ 1,625,000	\$ -	\$ (80,000)	\$ 1,545,000	\$ -
Compensated absences	<u>69,138</u>	<u>32,202</u>	<u>(51,543)</u>	<u>49,797</u>	<u>35,499</u>
Total	<u>\$ 1,694,138</u>	<u>\$ 32,202</u>	<u>\$ (131,543)</u>	<u>\$ 1,594,797</u>	<u>\$ 35,499</u>

Annual debt service for principal and interest over the next five years and in five year increments are as follows:

Year	Principal	Interest	Total
2013	\$ 80,000	\$ 64,624	\$ 144,624
2014	85,000	61,624	146,624
2015	90,000	58,254	148,254
2016	90,000	54,423	144,423
2017	100,000	50,376	150,376
2018 - 2022	550,000	182,713	732,713
2023 - 2026	<u>470,000</u>	<u>44,885</u>	<u>514,885</u>
	<u>\$ 1,465,000</u>	<u>\$ 516,899</u>	<u>\$ 1,981,899</u>

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 8. PENSION PLAN

A. Public Employee's Retirement System

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. PERS provides retirement, death and disability benefits, as well as medical benefits for certain qualified members and beneficiaries. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. The PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of New Jersey, Division of Pensions CN-295, Trenton, NJ 08625, (609) 777-1777.

B. 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 5% 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 the years ending September 30, 2012 and 2011, amounted to \$28,678 and \$35,782, respectively.

C. Post Employment Retirement Benefits

As part of PERS, the Authority also provides post employment health care benefits and life insurance to all eligible retirees through the State Health Benefits Program (SHBP). Eligibility requires that employees be 55 years or older with at least 25 years of service. Participants are contractually required to contribute at a rate assessed each year by the SHBP, currently 5.5 percent of annual covered payroll. The SHBP sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Expenditures are recognized based on an actuarial study and report of the SHBP and are recorded as the contractually required premiums are incurred. For the years ending September 30, 2012 and 2011, the Authority incurred \$30,712 and \$23,389, for post employment health care benefits.

The State of New Jersey, Department of Treasury, Division of Pension 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 or link to the following website address at: <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 9. RESTRICTED NET ASSETS

Restricted net assets consists of the following at September 30, 2012 and 2011:

<u>Category</u>	<u>2012</u>	<u>2011</u>
Housing assistance payment reserves	\$ 11,942	\$ 17,255
Capital fund debt leveraging proceeds	<u>180,930</u>	<u>160,637</u>
	<u>\$ 192,872</u>	<u>\$ 177,892</u>

Housing assistance payment reserves are restricted for rent payments to landlords as part of the housing choice voucher program.

Capital fund debt leveraging proceeds are restricted for use in the Low Rent Public Housing Program in accordance with the Authority's annual plan.

NOTE 10. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of September 30, 2012, the Authority estimates that no material liabilities will result from such audits.

NOTE 11. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through June 12, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**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**

To the Board of Commissioners
The Housing Authority of the City of Salem:

We have audited the financial statements of the The Housing Authority of the City of Salem ("the Authority"), as of and for the year ended September 30, 2012, and have issued our report thereon dated June 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal controls over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a material weakness.

**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 (continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-5.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the U.S. Department of Housing & Urban Development and federal awarding agencies is not intended to be and should not be used by anyone other than these specified parties.

June 12, 2013
Toms River, New Jersey



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

To the Board of Commissioners
The Housing Authority of the City of Salem:

Compliance

We have audited The Housing Authority of the City of Salem's ("the Authority") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and audit requirements as prescribed by the Division of Local Government Services ("the Division"), Department of Community Affairs, State of New Jersey. Those standards and OMB Circular A-133 require 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

As described in items in the accompanying schedule of findings and questioned costs, the Authority, did not comply with requirements regarding tenant selections, inspections and procurement that are applicable to its Low Rent Public Housing, Capital Fund and American Recovery and Reinvestment Act programs (2012-2, 2012-3, 2012-4, & 2012-5). Compliance with such requirements is necessary, in our opinion, for the Authority, to comply with the requirements applicable to those programs.

In our opinion, because of the noncompliance described in the preceding paragraph, the Authority, did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Low Rent Public Housing, Capital Fund and American Recovery and Reinvestment Act programs for the year ended September 30, 2012.

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

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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 2012-2, 2012-3, 2012-4 & 2012-5 to be material weaknesses.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of management and the U.S. Department of Housing and Urban Development, federal awarding agencies, and the Division and is not intended to be and should not be used by anyone other than these specified parties.

June 12, 2013
Toms River, New Jersey

**HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Federal and State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditures</u>
U.S. Department of Housing and Urban Development:		
Low Rent Public Housing	14.850a	\$ 794,054
Section 8 Housing Choice Voucher Program	14.871	240,085
Public Housing Capital Fund Program	14.872	248,409
Capital Fund Stimulus Grant (ARRA)	14.885	<u>27,042</u>
		<u>\$ 1,309,590</u>

Preliminary Draft
for Discussion Purposes Only

**HOUSING AUTHORITY OF THE CITY OF SALEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2012**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the City of Salem under programs of the federal government for the year ended September 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Housing Authority of the City of Salem, it is not intended to and does not present the financial position, changes in net assets 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 principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribes, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3. SUBRECIPIENTS

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

NOTE 4. NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2012.

**HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2012**

I. Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

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

CFDA Number

Name of Federal Program

14.850a	Low Rent Public Housing
14.872	Public Housing Capital Fund
14.885	Capital Fund Stimulus Grant (ARRA)

HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2012

II. Financial Statement Findings
Material Weakness

Reference 2012-1

Condition: Based on interviews with Authority personnel it had become apparent that internal controls related to; the accounting for and compliance with federal and state laws, regulations and grants pertaining to wages and hours worked may have been overridden by management.

Criteria: OMB Circular A-102 and OMB Circular A-110 (2CFR Part 215) require that non-federal entities receiving federal awards (i.e. auditee management) design, maintain, implement and and monitor internal control to reasonably ensure compliance with Federal and state laws, regulations and program compliance requirements.

Cause: The Authority failed to properly design, implement, maintain and monitor internal controls related to the human resource and payroll functions to reasonably ensure they are in compliance with federal and state laws, regulations and program compliance.

Effect: The documentation of wages and hours worked could not be relied upon and the related calculations of withholdings, compensated absences and benefits could not be reliably determined as well. It could also not be determined if payroll procedures regarding the approval of hours worked are being carried out in compliance with federal and state laws, regulations and program compliance.

Context: Based on interviews with Authority personnel, it was determined that there were systemic deficiencies in the internal control related to human resources and payroll.

Recommendation: Internal controls should be properly designed, implemented and monitored to ensure the human resource and payroll functions of the Authority are operating as intended.

Views of Responsible Officials and Planned Corrective Actions: The Authority's new management team has performed an extensive review of policies and procedures related to human resources and payroll processing. Based on employee interviews and the review of documentation supporting hours worked, it appears that compensation rates and time records were not properly reported due to management override of the Authority's system. Based on the findings of that review, management has begun to design and implement internal control systems to ensure that personnel are properly compensated for time worked and that hours worked by each employee are properly documented. The system will also ensure that benefits are offered to all employees without discrimination based upon the employee's classification (i.e. full-time vs. part-time). Personnel files will be updated and maintained to ensure that all payroll deductions are properly supported by employee authorizations.

III. Federal Award Findings and Questioned Costs
Material Weaknesses

Reference 2012-1

Low Rent Public Housing - CFDA No. 14.850a and Capital Fund Program - CFDA No. 14.872

HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2012

III. Federal Award Findings and Questioned Costs (continued)
Material Weaknesses (continued)

Reference 2012-1 (continued)

Reference 2012-1 is also considered a federal award finding. Please refer to Section II for details.

Reference 2012-2

Low Rent Public Housing - CFDA No. 14.850a

Condition: A review of the Authority's waitlist and interviews with Authority staff regarding nine (9) new move-ins to the Low Rent Public Housing Program disclosed that the Authority's Admissions and Continued Occupancy Policy as well as HUD regulations were not being followed. Tenants were selected and admitted to the Low Rent Public Housing Program based on preferences that do not exist in the Authority's Admissions and Continued Occupancy Policy as follows:

- Five (5) tenants were given preference because they would pay a higher flat rent.
- Two (2) tenants were given preference based on management instruction.
- Two (2) tenants were given preference because of employee override of the system.

Criteria: Per 24 CFR 891.230 HUD requires the tenant selection plan to define each preference adopted for use in the project that will affect the order in which applicants are selected from the waiting list.

Cause: Internal controls were not in place that would ensure tenant selection was implemented as required by the admissions and continued occupancy policy.

Effect: Applicants have been selected for admission outside the policy of the Authority and therefore, in a manner that is not in compliance with federal regulations. The Authority may be required to refund previously received federal subsidy.

Context: During wait list testing we selected twenty (20) new move-ins to be traced to the wait list. Of the twenty (20) tenants selected, nine (9) were not on the wait list.

Questioned Costs: \$357,324

Recommendation: The new management team should design, implement and monitor internal controls to ensure the policy and procedures related to tenant selection are implemented as intended.

Views of Responsible Officials and Planned Corrective Actions: The failure to properly select tenants from the authority's waiting list is a result of management override of established policies and employees not being properly trained in applying established procedures. Therefore, the Authority's new management team has designed and implemented a system to ensure that applicants for both its public housing and housing choice voucher programs will be properly selected from its wait lists, giving proper weight to preferences established in its Admissions and Continued Occupancy Policy (ACOP). Employees involved in the process will be properly trained and the process will be reviewed by senior management on an ongoing basis.

HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2012

III. Federal Award Findings and Questioned Costs (continued)

Reference 2012-3

Low Rent Public Housing - CFDA No. 14.850a

Condition: Documentation related to annual inspections of Low Rent Public Housing Program units was damaged due to flooding from a faulty sprinkler system and therefore not available for examination at the time of the audit.

Criteria: HUD requires annual inspections be conducted in relation to Low Rent Public Housing Program units and that documentation of these inspections be maintained in accordance with special reporting requirements in OMB Circular A-133.

Cause: Internal controls were not designed and implemented that would ensure that annual inspections were under taken and that those inspections be properly documented as required by HUD.

Effect: It cannot readily be determined if annual inspections took place.

Context: During tenant file testing of the eleven (11) files selected there were no annual inspection reports available for examination.

Questioned Costs: \$794,054

Recommendation: Internal controls should be designed, implemented and monitored to ensure that annual inspections take place and they are properly documented.

Views of Responsible Officials and Planned Corrective Actions:

Although not present at the time, management has been informed that the inability to produce inspection reports is a result of a flood that occurred in 2012, destroying the necessary documentation. However, the new management team has thoroughly reviewed the inspection and related documentation procedures in place at the Authority, and will implement policies and procedures to ensure that all PHA units are inspected annually as required. Additionally, all employees involved in the scheduling and inspection process will be properly trained and detailed inspection reports will be completed for every unit inspected. Procedures will include a protocol to ensure that all deficiencies noted during an inspection are properly documented, reported to management and maintenance supervisors, and repaired immediately.

HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2012

Reference 2012-4

Capital Fund Program - CFDA No. 14.872 & Capital Fund Stimulus Grant (ARRA) - CFDA No. 14.885

Condition: The Authority could not provide documentation related to the award of contracts in the Capital Fund and American Reinvestment and Recovery Act programs. Specifically, the Authority could not provide a listing of contracts awarded, bid advertisements placed, bids received and the procurement procedures followed at the time of audit.

Criteria: Per 24 CFR 85.36(b) public housing authority's are required to implement a procurement policy that is in accordance with Federal and state regulations, laws and program compliance. Contracts entered into by the Authority are subject to this policy.

Cause: The Authority failed to properly design, implement and monitor internal controls that would provide for the proper documentation of all the processes related to procurement including contracting for goods or services.

Effect: We were unable to perform testing related to Capital Fund Program and America Reinvestment and Recovery Act Stimulus Program. It could not be determined if the Authority was properly awarding or carrying out its responsibilities regarding contracts including but not limited to the bid process as required by federal and state laws and regulations. The Authority may be required to refund awards received.

Context: We requested a listing of contracts awarded during the fiscal year in order to select a sample of contracts to test for compliance with laws and regulations as well as to test for proper internal controls over the process. Management was unable to provide us with any procurement documentation

Questioned costs: \$123,719

Recommendation: The Authority should design, implement and monitor a system of internal controls that provides for documentation that reasonably ensures that all contracts are awarded and carried out in a manner that is in accordance with Federal and state laws, regulations and program compliance.

Views of Responsible Officials and Planned Corrective Actions: The deficiencies noted relate to the failure to properly document the receipt of competitive price quotes for expenditures below the bid threshold. The Authority's new management team will design and implement an internal control system requiring that purchase requisitions be prepared for all goods and services purchased at prices below the bid threshold. These procedures will require that price quotes from three vendors be obtained and recorded on the purchase requisition for small purchases – i.e. purchases below the bid threshold. Authority personnel will be properly trained to perform the purchasing function, and the purchasing function will be monitored by senior management.

IV. Schedule of Prior Year Federal Audit Findings

None reported.

**HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF CAPITAL FUND PROGRAM
COSTS AND ADVANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>501-10</u>	<u>501-11</u>	<u>Totals</u>
Budget	\$ <u>332,003</u>	\$ <u>285,798</u>	\$ <u>617,801</u>
<u>Advances:</u>			
Cumulative through 09/30/11	\$ 256,352	\$ 960	\$ 257,312
Current Year	<u>75,651</u>	<u>172,758</u>	<u>248,409</u>
Cumulative through 09/30/12	<u>332,003</u>	<u>173,718</u>	<u>505,721</u>
<u>Costs:</u>			
Cumulative through 09/30/11	256,352	960	257,312
Current Year	<u>75,651</u>	<u>172,758</u>	<u>248,409</u>
Cumulative through 09/30/12	<u>332,003</u>	<u>173,718</u>	<u>505,721</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Summary</u>			
<u>Soft Costs:</u>			
Cumulative through 09/30/11	\$ 183,466	\$ -	\$ 183,466
Current Year	<u>75,651</u>	<u>65,631</u>	<u>141,282</u>
Cumulative through 09/30/12	<u>259,117</u>	<u>65,631</u>	<u>324,748</u>
<u>Hard Costs:</u>			
Cumulative through 09/30/11	72,886	960	73,846
Current Year	<u>-</u>	<u>107,127</u>	<u>107,127</u>
Cumulative through 09/30/12	<u>72,886</u>	<u>108,087</u>	<u>180,973</u>
Cumulative	\$ <u>332,003</u>	\$ <u>173,718</u>	\$ <u>505,721</u>

NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

The total amount of Capital Fund Program Costs and Advances - Closed grants incurred and earned by the Housing Authority of the City of Salem as of and for the year ended September 30, 2012 are provided herein:

- 1) Capital Fund Grant NJ39P058501-10 with an approved funding of \$332,003 has been fully obligated and expended within the permitted time requirements as per Capital Fund Grant Regulations.

**HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF CAPITAL FUND STIMULUS PROGRAM
COSTS AND ADVANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>ARRA-09</u>
Budget	\$ <u>537,442</u>
<u>Advances:</u>	
Cumulative through 09/30/11	\$ 510,400
Current Year	<u>27,042</u>
Cumulative through 09/30/12	<u>537,442</u>
<u>Costs:</u>	
Cumulative through 09/30/11	510,400
Current Year	<u>27,042</u>
Cumulative through 09/30/12	<u>537,442</u>
Excess / (Deficiency)	\$ <u>-</u>
<u>Summary</u>	
<u>Soft Costs:</u>	
Cumulative through 09/30/11	\$ 46,227
Current Year	<u>2,542</u>
Cumulative through 09/30/12	<u>48,769</u>
<u>Hard Costs:</u>	
Cumulative through 09/30/11	464,173
Current Year	<u>24,500</u>
Cumulative through 09/30/12	<u>488,673</u>
Cumulative	\$ <u>537,442</u>

NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

The total amount of Capital Fund Program Costs and Advances - Closed grants incurred and earned by the Housing Authority of the City of Salem as of and for the year ended September 30, 2012 are provided herein:

- 1) Capital Fund Grant NJ39S058501-09 with an approved funding of \$537,442 has been fully obligated and expended within the permitted time requirements as per Capital Fund Grant Regulations.

Housing Authority of the City of Salem
NJ058

Financial Data Schedule (FDS)

September 30, 2012

Line Item #	Account Description	Projects	Capital Fund Stimulus Grant	Housing Choice Vouchers	Eliminations	TOTAL
ASSETS:						
CURRENT ASSETS:						
Cash:						
111	Cash - unrestricted	\$ 126,241	\$ -	\$ 53,688	\$ -	\$ 179,929
112	Cash - restricted - modernization and development	-	-	-	-	-
113	Cash - other restricted	180,930	-	11,942	-	192,872
114	Cash - tenant security deposits	47,549	-	-	-	47,549
115	Cash - restricted for payment of current liabilities:	-	-	-	-	-
100	Total cash	354,720	-	65,630	-	420,350
Accounts and notes receivables:						
121	Accounts receivable - PHA projects	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	-	-	-	-
124	Accounts receivable - other government	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-	-
126	Accounts receivable - tenants	75,814	-	-	-	75,814
126.1	Allowance for doubtful accounts - tenants	(25,019)	-	-	-	(25,019)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-
127	Notes and mortgages receivable - current	-	-	-	-	-
128	Fraud recovery	3,898	-	-	-	3,898
128.1	Allowance for doubtful accounts - fraud	(3,898)	-	-	-	(3,898)
129	Accrued interest receivable	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	50,795	-	-	-	50,795
Current investments						
131	Investments - unrestricted	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-
142	Prepaid expenses and other assets	44,240	-	-	-	44,240
143	Inventories	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	(44,987)	-
144	Interprogram - due from	44,987	-	-	-	-
145	Assets held for sale	-	-	-	-	-
150	TOTAL CURRENT ASSETS	494,742	-	65,630	(44,987)	515,385
NONCURRENT ASSETS:						
Fixed assets:						
161	Land	183,069	-	-	-	183,069
162	Buildings	13,060,588	-	-	-	13,060,588
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-
164	Furniture, equipment & machinery - administration	279,950	-	-	-	279,950
165	Leasehold improvements	1,563,046	-	-	-	1,563,046
166	Accumulated depreciation	(10,720,513)	-	-	-	(10,720,513)
167	Construction in Progress	589,646	-	-	-	589,646
168	Infrastructure	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	4,955,786	-	-	-	4,955,786
Other non-current assets:						
171	Notes and mortgages receivable - non-current	-	-	-	-	-
172	Notes and mortgages receivable-non-current - past due	-	-	-	-	-
174	Other assets	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	4,955,786	-	-	-	4,955,786
190	TOTAL ASSETS	\$ 5,450,528	\$ -	\$ 65,630	\$ (44,987)	\$ 5,471,171

Housing Authority of the City of Salem									
NJ058									
Financial Data Schedule (FDS)									
September 30, 2012									
Line Item #		Account Description	Projects	Capital Fund Stimulus Grant	Housing Choice Vouchers	Eliminations	TOTAL		
LIABILITIES AND EQUITY:									
Liabilities:									
Current Liabilities:									
311		Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
312		Accounts payable ≤ 90 days	74,694	-	-	-	-	74,694	
313		Accounts payable > 90 days past due	-	-	-	-	-	-	
321		Accrued wage/payroll taxes payable	10,364	-	-	-	-	10,364	
322		Accrued compensated absences - current portion	41,635	-	-	-	-	41,635	
325		Accrued interest payable	-	-	-	-	-	-	
331		Accounts payable - HUD PHA programs	-	-	-	-	-	-	
332		Accounts payable - PHA projects	-	-	-	-	-	-	
333		Accounts payable - other government	-	-	-	-	-	-	
341		Tenant security deposits	47,549	-	-	-	-	47,549	
342		Deferred revenue	36,429	-	-	-	-	36,429	
343		Current portion of L-T debt - capital projects	80,000	-	-	-	-	80,000	
344		Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	
345		Other current liabilities	-	-	-	-	-	-	
346		Accrued liabilities - other	-	-	-	-	-	-	
347		Interprogram - due to	-	-	44,987	(44,987)	-	-	
310		TOTAL CURRENT LIABILITIES	290,671	-	44,987	(44,987)	-	290,671	
NONCURRENT LIABILITIES:									
351		Long-term debt, net of current - capital projects	1,385,000	-	-	-	-	1,385,000	
352		Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	
353		Non-current liabilities- other	-	-	-	-	-	-	
354		Accrued compensated absences - noncurrent	17,822	-	-	-	-	17,822	
355		Loan Liability - Non Current	-	-	-	-	-	-	
356		FASB 5 Liabilities	-	-	-	-	-	-	
357		Accrued pension and OPEB liabilities	-	-	-	-	-	-	
350		TOTAL NONCURRENT LIABILITIES	1,402,822	-	-	-	-	1,402,822	
300		TOTAL LIABILITIES	1,693,493	-	44,987	(44,987)	-	1,693,493	
EQUITY:									
508.1		Invested in Capital Assets, Net of Related Debt	3,490,786	-	-	-	-	3,490,786	
511.1		Restricted Net Assets	180,930	-	11,942	-	-	192,872	
512.1		Unrestricted Net Assets	85,319	-	8,701	-	-	94,020	
513		TOTAL EQUITY	3,757,035	-	20,643	-	-	3,777,678	
600		TOTAL LIABILITIES AND EQUITY	\$ 5,450,528	\$ -	\$ 65,630	\$ (44,987)	\$ -	\$ 5,471,171	
Proof of concept									

Housing Authority of the City of Salem							
NJ058							
Financial Data Schedule (FDS)							
September 30, 2012							
Line Item #	Account Description	Operating	Capital	Capital Fund Stimulus Grant	Housing Choice Vouchers	Eliminations	TOTAL
REVENUE:							
70300	Net tenant rental revenue	\$ 480,132	\$ -	\$ -	\$ -	\$ -	\$ 480,132
70400	Tenant revenue - other	36,716	-	-	-	-	36,716
70500	Total tenant revenue	516,848	-	-	-	-	516,848
70600	HUD PHA grants	794,054	141,282	2,542	234,682	-	1,172,560
70610	Capital grants	-	107,127	24,500	-	-	131,627
70710	Management Fee	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-
70730	Book Keeping Fee	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-
71100	Investment income - unrestricted	401	-	-	59	-	460
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of asseets held for sale	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	4,708	-	-	-	-	4,708
71500	Other revenue	38,205	-	-	-	-	38,205
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-
70000	TOTAL REVENUE	1,354,216	248,409	27,042	234,741	-	1,864,408
EXPENSES:							
Administrative							
91100	Administrative salaries	162,054	21,434	-	15,800	-	199,288
91200	Auditing fees	7,320	-	-	1,000	-	8,320
91300	Management fees	-	-	-	-	-	-
91310	Book-keeping fee	-	-	-	-	-	-
91400	Advertising and marketing	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	73,565	7,144	-	5,290	-	85,999
91600	Office expenses	46,538	-	-	-	-	46,538
91700	Legal expenses	26,480	-	-	-	-	26,480
91800	Travel	11,568	-	-	-	-	11,568
91900	Other	33,475	5,497	2,542	90	-	41,604
92000	Asset Management Fee	-	-	-	-	-	-
Tenant services							
92100	Tenant services - salaries	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	-	-	-	-	-	-
92400	Tenant services - other	1,604	-	-	-	-	1,604
Utilities							
93100	Water	49,981	-	-	-	-	49,981
93200	Electricity	279,873	-	-	-	-	279,873
93300	Gas	82,799	-	-	-	-	82,799
93500	Labor	17,841	-	-	-	-	17,841
93600	Sewer	84,041	-	-	-	-	84,041
93700	Employee benefit contributions- utilities	6,490	-	-	-	-	6,490
93800	Other utilities expense	-	-	-	-	-	-

Housing Authority of the City of Salem							
NJ058							
Financial Data Schedule (FDS)							
September 30, 2012							
Line Item #	Account Description	Operating	Capital	Capital Fund Stimulus Grant	Housing Choice Vouchers	Eliminations	TOTAL
	Ordinary maintenance & operation						
94100	Ordinary maintenance and operations - labor	157,309	-	-	-	-	157,309
94200	Ordinary maintenance and operations - materials & other	23,982	7,680	-	-	-	31,662
94300	Ordinary maintenance and operations - contract costs	140,961	3,415	-	-	-	144,376
94500	Employee benefit contributions- ordinary maintenance	71,388	-	-	-	-	71,388
	Protective services						
95100	Protective services - labor	26,427	-	-	-	-	26,427
95200	Protective services- other contract costs	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-
95500	Employee benefit contributions- protective services	11,357	-	-	-	-	11,357
	General expenses						
96110	Property Insurance	36,675	-	-	-	-	36,675
96120	Liability Insurance	25,005	-	-	-	-	25,005
96130	Workmen's Compensation	20,838	-	-	-	-	20,838
96140	All Other Insurance	833	-	-	-	-	833
96200	Other general expenses	-	-	-	-	-	-
96210	Compensated absences	9,660	-	-	-	-	9,660
96300	Payments in lieu of taxes	-	-	-	-	-	-
96400	Bad debt - tenant rents	15,268	-	-	-	-	15,268
96700	Interest expense	-	-	-	-	-	-
96710	Interest of Mortgage (or bonds) payable	-	67,534	-	-	-	67,534
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-
96800	Severance expense	15,000	-	-	-	-	15,000
96900	TOTAL OPERATING EXPENSES	1,438,332	112,704	2,542	22,180	-	1,575,758
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(84,116)	135,705	24,500	212,561	-	288,650
97100	Extraordinary maintenance	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	217,905	-	217,905
97350	HAP Portability - in	-	-	-	-	-	-
97400	Depreciation expense	627,660	-	-	-	-	627,660
97500	Fraud losses	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	TOTAL EXPENSES	2,065,992	112,704	2,542	240,085	-	2,421,323

Housing Authority of the City of Salem									
NJ058									
Financial Data Schedule (FDS)									
September 30, 2012									
			Account Description	Operating	Capital	Capital Fund Stimulus Grant	Housing Choice Vouchers	Eliminations	TOTAL
Line Item #									
			OTHER FINANCING SOURCES (USES)						
10010			Operating transfers in	28,578	-	-	-	-	28,578
10020			Operating transfers out	-	(28,578)	-	-	-	(28,578)
10030			Operating transfers from/to primary government	-	-	-	-	-	-
10040			Operating transfers from/to component unit	-	-	-	-	-	-
10070			Extraordinary items, net gain/loss	-	-	-	-	-	-
10080			Special items (net gain/loss)	-	-	-	-	-	-
10091			Inter Project excess cash transfer in	-	-	-	-	-	-
10092			Inter Project excess cash transfer out	-	-	-	-	-	-
10093			Transfers between program and project in	-	-	-	-	-	-
10094			Transfers between program and project out	-	-	-	-	-	-
10100			TOTAL OTHER FINANCING SOURCES (USES)	28,578	(28,578)	-	-	-	-
10000			EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	(683,198)	107,127	24,500	(5,344)	-	(556,915)
MEMO ACCOUNT INFORMATION:									
11020			Required annual debt principal payments	-	80,000	-	-	-	80,000
11030			Beginning equity	4,131,931	176,675	-	25,987	-	4,334,593
11040			Prior period adjustments and equity transfers	102,829	(78,329)	(24,500)	-	-	-
11170			Administrative fee equity	-	-	-	8,701	-	8,701
11180			Housing assistance payments equity	-	-	-	11,942	-	11,942
11190			Unit months available	2,160	-	-	372	-	2,532
11210			Number of unit months leased	2,038	-	-	351	-	2,389
			Equity Roll Forward Test:						
			Calculation from R/E Statement	\$ 3,757,035	\$ -	\$ -	\$ 20,643	\$ -	\$ 3,777,678
			B/S Line 513	\$ 3,757,035	\$ -	\$ -	\$ 20,643	\$ -	\$ 3,777,678
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -