

**PASSAIC HOUSING AUTHORITY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2011 AND 2010**

**PASSAIC HOUSING AUTHORITY  
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FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Passaic Housing Authority:

We have audited the accompanying financial statements of the Passaic Housing Authority ("the Authority") as of and for the years ended December 31, 2011 and 2010, as listed in the accompanying 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 as 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 audit 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Passaic Housing Authority as of December 31, 2011 and 2010, and the changes in net assets 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 21, 2012 on our consideration of the Passaic Housing Authority'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 should be considered in assessing the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis contained on pages 3 through 10 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 Passaic Housing Authority. 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, schedules of capital fund and capital fund stimulus program costs and advances are also not a required part 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, schedules of capital fund and capital fund stimulus 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 21, 2012  
Toms River, New Jersey

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PASSAIC HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011**

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2011. 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 \$19,537,840 (net assets) as opposed to \$19,372,805 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 \$4,116,612
- 3 – The Authority's cash and cash equivalent and investment balance at December 31, 2011 was \$6,886,501 representing an increase of \$325,920 from the prior fiscal year.
- 4 – The Authority had Total Operating Revenues of \$22,828,889 and Total Operating Expenses of \$23,546,988 including \$1,218,429 for depreciation for the year ended December 31, 2011.
- 5 – The Authority's capital outlays for the fiscal year were \$871,388 of which \$865,271 was funded from the Authority's Capital Fund Program.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$20,453,396 for the fiscal year.

**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 Statements of the Net Assets, Statements of Revenues, Expenses and Changes in Net Assets and Statements of Cash Flows.

The Comparative 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.

PASSAIC HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

DECEMBER 31, 2011

**B – Using the Annual Report (continued)**

**2 – Financial Statements (continued)**

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

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 11 through 14.

**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 32 of this report.

**C – The Authority as a Whole**

The Authority's Net Assets increased during the fiscal year by \$165,035 as detailed on page 6. The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. During the current fiscal year, the Authority's expenditures for HAP expenses totaled \$14,926,699 while HAP funding was reduced to \$14,717,775.

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 and services for its' tenants, consequently, they are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

**PASSAIC HOUSING AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**DECEMBER 31, 2011**

**D – Budgetary Highlights**

For the year ended December, 2011, 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.

**Comparison Budget vs. Actual - Low Income Public Housing Excluding the COCC**

	<u>Budget</u>	<u>Actual</u>	<u>Fav. /(Unfav.) Variance</u>	<u>% Variance</u>
<b>Tenant Rental Revenue</b>	\$ 2,838,731	\$ 2,924,364	\$ 85,633	3.02%
<b>Other Income</b>	105,590	118,200	12,610	11.94%
<b>Total Operating Revenue</b>	<u>2,944,321</u>	<u>3,042,564</u>	<u>98,243</u>	3.34%
<b>Operating Expenses:</b>				
<b>Administrative</b>	1,253,351	1,240,963	12,388	0.99%
<b>Tenant Services</b>	308,196	244,807	63,389	20.57%
<b>Utilities</b>	2,439,378	1,837,181	602,197	24.69%
<b>Maintenance</b>	1,609,818	1,831,706	(221,888)	-13.78%
<b>Protective Services</b>	278,082	357,471	(79,389)	-28.55%
<b>General Expense</b>	349,411	414,145	(64,734)	-18.53%
<b>Total Operating Expenses</b>	<u>6,238,236</u>	<u>5,926,273</u>	<u>311,963</u>	5.00%
<b>Residual Receipts/(Deficit)</b>	(3,293,915)	(2,883,709)	410,206	-12.45%
<b>Operating Subsidy</b>	3,202,007	3,135,539	(66,468)	-2.08%
<b>Operating Transfer In/(Out)</b>	125,000	110,555	(14,445)	-11.56%
<b>Depreciation Expense</b>	<u>-</u>	<u>(1,194,869)</u>	<u>(1,194,869)</u>	100.00%
<b>Residual Receipts/(Deficit)</b>	<u>\$ 33,092</u>	<u>\$ (832,484)</u>	<u>\$ (865,576)</u>	-2615.67%

Although the Authority does not budget for depreciation, it has recorded \$1,194,869 for fiscal year ended December 31, 2011. Since depreciation does not affect unrestricted net assets, the residual receipts account, when adjusted for depreciation would increase \$362,385.

**PASSAIC HOUSING AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**DECEMBER 31, 2011**

**Net Assets:**

Cash & Equivalents	\$ 6,886,501	\$ 6,560,581	\$ 325,920
Other Current Assets	432,273	241,565	190,708
Capital Assets	13,763,030	14,119,462	(356,432)
Total Assets	<u>21,081,804</u>	<u>20,921,608</u>	<u>160,196</u>
Current Liabilities	633,098	714,697	(81,599)
Non Current Liabilities	910,866	834,106	76,760
Total Liabilities	<u>1,543,964</u>	<u>1,548,803</u>	<u>(4,839)</u>
Net Capital Assets	13,763,030	14,119,462	(356,432)
Restricted Net Assets	1,658,198	1,867,122	(208,924)
Unrestricted Net Assets	4,116,612	3,386,221	730,391
Total Net Assets	<u>19,537,840</u>	<u>19,372,805</u>	<u>165,035</u>
Net Assets & Liabilities	<u>\$ 21,081,804</u>	<u>\$ 20,921,608</u>	<u>\$ 160,196</u>

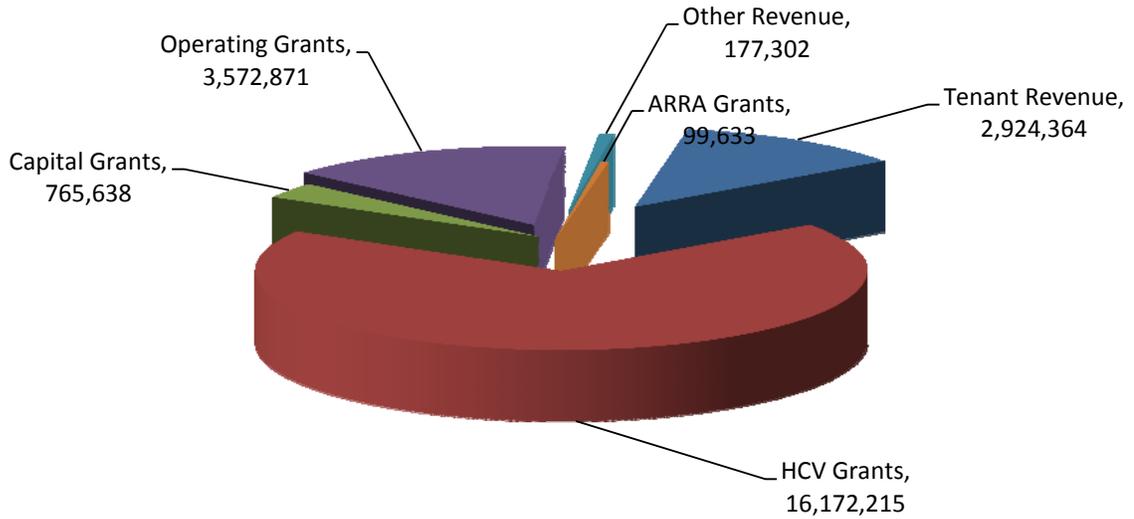
**Revenues & Expenses:**

Tenant Rental Revenue	\$ 2,924,364	\$ 2,804,338	\$ 120,026
HUD Operating Grants	19,745,086	20,211,544	(466,458)
Other Revenue	159,439	414,931	(255,492)
Total Operating Revenue	<u>22,828,889</u>	<u>23,430,813</u>	<u>(601,924)</u>
Operating Expenses:			
Administrative	2,288,929	2,278,120	10,809
Tenant Services	244,807	281,605	(36,798)
Utilities	1,837,181	2,280,574	(443,393)
Maintenance	1,935,129	1,549,362	385,767
General Expenses	536,067	509,254	26,813
Housing Assistance Payments	14,926,699	14,356,657	570,042
Depreciation	1,218,429	1,167,767	50,662
Protective Services	559,747	565,993	(6,246)
Total Operating Expenses	<u>23,546,988</u>	<u>22,989,332</u>	<u>557,656</u>
Operating Income (Loss)	(718,099)	441,481	(1,159,580)
Gain (Loss) on Sale of Fixed Assets	(9,391)	-	(9,391)
Interest Income	27,254	32,140	(4,886)
Capital Grants	865,271	1,835,327	(970,056)
Increase/(Decrease in Net Assets)	<u>165,035</u>	<u>2,308,948</u>	<u>(2,143,913)</u>
Beginning Net Assets	19,372,805	17,063,857	2,308,948
Ending Net Assets	<u>\$ 19,537,840</u>	<u>\$ 19,372,805</u>	<u>\$ 165,035</u>

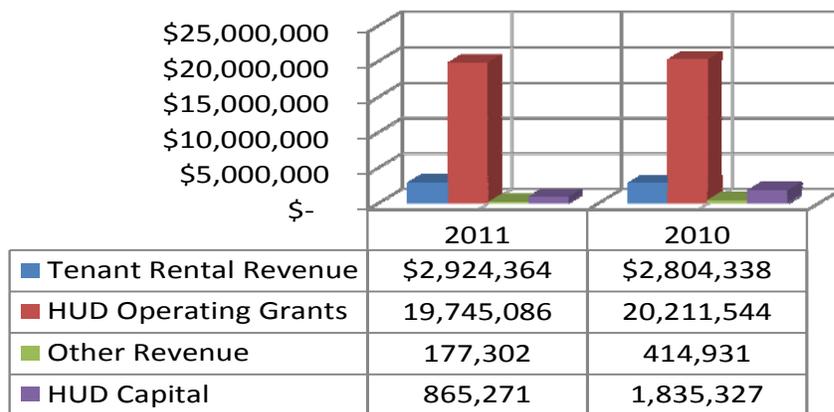
**PASSAIC HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**DECEMBER 31, 2011**

The Following Charts illustrate the Authority's financial activity on the previous page.

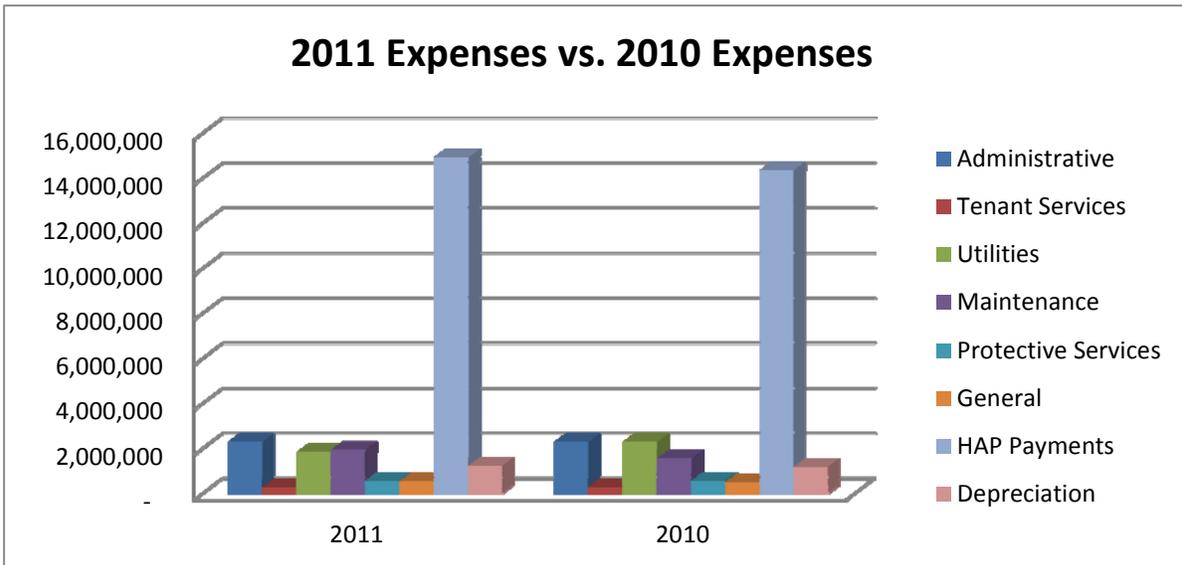
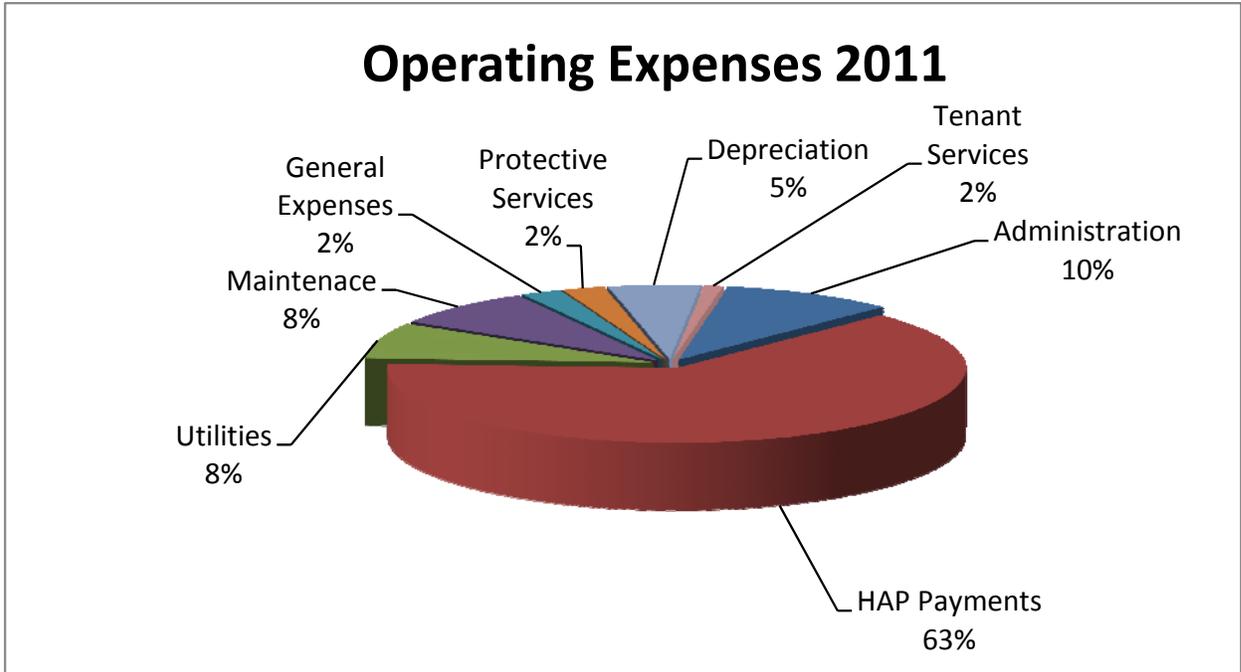
**Revenue by Category**



**December 2011 Revenues vs. December 2010 Revenues**



**PASSAIC HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**DECEMBER 31, 2011**



PASSAIC HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

DECEMBER 31, 2011

**E - Summary of Programs Administered**

**Conventional Public Housing** – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

**Housing Choice Voucher Program** – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

**F – Summary of Significant Changes from Fiscal Year December 31, 2011:**

- Accounts Receivable Miscellaneous increased primarily due to insurance claims submitted for damages related to Hurricane Irene during August 2011. Those funds were received subsequent to year end and most of the damages to the Authority's properties have been repaired.
- Accounts Payable Vendors decreased because in the current year the Authority satisfied most of their vendor invoices in December whereas; in the prior year most invoices were paid in January of the subsequent year.
- Accounts Payable Other Government increased because of reduction in utilities expenses associated with the calculation of P.I.L.O.T. which increased the amount paid to the City of Passaic.
- The Authority's operating grants decreased due to a reduction in subsidies in the following areas:
  1. Low Rent Public Housing Operating subsidies decreased \$238,000
  2. Housing Choice Voucher Subsidies decreased \$79,000
  3. Capital Fund Operating grants decreased \$145,000
- Other revenues decreased due to a decrease in incoming portability income. The Authority has opted to absorb all incoming portability tenant vouchers. This effected a change in other income of approximately \$145,000 in the current fiscal year.
- The decrease in utility costs can be attributed to several key factors. Among those factors are the installation of water efficient toilets in all the units, procurement of gas and electric directly from the suppliers and the re-classification of certain labor costs to maintenance labor.

**PASSAIC HOUSING AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**DECEMBER 31, 2011**

**F – Summary of Significant Changes from Fiscal Year December 31, 2011 (continued):**

- The increase in maintenance costs is attributed to the re-classification of utility labor costs to maintenance. In the prior year, the Authority included maintenance workers without black seals certifications in utility labor.
- The Authority's HAP payments increased for two main reasons. First the Authority gave program participating landlords an average 2% increase in rent. This two percent increase translates into an increase in HAP payments of approximately \$285,000 for the current fiscal year. Second, the Authority leased an additional 258 unit months or 22 units at an approximate cost of \$225,000.

**G – Capital Assets and Debt Administration**

1 – Capital Assets

As of December 31, 2011, the Authority's investment in capital assets for its Proprietary Fund was \$13,763,030 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Additional informational on the Authority's capital assets can be found in Note 6 to the Financial Statements which is included in this Report.

2 – Long Term Debt

As of December 31, 2011, the Authority has no interest bearing long-term debt. However, as discussed in note 13 of the financial statements, the Authority has entered into a repayment agreement with HUD. The amount of that agreement is \$590,042.

Beginning in 2007, the Authority is to repay HUD in the amount of \$19,668 per annum through 2036. The amount is interest free and unsecured. As of December 31, 2011, \$491,702 remains payable.

**H – Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2012

- 1 – The state of the economy, particularly in light of current world affairs.
- 2 – The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.

**I – 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 Vincent Wynter, Director of Finance and Operations, Housing Authority of the City of Passaic, 52 Aspen Place, Passaic, NJ 07055

## **FINANCIAL STATEMENTS**

**PASSAIC HOUSING AUTHORITY  
COMPARATIVE STATEMENTS OF NET ASSETS  
AS OF DECEMBER 31, 2011 AND 2010**

ASSETS		
	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 5,179,848	\$ 4,645,004
Accounts receivable - HUD	-	14,385
Accounts receivable - tenants, net	32,839	39,002
Accounts receivable - miscellaneous	212,937	-
Accounts receivable - other government	2,109	2,109
Prepaid expenses	<u>184,388</u>	<u>186,069</u>
Total current assets	<u>5,612,121</u>	<u>4,886,569</u>
Non-current assets:		
Restricted cash and cash equivalents	1,706,653	1,915,577
Capital assets, net	<u>13,763,030</u>	<u>14,119,462</u>
Total non-current assets	<u>15,469,683</u>	<u>16,035,039</u>
Total assets	<u>\$ 21,081,804</u>	<u>\$ 20,921,608</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 186,301	\$ 343,837
HUD liability - current portion	19,668	19,668
Accounts payable - other government	103,280	52,376
Accrued expenses	76,885	66,391
Accrued compensated absences, current	43,375	32,660
Tenant security deposits	188,131	180,992
Deferred revenues	<u>15,458</u>	<u>18,773</u>
Total current liabilities	<u>633,098</u>	<u>714,697</u>
Non-current liabilities:		
Accrued compensated absences, non-current	390,377	293,949
Non-current liabilities, other	<u>520,489</u>	<u>540,157</u>
Total non-current liabilities	<u>910,866</u>	<u>834,106</u>
Total liabilities	<u>1,543,964</u>	<u>1,548,803</u>
NET ASSETS		
Net assets:		
Invested in capital assets, net	13,763,030	14,119,462
Restricted	1,658,198	1,867,122
Unrestricted	<u>4,116,612</u>	<u>3,386,221</u>
Total net assets	<u>\$ 19,537,840</u>	<u>\$ 19,372,805</u>

See accompanying notes to financial statements.

**PASSAIC HOUSING AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Tenant revenue	\$ 2,924,364	\$ 2,804,338
HUD grants	19,745,086	20,211,544
Other revenues	<u>159,439</u>	<u>414,931</u>
Total operating revenue	<u>22,828,889</u>	<u>23,430,813</u>
Operating expenses:		
Administrative	2,288,929	2,278,120
Tenant services	244,807	281,605
Utilities	1,837,181	2,280,574
Ordinary maintenance and operations	1,935,129	1,549,362
Protective services	559,747	565,993
Insurance and general expenses	536,067	509,254
Housing assistance payments	14,926,699	14,356,657
Depreciation	<u>1,218,429</u>	<u>1,167,767</u>
Total operating expenses	<u>23,546,988</u>	<u>22,989,332</u>
Operating income (loss)	<u>(718,099)</u>	<u>441,481</u>
Non-operating revenues (expenses):		
Gain (loss) on sale of fixed assets	(9,391)	-
Investment income	<u>27,254</u>	<u>32,140</u>
Net non-operating revenues (expenses)	<u>17,863</u>	<u>32,140</u>
Income (loss) before capital grants	(700,236)	473,621
Capital grants	<u>865,271</u>	<u>1,835,327</u>
Changes in net assets	165,035	2,308,948
Total net assets, beginning of year	<u>19,372,805</u>	<u>17,063,857</u>
Total net assets, end of year	<u>\$ 19,537,840</u>	<u>\$ 19,372,805</u>

See accompanying notes to financial statements.

**PASSAIC HOUSING AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Cash received from tenants	\$ 2,869,013	\$ 3,105,841
Cash received from grantors	19,797,643	19,826,853
Cash paid to suppliers	(20,113,520)	(19,606,048)
Cash paid to employees	<u>(2,228,685)</u>	<u>(2,382,119)</u>
Net cash flows provided (used) by operating activities	<u>324,451</u>	<u>944,527</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(871,388)	(1,898,905)
Capital grants	<u>865,271</u>	<u>1,835,327</u>
Net cash flows provided (used) by capital and related financing activities	<u>(6,117)</u>	<u>(63,578)</u>
Cash Flows from Noncapital Financing Activities:		
Repayment of ineligible costs	<u>(19,668)</u>	<u>(19,668)</u>
Net cash flows provided (used) by noncapital financing activities	<u>(19,668)</u>	<u>(19,668)</u>
Cash Flows from Investing Activities:		
Investment income	<u>27,254</u>	<u>32,140</u>
Net cash flows provided by investing activities	<u>27,254</u>	<u>32,140</u>
Net increase (decrease) in cash	325,920	893,421
Cash and cash equivalents, beginning of year	<u>6,560,581</u>	<u>5,667,160</u>
Cash and cash equivalents, end of year	<u>\$ 6,886,501</u>	<u>\$ 6,560,581</u>

See accompanying notes to financial statements.

**PASSAIC HOUSING AUTHORITY**  
**COMPARATIVE STATEMENTS OF CASH FLOWS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:		
Operating gain (loss)	\$ (718,099)	\$ 441,481
Items which did not use cash:		
Depreciation	1,218,429	1,167,767
Bad debts	7,913	14,558
Changes in operating assets and liabilities:		
Accounts receivable - HUD	14,385	652,301
Accounts receivable - tenants	(1,750)	(24,696)
Accounts receivable - miscellaneous	(212,937)	(2,109)
Prepaid expenses	1,681	(22,160)
Accounts payable	(157,536)	(250,553)
Accounts payable - other government	50,904	(732)
Accrued expenses	10,494	(12,353)
Accrued compensated absences	107,143	10,795
Tenant security deposits	7,139	6,488
Deferred revenues	<u>(3,315)</u>	<u>(1,036,260)</u>
Net cash provided (used) by operating activities	<u>\$ 324,451</u>	<u>\$ 944,527</u>

	<u>2011</u>	<u>2010</u>
A reconciliation of cash and cash equivalents to Statements of Net Assets is as follows:		
Unrestricted cash and cash equivalents	\$ 5,179,848	\$ 4,645,004
Restricted cash and cash equivalents	<u>1,706,653</u>	<u>1,915,577</u>
	<u>\$ 6,886,501</u>	<u>\$ 6,560,581</u>

See accompanying notes to financial statements.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Passaic Housing Authority ("the Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A: 12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Passaic. The Authority is responsible for operating certain low-rent housing 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 HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority.

**B. Description of Programs**

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

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.

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.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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 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 Government Accounting Standards Board ("GASB"), the Authority's financial statements include those of the Passaic 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 on the application of the above 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 GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB 34"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows. GASB 34 also requires the Authority to include Managements' Discussion and Analysis as part of the Required Supplemental Information.

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.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

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 as unrestricted.

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, the aforementioned funds are treated as restricted cash and cash equivalents on the Authority's Statements of Net Assets and Cash Flows

Both administrative fee and HAP revenues 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 are reflected in the net asset account on which the investment income was earned. That is; investment income earned on HAP cash balances are credited to the HAP restricted net asset account and investment income earned on administrative fee cash balances are credited to the unrestricted net asset account.

**E. Cash and cash equivalents**

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States, or the State of New Jersey, or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Cash and cash equivalents (continued)**

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

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

**F. Accounts Receivable - tenants, net**

Rents are due from tenants on the first day of each month. As a result, accounts receivable balances primarily consist of rents past due and vacated tenants. 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. Inventory**

Inventory, consisting mainly of materials and supplies, is valued at its lower of cost or market using the first-in first-out cost method.

**I. Capital Assets, net**

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 capital 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.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Capital Assets, net (continued)**

Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

• Buildings	40 Years
• Leasehold Improvements	15 Years
• Furniture and Equipment	5 Years
• Computers	3 Years

The Authority has established a capitalization threshold of \$2,000.

**J. 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 may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Employees may be compensated for sick leave at retirement or termination at the current salary to a maximum of \$15,000.

**K. Deferred Revenue**

The Authority's deferred revenue primarily consists of the prepayment of rent by residents and the receipt of HUD and other governmental program funding applicable to future periods.

**L. 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.

**M. 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.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Taxes**

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

**O. 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.

**P. 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) law 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."

**Q. Economic Dependency**

The Section 8 and Low Rent Housing programs of the Authority are economically dependent on operating grants and subsidies from HUD. The programs operate at a loss prior to receiving the grants.

**R. 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.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Budgets and Budgetary Accounting (continued)**

All appropriations lapse at HUD's program year end or at the end of grant periods.

**S. Impairment of Long Lived Assets**

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, than an impairment loss will be recorded in the Authority's financial statements.

**NOTE 2. CASH AND CASH EQUIVALENTS**

At December 31, 2011 and 2010, the Authority had funds on deposit in checking and money market accounts.

For the fiscal years ended December 31, 2011 and 2010, the carrying amount of the Authority's cash (including restricted cash) was \$6,886,501 and \$6,560,581 and the bank balances were \$7,245,497 and \$6,891,955, respectively.

Of the bank balances, \$500,000 and \$500,000 were covered by federal depository insurance and the remaining \$6,745,497 and \$6,391,955 were collateralized with the pledging financial institution for the fiscal years ended December 31, 2011 and 2010, respectively.

<u>Cash Account</u>	<u>2011</u>	<u>2010</u>
Insured:		
FDIC	\$ 500,000	\$ 500,000
Collateralized:		
Governmental Unit Depository Protection Act	<u>6,745,497</u>	<u>6,391,955</u>
	<u>\$ 7,245,497</u>	<u>\$ 6,891,955</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 December 31, 2011 and 2010, the Authority's bank balances were not exposed to custodial credit risk.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 3. ACCOUNTS RECEIVABLE**

**A. Accounts receivable - HUD**

Accounts receivable - HUD consists of unreimbursed expenditures from various grant programs and amounted to \$0 and \$14,385 as of December 31, 2011 and 2010, respectively. The amount due from December 31, 2010 was collected in full in fiscal year ended December 31, 2011.

**B. Accounts receivable - tenants, net**

Accounts receivable - tenants, net are shown net of an allowance for doubtful accounts of \$34,901 as of both December 31, 2011 and 2010.

**C. Accounts receivable - miscellaneous**

As of December 31, 2011, Accounts receivable - miscellaneous consists of receivables due from the Public Housing Authorities Joint Insurance Fund for insurance claims as a result of damages caused by Hurricane Irene during the year ended December 31, 2011. The amount is shown net of an allowance for doubtful accounts of \$40,050 at December 31, 2011.

**NOTE 4. PREPAID EXPENSES**

The Authority contributed funds to Housing Authority Risk Retention Group at inception. Amounts are held as prepaid insurance expenses as balances will be used to supplement insurance as needed. For the years ended December 31, 2011 and 2010 prepaid insurance expense totaled \$184,388 and \$186,069, respectively .

**NOTE 5. RESTRICTED CASH**

Restricted cash consists of the following at December 31, 2011 and 2010:

<u>Cash Category</u>	<u>2011</u>	<u>2010</u>
Housing Assistance Payments	\$ 1,658,198	\$ 1,867,122
Family Self Sufficiency program escrows	<u>48,455</u>	<u>48,455</u>
	<u>\$ 1,706,653</u>	<u>\$ 1,915,577</u>

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

Family Self Sufficiency ("FSS") program escrows are restricted for use in the Housing Choice Voucher and Low Rent Public Housing Programs by FSS program participants.

**PASSAIC HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 6. CAPITAL ASSETS, NET**

A summary of the changes in capital assets during the year ended December 31, 2011 were as follows:

Description	December 31, 2010	Additions	Disposals	Transfers	December 31, 2011
Non-depreciable capital assets					
Land	\$ 1,946,351	\$ -	\$ -	\$ -	\$ 1,946,351
Construction in progress	<u>2,894,349</u>	<u>867,438</u>	<u>-</u>	<u>(690,899)</u>	<u>3,070,888</u>
Total	<u>4,840,700</u>	<u>867,438</u>	<u>-</u>	<u>(690,899)</u>	<u>5,017,239</u>
Depreciable capital assets					
Buildings and improvements	60,938,781	-	-	635,553	61,574,334
Leasehold improvements	1,897,836	-	-	38,431	1,936,267
Furniture and equipment	<u>1,719,681</u>	<u>3,950</u>	<u>(16,633)</u>	<u>16,915</u>	<u>1,723,913</u>
Total	<u>64,556,298</u>	<u>3,950</u>	<u>(16,633)</u>	<u>690,899</u>	<u>65,234,514</u>
Less: accumulated depreciation	<u>55,277,536</u>	<u>1,218,429</u>	<u>(7,242)</u>	<u>-</u>	<u>56,488,723</u>
Net capital assets	<u>\$ 14,119,462</u>	<u>\$ (347,041)</u>	<u>\$ (9,391)</u>	<u>\$ -</u>	<u>\$ 13,763,030</u>

A summary of the changes in capital assets during the year December 31, 2010 were as follows:

Description	December 31, 2009	Additions	Disposals	Transfers	December 31, 2010
Non-depreciable capital assets					
Land	\$ 1,946,351	\$ -	\$ -	\$ -	\$ 1,946,351
Construction in progress	<u>1,589,214</u>	<u>1,838,027</u>	<u>-</u>	<u>(532,892)</u>	<u>2,894,349</u>
Total	<u>3,535,565</u>	<u>1,838,027</u>	<u>-</u>	<u>(532,892)</u>	<u>4,840,700</u>
Depreciable capital assets					
Buildings and improvements	60,626,348	-	-	312,433	60,938,781
Leasehold improvements	1,808,041	-	-	89,795	1,897,836
Furniture and equipment	<u>1,528,139</u>	<u>60,878</u>	<u>-</u>	<u>130,664</u>	<u>1,719,681</u>
Total	<u>63,962,528</u>	<u>60,878</u>	<u>-</u>	<u>532,892</u>	<u>64,556,298</u>
Less: accumulated depreciation	<u>54,109,769</u>	<u>1,167,767</u>	<u>-</u>	<u>-</u>	<u>55,277,536</u>
Net capital assets	<u>\$ 13,388,324</u>	<u>\$ 731,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,119,462</u>

For the years ended 2011 and 2010, depreciation expense totaled \$1,218,429 and \$1,167,767, respectively.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 7. ACCRUED COMPENSATED ABSENCES**

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued for which payment is probable. As of December 31, 2011 and 2010, the Authority had accrued compensated absences as follows:

	<u>2011</u>	<u>2010</u>
Beginning compensated absences	\$ 326,609	\$ 315,814
Compensated absences earned	290,399	171,828
Compensated absences redeemed	<u>(183,256)</u>	<u>(161,033)</u>
Ending compensated absences	433,752	326,609
Less: current portion	<u>43,375</u>	<u>32,660</u>
Compensated absences, net of current portion	<u>\$ 390,377</u>	<u>\$ 293,949</u>

**NOTE 8. DEFERRED REVENUE**

At December 31, 2011 and 2010, deferred revenue consisted of the following:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Prepaid tenant rents	<u>\$ 15,458</u>	<u>\$ 18,773</u>

**NOTE 9. PAYMENTS IN LIEU OF TAXES**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA owned program in accordance with the provisions of its Cooperation Agreement with the Township. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended December 31, 2011 and 2010, PILOT expense amounted to \$103,280 and \$52,376, respectively.

**NOTE 10. NON-CURRENT LIABILITIES - OTHER**

Non-current liabilities - other consist of the following:

<u>Description</u>	<u>December 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2011</u>	<u>Due Within One Year</u>
Due to HUD	\$ 511,370	-	(19,668)	\$ 491,702	\$ 19,668
FSS Escrows	<u>48,455</u>	<u>-</u>	<u>-</u>	<u>48,455</u>	<u>-</u>
Total	<u>\$ 559,825</u>	<u>\$ -</u>	<u>\$ (19,668)</u>	<u>\$ 540,157</u>	<u>\$ 19,668</u>

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 10. NON-CURRENT LIABILITIES - OTHER (continued)**

Description	December 31, 2009	Additions	Deletions	December 31, 2010	Due Within One Year
Due to HUD	\$ 531,038	\$ -	\$ (19,668)	\$ 511,370	\$ 19,668
FSS Escrows	<u>48,455</u>	<u>-</u>	<u>-</u>	<u>\$ 48,455</u>	<u>\$ -</u>
Total	<u>\$ 579,493</u>	<u>\$ -</u>	<u>\$ (19,668)</u>	<u>\$ 559,825</u>	<u>\$ 19,668</u>

**NOTE 11. 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 6.5% 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 December 31, 2011 and 2010, amounted to \$203,897 and \$153,713, 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 6.5 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.

**PASSAIC HOUSING AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 11. PENSION PLAN (continued)**

**C. Post Employment Retirement Benefits (continued)**

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 December 31, 2011 and 2010, the Authority incurred \$213,438 and \$170,574, 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>.

**NOTE 12. RESTRICTED NET ASSETS**

As of December 31, 2011 and 2010, restricted net assets consisted of the following:

	<u>2011</u>	<u>2010</u>
Housing assistance payments	\$ <u>1,658,198</u>	\$ <u>1,867,122</u>

Housing assistance payment equity is restricted for rent payments to landlords as part of the Housing Choice Voucher Program

**NOTE 13. HUD OFFICE OF INSPECTOR GENERAL AUDIT**

In 2006, HUD's Office of Inspector General ("OIG") concluded an audit of the Authority's operations. Results of the audit, which impacted the financial statements of the Authority, are as follows:

- 1) The OIG found that the Authority made an ineligible transfer of funds in the amount of \$1,000,000 from the Section 8 Program to the Low Rent Public Housing Program in fiscal year 2002. Accordingly, the 2005 financial statements and supplemental information reflect a \$1,000,000 equity transfer from the Low Rent Public Housing Program to the Section 8 Program in order to repay Section 8 program funds.
  
- 2) As a result of finding #1 above and according to Section 8 Program regulations, \$590,042 was not available for recapture by HUD. Therefore OIG has determined that this amount is owed back to HUD. The Authority has committed to repay HUD \$19,668 per annum, through 2036 from the Low Rent Public Housing Program. As of December 31, 2011 and 2010, \$491,702 and \$511,370 remains payable, of which \$472,034 and \$491,702 is considered long-term as of 2011 and 2010.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 13. HUD OFFICE OF INSPECTOR GENERAL AUDIT (continued)**

- 3) The OIG also found that in fiscal year 2005, the Authority made an ineligible transfer of Capital Funds to the Section 8 Program. As a result, \$401,046 is owed back to the Capital Fund Program from the Section 8 Program. The Authority has agreed to charge \$13,368 per annum through 2036, to the Section 8 Program for protective services. Protective service expenses are normally funded by the capital fund program. Included in protective services expense in 2011 and 2010 is \$13,368 for this transaction.

**NOTE 14. 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 December 31, 2011 and 2010, the Authority estimates that no material liabilities will result from such audits.

**NOTE 15. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the previous three years.

The authority has also purchased flood insurance with the Selective Insurance Company for certain properties included in flood zones.

**NOTE 16. 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 21, 2012 (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  
Passaic Housing Authority:

We have audited the financial statements of Passaic Housing Authority ("the Authority") as of and for the year ended December 31, 2011, and have issued our report therein dated June 21, 2012. 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 and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

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.

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 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.

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

**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 no instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division.

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 21, 2012  
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  
Passaic Housing Authority:

Compliance

We have audited the compliance of Passaic Housing Authority ("the Authority"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. 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*. 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 on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

**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 requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 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 that is more than inconsequential will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information 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 21, 2012  
Toms River, New Jersey

**PASSAIC HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<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	\$ 3,135,539
Housing Choice Vouchers	14.871	16,022,504
Public Housing Capital Fund Program	14.872	1,195,720
Capital Fund ARRA Program	14.885	<u>99,633</u>
		<u>\$ 20,453,396</u>

**PASSAIC HOUSING AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Passaic Housing Authority under programs of the federal government for the year ended December 31, 2011. 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 Passaic Housing Authority, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Passaic Housing Authority.

**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 December 31, 2011.

**PASSAIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011**

I. Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

- |    |   |             |
|----|---|-------------|
| 1. | Dollar threshold used to determine Type A Programs:   | \$ 613,602  |
| 2. | Dollar threshold used to determine Type B Programs:   | \$ 100,000  |
| 3. | Auditee qualified as low-risk Auditee?  | Yes         |
| 4. | Type of auditor's report on compliance<br>for major programs:   | Unqualified |
| 5. | Internal Control over compliance:   |             |
|    | a. Material weakness(es) identified?  | No          |
|    | b. Were significant deficiencies identified<br>not considered to be material weaknesses?  | No          |
|    | c. Any audit findings disclosed that are required<br>to be reported in accordance with OMB Circular<br>A-133 (section .510(a))? | No          |

6. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Voucher Program
14.850a	Low Rent Public Housing Program

**PASSAIC HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**DECEMBER 31, 2011**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with government auditing standards generally accepted in the United States of America.

III. Federal Award Findings and Questioned Costs

There were no findings or questions costs relating to federal awards.

IV. Summary of Prior Audit Findings

None reported.

**PASSAIC HOUSING AUTHORITY  
SCHEDULE OF CAPITAL FUND PROGRAM  
COSTS AND ADVANCES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>501-08</u>	<u>501-09</u>	<u>501-10</u>	<u>501-11</u>	<u>Totals</u>
Budget	\$ <u>1,233,989</u>	\$ <u>1,227,544</u>	\$ <u>1,223,416</u>	\$ <u>-</u>	\$ <u>3,684,949</u>
<u>Advances:</u>					
Cumulative through 12/31/2010	\$ 1,199,078	\$ 575,340	\$ 366,797	\$ -	\$ 2,141,215
Current year	<u>34,911</u>	<u>605,542</u>	<u>243,165</u>	<u>326,601</u>	<u>1,210,219</u>
Cumulative through 12/31/2011	<u>1,233,989</u>	<u>1,180,882</u>	<u>609,962</u>	<u>326,601</u>	<u>3,351,434</u>
<u>Costs:</u>					
Cumulative through 12/31/2010	1,199,078	582,363	367,023	-	2,148,464
Current year	<u>34,911</u>	<u>598,519</u>	<u>242,939</u>	<u>326,601</u>	<u>1,202,970</u>
Cumulative through 12/31/2011	<u>1,233,989</u>	<u>1,180,882</u>	<u>609,962</u>	<u>326,601</u>	<u>3,351,434</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Summary</u>					
<u>Soft Costs:</u>					
Cumulative through 12/31/2010	\$ 543,785	\$ 491,016	\$ 367,023	\$ -	\$ 1,401,824
Current year	<u>15,361</u>	<u>53,505</u>	<u>65,052</u>	<u>303,414</u>	<u>437,332</u>
Cumulative through 12/31/2011	<u>559,146</u>	<u>544,521</u>	<u>432,075</u>	<u>303,414</u>	<u>1,839,156</u>
<u>Hard Costs:</u>					
Cumulative through 12/31/2010	655,293	91,347	-	-	746,640
Current year	<u>19,550</u>	<u>545,014</u>	<u>177,887</u>	<u>23,187</u>	<u>765,638</u>
Cumulative through 12/31/2011	<u>674,843</u>	<u>636,361</u>	<u>177,887</u>	<u>23,187</u>	<u>1,512,278</u>
Cumulative	\$ <u>1,233,989</u>	\$ <u>1,180,882</u>	\$ <u>609,962</u>	\$ <u>326,601</u>	\$ <u>3,351,434</u>

**NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES**

- 1) The total amount of Capital Fund Program Costs and Advances incurred and earned by the Passaic Housing Authority as of and for the year ended December 31, 2011 are provided herein.
- 2) Capital Fund Grant No. NJ39P056501-08 with approved fundings of \$1,233,989 have been fully drawn down and expended as per Capital Fund Grant Regulations.

**PASSAIC HOUSING AUTHORITY  
SCHEDULE OF CAPITAL FUND STIMULUS PROGRAM  
COSTS AND ADVANCES  
YEAR ENDED DECEMBER 31, 2011**

ARRA

Budget \$ 1,561,986

Advances:

Cumulative through 12/31/10 \$ 1,462,353  
Current Year 99,633  
Cumulative through 12/31/11 \$ 1,561,986

Costs:

Cumulative through 12/31/10 \$ 1,462,353  
Current Year 99,633  
Cumulative through 12/31/11 \$ 1,561,986

Excess / (Deficiency) \$ -

Summary:

Soft Costs:

Cumulative through 12/31/10 \$ 3,376  
Current Year -  
Cumulative through 12/31/11 \$ 3,376

Hard Costs:

Cumulative through 12/31/10 \$ 1,458,977  
Current Year 99,633  
Cumulative through 12/31/11 \$ 1,558,610

Cumulative \$ 1,561,986

Passaic Housing Authority							
NJ013							
Financial Data Schedule (FDS)							
December 31, 2011							
Line Item #	Account Description	PROJECTS	HOUSING CHOICE VOUCHER	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
<b>ASSETS:</b>							
<b>CURRENT ASSETS:</b>							
Cash:							
111	Cash - unrestricted	\$ 1,209,617	\$ 1,695,366	\$ -	\$ 2,086,734	\$ -	\$ 4,991,717
112	Cash - restricted - modernization and developmen	-	-	-	-	-	-
113	Cash - other restricted	-	1,706,653	-	-	-	1,706,653
114	Cash - tenant security deposits	188,131	-	-	-	-	188,131
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-
100	Total cash	1,397,748	3,402,019	-	2,086,734	-	6,886,501
Accounts and notes receivables							
121	Accounts receivable - PHA project	-	-	-	-	-	-
122	Accounts receivable - HUD other project	-	-	-	-	-	-
124	Accounts receivable - other governmen	-	2,109	-	-	-	2,109
125	Accounts receivable - miscellaneous	252,987	-	-	-	-	252,987
126	Accounts receivable- tenants	67,740	-	-	-	-	67,740
126.1	Allowance for doubtful accounts - tenants	(34,901)	-	-	-	-	(34,901)
126.2	Allowance for doubtful accounts - other	(40,050)	-	-	-	-	(40,050)
127	Notes and mortgages receivable- curren	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful account	245,776	2,109	-	-	-	247,885
Current investments							
131	Investments - unrestrictec	-	-	-	-	-	-
132	Investments - restrictec	-	-	-	-	-	-
142	Prepaid expenses and other assets	4,065	-	-	180,323	-	184,388
143	Inventories	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-
144	Interprogram - due fron	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	1,647,589	3,404,128	-	2,267,057	-	7,318,774
<b>NONCURRENT ASSETS:</b>							
Fixed assets:							
161	Land	1,946,351	-	-	-	-	1,946,351
162	Buildings	61,314,920	-	-	-	-	61,314,920
163	Furniture, equipment & machinery - dwelling	606,309	-	-	4,697	-	611,006
164	Furniture, equipment & machinery - administratiou	995,392	27,257	-	349,672	-	1,372,321
165	Leasehold improvement	1,936,267	-	-	-	-	1,936,267
166	Accumulated depreciator	(56,191,370)	(6,257)	-	(291,096)	-	(56,488,723)
167	Construction in Progress	3,070,888	-	-	-	-	3,070,888
168	Infrastructure	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciator	13,678,757	21,000	-	63,273	-	13,763,030
Other non-current assets:							
171	Notes and mortgages receivable - non-curren	-	-	-	-	-	-
172	Notes and mortgages receivable-non-current - past du	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-
175	Undistributed debits	-	-	-	-	-	-
176	Investment in joint venture:	-	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	13,678,757	21,000	-	63,273	-	13,763,030
190	TOTAL ASSETS	\$ 15,326,346	\$ 3,425,128	\$ -	\$ 2,330,330	\$ -	\$ 21,081,804

Passaic Housing Authority							
NJ013							
Financial Data Schedule (FDS)							
December 31, 2011							
Line Item #	Account Description	PROJECTS	HOUSING CHOICE VOUCHER	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
<b>LIABILITIES AND EQUITY</b>							
<b>Liabilities:</b>							
<b>Current Liabilities:</b>							
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable < 90 days	-	-	-	49,962	-	49,962
313	Accounts payable > 90 days past due	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	40,631	6,441	-	29,813	-	76,885
322	Accrued compensated absences - current portion	25,720	5,346	-	12,309	-	43,375
324	Accrued contingency liability	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-
331	Accounts payable - HUD PHA program	-	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-	-
333	Accounts payable - other government	103,280	-	-	-	-	103,280
341	Tenant security deposits	188,131	-	-	-	-	188,131
342	Deferred revenue	15,458	-	-	-	-	15,458
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-
344	Current portion of L-T debt - operating borrowing:	-	-	-	-	-	-
345	Other current liabilities	-	19,668	-	-	-	19,668
346	Accrued liabilities - other	-	-	-	136,339	-	136,339
347	Interprogram - due to	-	-	-	-	-	-
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>373,220</b>	<b>31,455</b>	<b>-</b>	<b>228,423</b>	<b>-</b>	<b>633,098</b>
<b>NONCURRENT LIABILITIES</b>							
351	Long-term debt, net of current - capital project:	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowing	-	-	-	-	-	-
353	Non-current liabilities- other	-	520,489	-	-	-	520,489
354	Accrued compensated absences - noncurrent	231,482	48,112	-	110,783	-	390,377
355	Loan Liability - Non Current	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	-	-	-	-	-	-
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>231,482</b>	<b>568,601</b>	<b>-</b>	<b>110,783</b>	<b>-</b>	<b>910,866</b>
300	<b>TOTAL LIABILITIES</b>	<b>604,702</b>	<b>600,056</b>	<b>-</b>	<b>339,206</b>	<b>-</b>	<b>1,543,964</b>
<b>EQUITY:</b>							
508.1	Invested in Capital Assets, Net of Related Debt	13,678,757	21,000	-	63,273	-	13,763,030
511.1	Restricted Net Assets	-	1,658,198	-	-	-	1,658,198
512.1	Unrestricted Net Assets	1,042,887	1,145,874	-	1,927,851	-	4,116,612
513	<b>TOTAL EQUITY</b>	<b>14,721,644</b>	<b>2,825,072</b>	<b>-</b>	<b>1,991,124</b>	<b>-</b>	<b>19,537,840</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 15,326,346</b>	<b>\$ 3,425,128</b>	<b>\$ -</b>	<b>\$ 2,330,330</b>	<b>\$ -</b>	<b>\$ 21,081,804</b>
<b>Proof of concept</b>							
		-	-	-	-	-	-

Passaic Housing Authority								
NJ013								
Financial Data Schedule (FDS)								
December 31, 2011								
Line Item #	Account Description	OPERATING	CAPITAL	HOUSING CHOICE VOUCHER	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
<b>REVENUE:</b>								
70300	Net tenant rental revenue	\$ 2,778,267	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,778,267
70400	Tenant revenue - other	146,097	-	-	-	-	-	146,097
70500	Total tenant revenue	2,924,364	-	-	-	-	-	2,924,364
70600	HUD PHA grant:	3,135,539	437,332	16,172,215	-	-	-	19,745,086
70610	Capital grants	-	765,638	-	99,633	-	-	865,271
70710	Management fee	-	-	-	-	781,103	(781,103)	-
70720	Asset management fee	-	-	-	-	67,980	(67,980)	-
70730	Book keeping fee	-	-	-	-	192,060	(192,060)	-
70750	Other fees	-	-	-	-	-	-	-
70800	Other government grant:	-	-	-	-	-	-	-
71100	Investment income - unrestricted	2,610	-	3,830	-	13,460	-	19,900
71200	Mortgage interest income	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	14,176	-	-	-	14,176
71500	Other revenue	115,590	-	2,129	-	27,544	-	145,263
71600	Gain or loss on sale of fixed assets	-	-	(9,391)	-	-	-	(9,391)
72000	Investment income - restricted	-	-	7,354	-	-	-	7,354
70000	<b>TOTAL REVENUE</b>	<b>6,178,103</b>	<b>1,202,970</b>	<b>16,190,313</b>	<b>99,633</b>	<b>1,082,147</b>	<b>(1,041,143)</b>	<b>23,712,023</b>
<b>EXPENSES:</b>								
Administrative								
91100	Administrative salaries	315,010	-	329,161	-	535,282	-	1,179,453
91200	Auditing fees	10,870	-	4,130	-	1,200	-	16,200
91300	Outside management fees	552,623	21,312	207,168	-	-	(781,103)	-
91310	Book-keeping fee	62,580	-	129,480	-	-	(192,060)	-
91400	Advertising and marketing	-	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	140,608	-	193,730	-	266,205	-	600,543
91600	Office expenses	-	-	-	-	-	-	-
91700	Legal expenses	7,977	-	18,000	-	55,820	-	81,797
91800	Travel	10,756	-	14,618	-	18,482	-	43,856
91810	Allocated overhead	-	-	-	-	-	-	-
91900	Other	72,559	-	165,976	-	128,545	-	367,080
92000	Asset Management Fee	67,980	-	-	-	-	(67,980)	-
Tenant services								
92100	Tenant services - salaries	174,411	-	-	-	-	-	174,411
92200	Relocation costs	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	30,111	-	-	-	-	-	30,111
92400	Tenant services - other	40,285	-	-	-	-	-	40,285

Passaic Housing Authority								
NJ013								
Financial Data Schedule (FDS)								
December 31, 2011								
Line Item #	Account Description	OPERATING	CAPITAL	HOUSING CHOICE VOUCHER	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
	Utilities							
93100	Water	146,085	-	-	-	-	-	146,085
93200	Electricity	726,533	-	-	-	-	-	726,533
93300	Gas	542,276	-	-	-	-	-	542,276
93400	Fuel	-	-	-	-	-	-	-
93500	Labor	173,120	-	-	-	-	-	173,120
93600	Sewer	103,308	-	-	-	-	-	103,308
93700	Employee benefit contributions- utilities	128,492	-	-	-	-	-	128,492
93800	Other utilities expense	17,367	-	-	-	-	-	17,367
	Ordinary maintenance & operator							
94100	Ordinary maintenance and operations - labor	729,249	-	-	-	-	-	729,249
94200	Ordinary maintenance and operations - materials & other	245,059	103,189	-	-	234	-	348,482
94300	Ordinary maintenance and operations - contract cost	490,212	-	-	-	-	-	490,212
94500	Employee benefit contributions- ordinary maintenance	367,186	-	-	-	-	-	367,186
	Protective services							
95100	Protective services - labor	100,583	-	-	-	-	-	100,583
95200	Protective services- other contract cost	224,122	202,276	-	-	-	-	426,398
95300	Protective services - other	140	-	-	-	-	-	140
95500	Employee benefit contributions- protective service	32,626	-	-	-	-	-	32,626
	General expenses							
96100	Insurance premiums	287,655	-	13,358	-	16,719	-	317,732
96200	Other general expenses	-	-	-	-	-	-	-
96210	Compensated absences	15,297	-	18,035	-	73,810	-	107,142
96300	Payments in lieu of taxes	103,280	-	-	-	-	-	103,280
96400	Bad debt - tenant rents	7,913	-	-	-	-	-	7,913
96500	Bad debt- mortgages	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-	-
96710	Amortization of bond issue costs	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-
96900	<b>TOTAL OPERATING EXPENSES</b>	5,926,273	326,777	1,093,656	-	1,096,297	(1,041,143)	7,401,860
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	251,830	876,193	15,096,657	99,633	(14,150)	-	16,310,163
97100	Extraordinary maintenance	-	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	14,926,699	-	-	-	14,926,699
97350	HAP Portability - in	-	-	-	-	-	-	-
97400	Depreciation expense	1,194,869	-	5,825	-	17,735	-	1,218,429
97500	Fraud losses	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-
90000	<b>TOTAL EXPENSES</b>	7,121,142	326,777	16,026,180	-	1,114,032	(1,041,143)	23,546,988

Passaic Housing Authority								
NJ013								
Financial Data Schedule (FDS)								
December 31, 2011								
Line Item #	Account Description	OPERATING	CAPITAL	HOUSING CHOICE VOUCHER	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
<b>OTHER FINANCING SOURCES (USES)</b>								
10010	Operating transfers in	110,555	-	-	-	-	(110,555)	-
10020	Operating transfers out	-	(110,555)	-	-	-	110,555	-
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	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	110,555	(110,555)	-	-	-	-	-
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(832,484)	765,638	164,133	99,633	(31,885)	-	165,035
<b>MEMO ACCOUNT INFORMATION:</b>								
11020	Required annual debt principal payments	-	-	-	-	-	-	-
11030	Beginning equity	14,688,857	-	2,660,939	-	2,023,009	-	19,372,805
11040	Prior period adjustments and equity transfers	-	99,633	-	(99,633)	-	-	-
11170	Administrative fee equity	-	-	1,166,874	-	-	-	1,166,874
11180	Housing assistance payments equity	-	-	1,658,198	-	-	-	1,658,198
		-	-	2,825,072	-	-	-	2,825,072
11190	Unit months available	8,388	-	21,936	-	-	-	30,324
11210	Number of unit months leased	8,344	-	17,264	-	-	-	25,608
	Equity Roll Forward Test:							
	Calculation from R/E Statement	\$ 14,721,644	\$ -	\$ 2,825,072	\$ -	\$ 1,991,124	\$ -	\$ 19,537,840
	B/S Line 513	\$ 14,721,644	\$ -	\$ 2,825,072	\$ -	\$ 1,991,124	\$ -	\$ 19,537,840
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -