

PASSAIC HOUSING AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

**PASSAIC HOUSING AUTHORITY
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FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Passaic Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Passaic Housing Authority ("the Authority") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Opinions

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, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Passaic Housing Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial data schedule and schedule of capital fund 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 expenditures of federal awards, financial data schedule and schedule of capital fund program costs and advances are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, financial data schedule and schedule of capital fund program costs and advances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 3, 2013 on our consideration of the Passaic Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Passaic Housing Authority's internal control over financial reporting and compliance.

July 3, 2013
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PASSAIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

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, 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 \$19,268,718 (net position) as opposed to \$19,537,840 for the prior fiscal year.
- 2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$5,085,513.
- 3 – The Authority's cash and cash equivalent and investment balance at December 31, 2012 was \$7,632,872 representing an increase of \$746,371 from the prior fiscal year.
- 4 – The Authority had Total Operating Revenues of \$23,337,276 and Total Operating Expenses of \$24,219,222 including \$1,313,385 for depreciation for the year ended December 31, 2012.
- 5 – The Authority's capital outlays for the fiscal year were \$614,240 of which \$589,220 was funded from the Authority's Capital Fund Program.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$20,944,274 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 Comparative Statements of the Net Position, Comparative Statements of Revenues, Expenses and Changes in Net Position and Comparative Statements of Cash Flows.

**PASSAIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

B – Using the Annual Report (continued)

2 – Financial Statements (continued)

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

The Comparative Statements of Revenues, Expenses and Changes in Net Position present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 13 through 16.

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 36 of this report.

C – The Authority as a Whole

The Authority's Net Position decreased during the fiscal year by \$269,122. 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, HUD required the Authority to utilize \$488,234 of restricted reserves for HAP expenses.

**PASSAIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

C – The Authority as a Whole (Continued)

By far, the largest portion of the Authority's net position 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 position of the Authority is available for future use to provide program services.

D – Budgetary Highlights

For the year ended December, 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.

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>
Tenant Rental Revenue	2,787,702	2,949,283	161,581	5.80%
Other Income	187,858	206,545	18,687	-9.95%
Total Operating Revenue	2,975,560	3,155,828	180,268	6.06%
Operating Expenses:				
Administrative	1,262,494	1,331,150	(68,656)	-5.44%
Tenant Services	328,038	242,077	85,961	26.20%
Utilities	1,720,336	1,621,431	98,905	5.75%
Maintenance	2,059,613	2,275,835	(216,222)	-10.50%
Protective Services	196,409	243,659	(47,250)	100.00%
General Expense	495,348	518,842	(23,494)	-4.74%
Total Operating Expenses	6,062,238	6,232,994	(170,756)	-2.82%
Residual Receipts/(Deficit)	(3,086,678)	(3,077,166)	9,512	-0.31%
Operating Subsidy	3,114,561	3,331,890	217,329	6.98%
Operating Transfer In/(Out)	130,000	93,500	(36,500)	-28.08%
Depreciation Expense	-	(1,276,414)	(1,276,414)	100.00%
Residual Receipts/(Deficit)	157,883	(928,190)	(1,086,073)	-687.90%

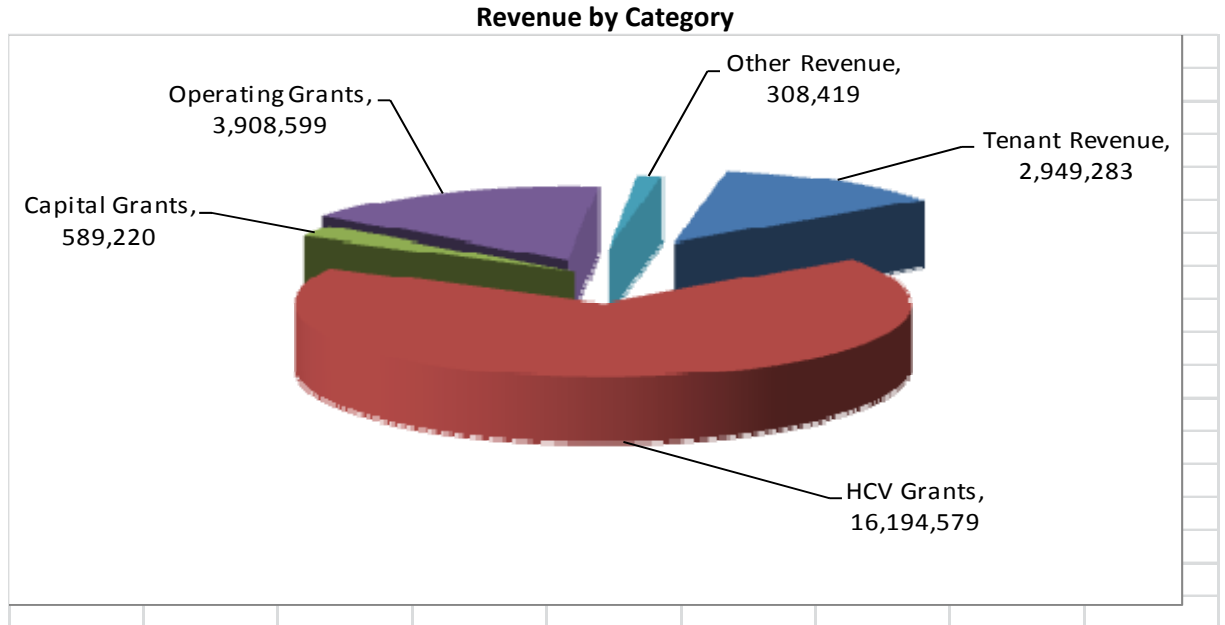
Although the Authority does not budget for depreciation it has recorded \$1,276,414 for fiscal year ended December 31, 2012. Since depreciation does not effect unrestricted net position, the residual account, when adjusted for depreciation would increase to \$348,224.

**PASSAIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>Net Change</u>
<u>Assets:</u>			
Cash & Equivalents	\$ 7,632,872	\$ 6,886,501	\$ 746,371
Other Current Assets	230,291	432,273	(201,982)
Capital Assets	13,013,241	13,763,030	(749,789)
Total Assets	20,876,404	21,081,804	(205,400)
Current Liabilities	691,059	633,098	57,961
Non Current Liabilities	916,627	910,866	5,761
Total Liabilities	1,607,686	1,543,964	63,722
Net Investment in Capital Assets	13,013,241	13,763,030	(749,789)
Restricted Net Position	1,169,964	1,658,198	(488,234)
Unrestricted Net Position	5,085,513	4,116,612	968,901
Total Net Position	19,268,718	19,537,840	(269,122)
Net Position & Liabilities	\$ 20,876,404	\$ 21,081,804	\$ (205,400)
Revenues & Expenses:			
Tenant Rental Revenue	\$ 2,949,283	\$ 2,924,364	\$ 24,919
HUD Operating Grants	20,103,178	19,745,086	358,092
Other Revenue	284,815	159,439	125,376
Total Operating Revenue	23,337,276	22,828,889	508,387
Operating Expenses:			
Administrative	2,276,508	2,288,929	(12,421)
Tenant Services	287,973	244,807	43,166
Utilities	1,621,431	1,837,181	(215,750)
Maintenance	2,323,979	1,935,129	388,850
General Expenses	624,155	536,067	88,088
Housing Assistance Payments	15,314,396	14,926,699	387,697
Depreciation	1,313,385	1,218,429	94,956
Protective Services	457,395	559,747	(102,352)
Total Operating Expenses	24,219,222	23,546,988	672,234
Operating Revenue	(881,946)	(718,099)	(163,847)
Gain (Loss) on Sale of Fixed Assets	(4,938)	(9,391)	4,453
Interest Income	28,542	27,254	1,288
Capital Grants	589,220	865,271	(276,051)
Increase/(Decrease in Net Position)	(269,122)	165,035	(434,157)
Beginning Net Position	19,537,840	19,372,805	165,035
Ending Net Position	\$ 19,268,718	\$ 19,537,840	\$ (269,122)

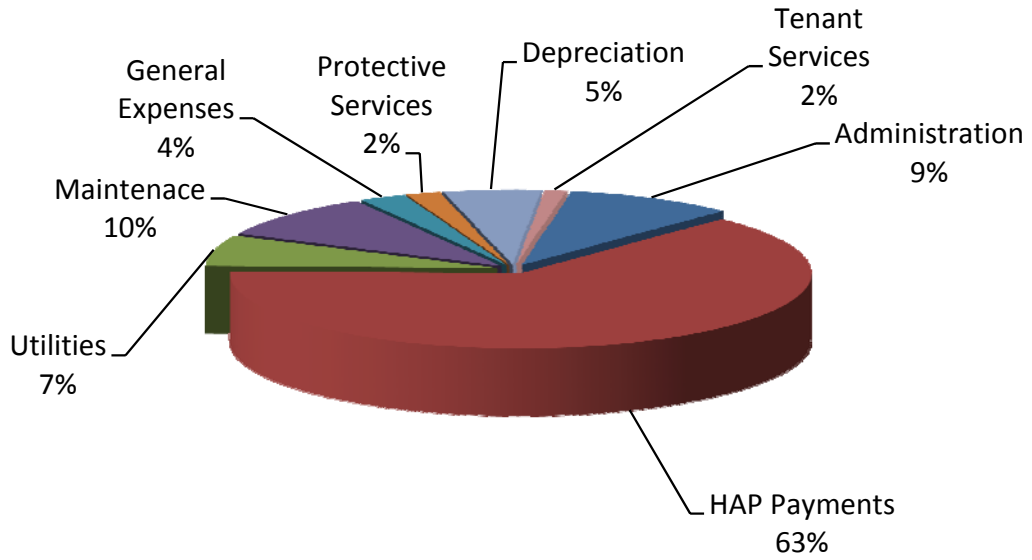
**PASSAIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

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

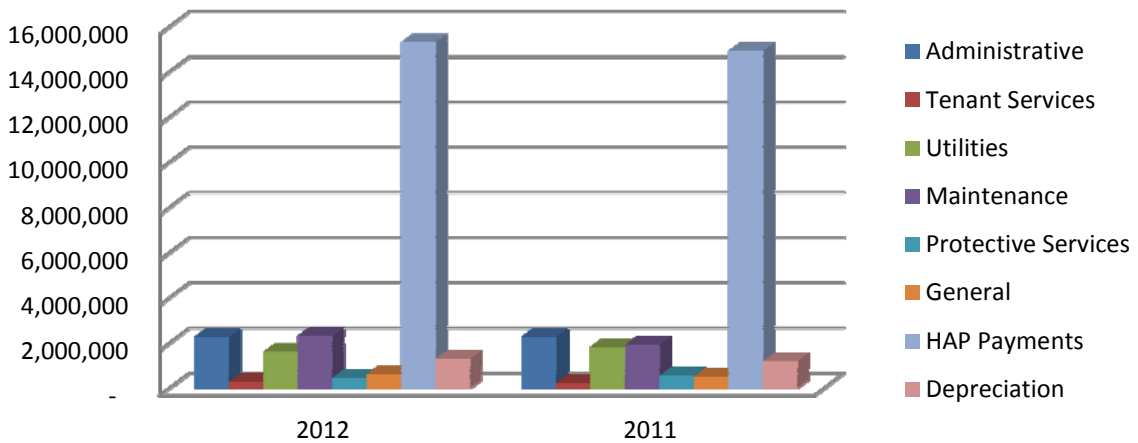


**PASSAIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Operating Expenses 2012



2012 Expenses vs. 2011 Expenses



**PASSAIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

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 the adjusted 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 an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of the adjusted household income.

F – Summary of Significant Changes from Fiscal Year December 31, 2012:

- Cash and cash equivalents (including restricted cash) increased \$746,371 primarily as a result of the Authority generating \$716,811 from operating activities.
- Accounts Receivable Miscellaneous decreased primarily due to insurance claims submitted for damages related to Hurricane Irene during August 2011 that were received in 2012.
- Restricted cash decreased \$536,689 as HUD required the Authority to utilize \$488,234 of previously restricted reserves to pay housing assistance payments to landlords.
- 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 increased \$358,092. The following accounts showed significant variances:
 1. Low Rent Public Housing Operating subsidies increased \$196,351
 2. Housing Choice Voucher Subsidies increased \$22,364
 3. Capital Fund Operating grants increased \$93,481
 4. ROSS grants increased \$45,896

**PASSAIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

F – Summary of Significant Changes from December 31, 2011 to 2012 (continued):

- Other revenues increased \$125,376 primarily due to the Authority recognizing \$68,379 in revenues from insurance proceeds from damages sustained from Hurricane Irene.
- 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.
- The increase in maintenance costs of \$388,850 is primarily attributable to an increase in maintenance labor and employee benefits expenses of \$143,060 and an increase in contract costs of \$176,911.
- The Authority's HAP payments increased \$387,697 from 2011 to 2012 primarily due to the Authority leasing an additional 126 unit months and increasing the payment standards for participating landlords.

G – Capital Assets and Debt Administration

1 – Capital Assets

As of December 31, 2012, the Authority's investment in capital assets for its Proprietary Fund was \$13,013,241 (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, 2012, 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 original 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, 2012, \$472,034 remains payable.

**PASSAIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

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, 2013.

- 1 – The state of the economy, particularly in light of current world affairs.
- 2 – The possible cut-back on HUD subsidies and grants by Congress.

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 POSITION
AS OF DECEMBER 31, 2012 AND 2011

ASSETS		
	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 6,462,908	\$ 5,179,848
Accounts receivable - tenants, net	41,698	32,839
Accounts receivable - miscellaneous	3,075	215,046
Prepaid expenses	<u>185,518</u>	<u>184,388</u>
Total current assets	<u>6,693,199</u>	<u>5,612,121</u>
Non-current assets:		
Restricted cash and cash equivalents	1,169,964	1,706,653
Capital assets, net	<u>13,013,241</u>	<u>13,763,030</u>
Total non-current assets	<u>14,183,205</u>	<u>15,469,683</u>
Total assets	<u>20,876,404</u>	<u>21,081,804</u>
LIABILITIES		
Current liabilities:		
Accounts payable	167,820	186,301
HUD liability - current portion	19,668	19,668
Accounts payable - other government	130,820	103,280
Accrued expenses	88,183	76,885
Accrued compensated absences, current	74,532	43,375
Tenant security deposits	190,409	188,131
Prepaid tenant rent	<u>19,627</u>	<u>15,458</u>
Total current liabilities	<u>691,059</u>	<u>633,098</u>
Non-current liabilities:		
Accrued compensated absences, non-current	464,261	390,377
Non-current liabilities, other	<u>452,366</u>	<u>520,489</u>
Total non-current liabilities	<u>916,627</u>	<u>910,866</u>
Total liabilities	<u>1,607,686</u>	<u>1,543,964</u>
NET POSITION		
Net position:		
Net investment in capital assets	13,013,241	13,763,030
Restricted	1,169,964	1,658,198
Unrestricted	<u>5,085,513</u>	<u>4,116,612</u>
Total net position	<u>\$ 19,268,718</u>	<u>\$ 19,537,840</u>

See accompanying notes to financial statements.

PASSAIC HOUSING AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Tenant revenue	\$ 2,949,283	\$ 2,924,364
HUD grants	20,103,178	19,745,086
Other revenues	<u>284,815</u>	<u>159,439</u>
Total operating revenue	<u>23,337,276</u>	<u>22,828,889</u>
Operating expenses:		
Administrative	2,276,508	2,288,929
Tenant services	287,973	244,807
Utilities	1,621,431	1,837,181
Ordinary maintenance and operations	2,323,979	1,935,129
Protective services	457,395	559,747
Insurance and general expenses	624,155	536,067
Housing assistance payments	15,314,396	14,926,699
Depreciation	<u>1,313,385</u>	<u>1,218,429</u>
Total operating expenses	<u>24,219,222</u>	<u>23,546,988</u>
Operating income (loss)	<u>(881,946)</u>	<u>(718,099)</u>
Non-operating revenues (expenses):		
Loss on disposal of fixed assets	(4,938)	(9,391)
Investment income	<u>28,542</u>	<u>27,254</u>
Net non-operating revenues (expenses)	<u>23,604</u>	<u>17,863</u>
Income (loss) before capital grants	(858,342)	(700,236)
Capital grants	<u>589,220</u>	<u>865,271</u>
Changes in net position	(269,122)	165,035
Total net position, beginning of year	<u>19,537,840</u>	<u>19,372,805</u>
Total net position, end of year	<u>\$ 19,268,718</u>	<u>\$ 19,537,840</u>

See accompanying notes to financial statements.

**PASSAIC HOUSING AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Cash received from tenants and other revenues	\$ 3,363,102	\$ 2,869,013
Cash received from grantors	19,997,582	19,797,643
Cash paid to suppliers	(20,345,156)	(20,113,520)
Cash paid to employees	<u>(2,298,717)</u>	<u>(2,228,685)</u>
Net cash flows provided (used) by operating activities	<u>716,811</u>	<u>324,451</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(614,240)	(871,388)
Proceeds from insurance recovery	45,706	-
Capital grants	<u>589,220</u>	<u>865,271</u>
Net cash flows provided (used) by capital and related financing activities	<u>20,686</u>	<u>(6,117)</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>28,542</u>	<u>27,254</u>
Net cash flows provided by investing activities	<u>28,542</u>	<u>27,254</u>
Net increase (decrease) in cash	746,371	325,920
Cash and cash equivalents, beginning of year	<u>6,886,501</u>	<u>6,560,581</u>
Cash and cash equivalents, end of year	<u>\$ 7,632,872</u>	<u>\$ 6,886,501</u>

See accompanying notes to financial statements.

PASSAIC HOUSING AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:		
Operating gain (loss)	\$ (881,946)	\$ (718,099)
Items which did not use cash:		
Depreciation	1,313,385	1,218,429
Bad debts	8,973	7,913
Changes in operating assets and liabilities:		
Accounts receivable - tenants	(17,832)	(1,750)
Accounts receivable - miscellaneous	211,971	(198,552)
Prepaid expenses	(1,130)	1,681
Accounts payable	117,858	(157,536)
Accounts payable - other government	(108,799)	50,904
Accrued expenses	11,298	10,494
Accrued compensated absences	105,041	107,143
Tenant security deposits	2,278	7,139
Prepaid tenant rent	4,169	(3,315)
Other liabilities	<u>(48,455)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 716,811</u>	<u>\$ 324,451</u>

	<u>2012</u>	<u>2011</u>
A reconciliation of cash and cash equivalents to Statements of Net Position is as follows:		
Unrestricted cash and cash equivalents	\$ 6,462,908	\$ 5,179,848
Restricted cash and cash equivalents	<u>1,169,964</u>	<u>1,706,653</u>
	<u>\$ 7,632,872</u>	<u>\$ 6,886,501</u>

See accompanying notes to financial statements.

**PASSAIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Description of Programs (continued)

Resident Opportunity and Supportive Services Program

The purpose of the Resident Opportunities and Self Sufficiency (ROSS) grant program is to provide funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

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"), as amended. 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 Position, a Statement of Revenues, Expenses and Changes in Net Position 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, 2012 AND 2011**

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 position with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net position, 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 Position 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 position account on which the investment income was earned. That is; investment income earned on HAP cash balances are credited to the HAP restricted net position account and investment income earned on administrative fee cash balances are credited to the unrestricted net position 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, 2012 AND 2011**

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 Position.

**PASSAIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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. Prepaid Rent

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

L. Grants advanced

The Authority's grants advanced primarily consists of receipts of HUD and other governmental program funding applicable to future periods

M. 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.

N. Taxes

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

**PASSAIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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.

P. 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.

Q. Equity Classifications

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

Net investment in capital assets - 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 position - Consists of net position 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 position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

R. 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.

**PASSAIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. 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.

T. 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, then an impairment loss will be recorded in the Authority's financial statements.

NOTE 2. CASH AND CASH EQUIVALENTS

At December 31, 2012 and 2011, the Authority had funds on deposit in checking and money market accounts.

For the fiscal years ended December 31, 2012 and 2011, the carrying amount of the Authority's cash (including restricted cash) was \$7,632,872 and \$6,886,501 and the bank balances were \$7,821,288 and \$7,245,497, respectively.

Of the bank balances, \$259,401 and \$500,000 were covered by federal depository insurance and the remaining \$7,561,887 and \$6,745,497 were collateralized with the pledging financial institution for the fiscal years ended December 31, 2012 and 2011, respectively.

<u>Cash Account</u>	<u>2012</u>	<u>2011</u>
Insured:		
FDIC	\$ 259,401	\$ 500,000
Collateralized:		
Governmental Unit Depository Protection Act	<u>7,561,887</u>	<u>6,745,497</u>
	<u>\$ 7,821,288</u>	<u>\$ 7,245,497</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, 2012 and 2011, 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, 2012 AND 2011**

NOTE 3. ACCOUNTS RECEIVABLE

A. Accounts receivable - tenants, net

Accounts receivable - tenants, net are shown net of an allowance for doubtful accounts of \$34,041 and 34,901 as of December 31, 2012 and 2011, respectively.

B. Accounts receivable - miscellaneous

Accounts receivable - miscellaneous consisted of amounts due from the Public Housing Authorities Joint Insurance Fund for insurance claims as a result of damages caused by Hurricane Irene in 2011, portable tenants in the Housing Choice Voucher program and unreimbursed expenditures from various grant programs. The amounts are shown net of an allowance for doubtful accounts of \$40,050 as of December 31, 2012 and 2011, respectively

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, 2012 and 2011 prepaid insurance expense totaled \$185,518 and \$184,388, respectively .

NOTE 5. RESTRICTED CASH

Restricted cash consists of the following at December 31, 2012 and 2011:

<u>Cash Category</u>	<u>2012</u>	<u>2011</u>
Housing Assistance Payments reserves	\$ 1,169,964	\$ 1,658,198
Family Self Sufficiency program escrows	<u> -</u>	<u> 48,455</u>
	<u>\$ 1,169,964</u>	<u>\$ 1,706,653</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, 2012 AND 2011

NOTE 6. CAPITAL ASSETS, NET

A summary of the changes in capital assets during the year ended December 31, 2012 were as follows:

Description	December 31, 2011	Additions	Disposals	Transfers	December 31, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,946,351	\$ -	\$ -	\$ -	\$ 1,946,351
Construction in progress	<u>3,070,888</u>	<u>587,924</u>	<u>(50,645)</u>	<u>(2,182,806)</u>	<u>1,425,361</u>
Total	<u>5,017,239</u>	<u>587,924</u>	<u>(50,645)</u>	<u>(2,182,806)</u>	<u>3,371,712</u>
<u>Depreciable capital assets:</u>					
Buildings and improvements	61,574,334	-	-	1,370,509	62,944,843
Leasehold improvements	1,936,267	-	-	669,813	2,606,080
Furniture and equipment	<u>1,723,913</u>	<u>26,316</u>	<u>-</u>	<u>142,484</u>	<u>1,892,713</u>
Total	<u>65,234,514</u>	<u>26,316</u>	<u>-</u>	<u>2,182,806</u>	<u>67,443,636</u>
Less: accumulated depreciation	<u>56,488,723</u>	<u>1,313,385</u>	<u>(1)</u>	<u>-</u>	<u>57,802,107</u>
Net capital assets	<u>\$ 13,763,030</u>	<u>\$ (699,145)</u>	<u>\$ (50,644)</u>	<u>\$ -</u>	<u>\$ 13,013,241</u>

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
<u>Non-depreciable capital assets:</u>					
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>
<u>Depreciable capital assets:</u>					
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>

For the years ended 2012 and 2011, depreciation expense totaled \$1,313,385 and \$1,218,429, respectively.

**PASSAIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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, 2012 and 2011, the Authority had accrued compensated absences as follows:

	<u>2012</u>	<u>2011</u>
Beginning compensated absences	\$ 433,752	\$ 326,609
Compensated absences earned	247,074	290,399
Compensated absences redeemed	<u>(142,033)</u>	<u>(183,256)</u>
Ending compensated absences	538,793	433,752
Less: current portion	<u>74,532</u>	<u>43,375</u>
Compensated absences, net of current portion	<u>\$ 464,261</u>	<u>\$ 390,377</u>

NOTE 8. 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, 2012 and 2011, PILOT expense amounted to \$130,820 and \$103,280, respectively.

NOTE 9. OTHER NON-CURRENT LIABILITIES

Non-current liabilities - other consist of the following at December 31, 2012 and 2011:

<u>Description</u>	December 31, 2011	Additions	Deletions	December 31, 2012	Due within one year
<u>Other - non-current:</u>					
Due to HUD	\$ 491,702	-	(19,668)	\$ 472,034	\$ 19,668
FSS Escrows	<u>48,455</u>	<u>-</u>	<u>(48,455)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 540,157</u>	<u>\$ -</u>	<u>\$ (68,123)</u>	<u>\$ 472,034</u>	<u>\$ 19,668</u>

**PASSAIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 9. OTHER NON-CURRENT LIABILITIES (continued)

Description	December 31, 2010	Additions	Deletions	December 31, 2011	Due within one year
<u>Other - non-current:</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>

NOTE 10. PENSION PLAN

Description of Plans – All required employees of the Authority are covered by the Public Employees’ Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Public Employees’ Retirement System (PERS) – The Public Employees’ Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees’ Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years’ compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members’ beneficiaries are entitled to full interest credited to the members’ accounts.

Contribution Requirements – The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.64% of employees’ annual compensation (as of July 1, 2012), as defined. Employers are required to contribute at an actuarially determined rate for the PERS.

**PASSAIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10. PENSION PLAN (continued)

The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Three Year Trend Information for PERS			
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2010	\$ <u>153,713</u>	<u>100</u>	\$ <u>-</u>
December 31, 2011	\$ <u>203,897</u>	<u>100</u>	\$ <u>-</u>
December 31, 2012	\$ <u>212,135</u>	<u>100</u>	\$ <u>-</u>

NOTE 11. POST-RETIREMENT BENEFITS

The Authority participates in New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

A retiree may also receive Authority-paid health benefits in accordance with labor agreements if they have twenty-five (25) or more years enrolled in the pension system.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions:

<u>Year</u>	<u>Amount</u>
2012	\$ <u>207,744</u>
2011	\$ <u>213,438</u>
2010	\$ <u>170,574</u>

**PASSAIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 12. RESTRICTED NET POSITION

As of December 31, 2012 and 2011, restricted net position consisted of the following:

	<u>2012</u>	<u>2011</u>
Housing assistance payments	\$ <u>1,169,964</u>	\$ <u>1,658,198</u>

Housing assistance payment reserves are 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 Housing Choice Voucher Program. As of December 31, 2012 and 2011, \$472,034 and \$491,702 remains payable, of which \$452,366 and \$472,034 is considered long-term as of 2012 and 2011.
- 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 Housing Choice Voucher Program for protective services. Protective service expenses are normally funded by the capital fund program. Included in protective services expense in 2012 and 2011 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, 2012 and 2011, the Authority estimates that no material liabilities will result from such audits.

**PASSAIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 July 3, 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
Passaic Housing Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Passaic Housing Authority ("the Authority") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Passaic Housing Authority's basic financial statements, and have issued our report thereon dated July 3, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**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 Passaic Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

July 3, 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
Passaic Housing Authority:

Report on Compliance for Each Major Federal Program

We have audited the Passaic Housing Authority compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Passaic Housing Authority's major federal programs for the year ended December 31, 2012. Passaic Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Passaic Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Passaic Housing 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Passaic Housing Authority's compliance.

**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)**

Opinion on Each Major Federal Program

In our opinion, Passaic Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Passaic Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Passaic Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Passaic Housing 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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

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

We have audited the financial statements of Passaic Housing Authority as of and for the year ended December 31, 2012, and have issued our report thereon dated July 3, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

July 3, 2013
Toms River, New Jersey

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

<u>Federal and State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditures</u>
U.S. Department of Housing and Urban Development:		
Low Rent Public Housing	14.850a	\$ 3,331,890
Housing Choice Vouchers	14.871	16,446,455
Public Housing Capital Fund Program	14.872	1,120,033
Resident Opportunity and Support Services	14.870	<u>45,896</u>
		<u>\$ 20,944,274</u>

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

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Passaic Housing Authority under programs of the federal government for the year ended December 31, 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 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, 2012.

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

I. Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

- | | | |
|----|---|------------|
| 1. | Dollar threshold used to distinguish Type A Programs
from Type B Programs: | \$ 628,328 |
| 2. | Auditee qualified as low-risk Auditee? | Yes |
| 3. | Type of auditor's report on compliance
for major programs: | Unmodified |
| 4. | Internal Control over compliance: | |
| | a. Material weakness(es) identified? | No |
| | b. Were significant deficiencies 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))? | No |

5. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Voucher Program
14.872	Public Housing Capital Fund

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

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, 2012**

	<u>501-09</u>	<u>501-10</u>	<u>501-11</u>	<u>501-12</u>	<u>Totals</u>
Budget	\$ <u>1,227,544</u>	\$ <u>1,223,416</u>	\$ <u>1,011,387</u>	\$ <u>935,015</u>	\$ <u>4,397,362</u>
<u>Advances:</u>					
Cumulative through 12/31/2011	\$ 1,173,860	\$ 609,735	\$ 326,601	\$ -	\$ 2,110,196
Current year	<u>53,684</u>	<u>474,079</u>	<u>221,862</u>	<u>370,405</u>	<u>1,120,030</u>
Cumulative through 12/31/2012	<u>1,227,544</u>	<u>1,083,814</u>	<u>548,463</u>	<u>370,405</u>	<u>3,230,226</u>
<u>Costs:</u>					
Cumulative through 12/31/2011	1,173,860	609,735	326,601	-	2,110,196
Current year	<u>53,684</u>	<u>474,079</u>	<u>221,862</u>	<u>370,405</u>	<u>1,120,030</u>
Cumulative through 12/31/2012	<u>1,227,544</u>	<u>1,083,814</u>	<u>548,463</u>	<u>370,405</u>	<u>3,230,226</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
 <u>Summary</u>					
<u>Soft Costs:</u>					
Cumulative through 12/31/2011	\$ 538,792	\$ 431,846	\$ 303,414	\$ -	\$ 1,274,052
Current year	<u>-</u>	<u>110,132</u>	<u>140,181</u>	<u>280,500</u>	<u>530,813</u>
Cumulative through 12/31/2012	<u>538,792</u>	<u>541,978</u>	<u>443,595</u>	<u>280,500</u>	<u>1,804,865</u>
<u>Hard Costs:</u>					
Cumulative through 12/31/2011	635,068	177,886	23,187	-	836,141
Current year	<u>53,684</u>	<u>363,950</u>	<u>81,681</u>	<u>89,905</u>	<u>589,220</u>
Cumulative through 12/31/2012	<u>688,752</u>	<u>541,836</u>	<u>104,868</u>	<u>89,905</u>	<u>1,425,361</u>
Cumulative	\$ <u>1,227,544</u>	\$ <u>1,083,814</u>	\$ <u>548,463</u>	\$ <u>370,405</u>	\$ <u>3,230,226</u>

NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

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, 2012 are provided herein.

- 1) Capital Fund Grant No. NJ39P013501-09 with approved fundings of \$1,227,544 have been fully drawn down and expended as per Capital Fund Grant Regulations.

Passaic Housing Authority									
NJ013									
Financial Data Schedule (FDS)									
December 31, 2012									
Line Item #	Account Description	PROJECTS	HOUSING CHOICE VOUCHER	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL	
ASSETS:									
CURRENT ASSETS:									
Cash:									
111	Cash - unrestricted	\$ 1,915,380	\$ 2,036,525	\$ -	\$ -	\$ 2,320,594	\$ -	\$ 6,272,499	
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	
113	Cash - other restricted	-	1,169,964	-	-	-	-	1,169,964	
114	Cash - tenant security deposits	190,409	-	-	-	-	-	190,409	
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-	-	
100	Total cash	2,105,789	3,206,489	-	-	2,320,594	-	7,632,872	
Accounts and notes receivables:									
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	
122	Accounts receivable - HUD other projects	-	-	966	-	-	-	966	
124	Accounts receivable - other government	-	2,109	-	-	-	-	2,109	
125	Accounts receivable - miscellaneous	40,050	-	-	-	-	-	40,050	
126	Accounts receivable- tenants	75,739	-	-	-	-	-	75,739	
126.1	Allowance for doubtful accounts - tenants	(34,041)	-	-	-	-	-	(34,041)	
126.2	Allowance for doubtful accounts - other	(40,050)	-	-	-	-	-	(40,050)	
127	Notes and mortgages receivable- current	-	-	-	-	-	-	-	
128	Fraud recovery	-	-	-	-	-	-	-	
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-	
129	Accrued interest receivable	-	-	-	-	-	-	-	
120	Total receivables, net of allowances for doubtful accounts	41,698	2,109	966	-	-	-	44,773	
Current investments									
131	Investments - unrestricted	-	-	-	-	-	-	-	
132	Investments - restricted	-	-	-	-	-	-	-	
142	Prepaid expenses and other assets	5,194	-	-	-	180,324	-	185,518	
143	Inventories	-	-	-	-	-	-	-	
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	
144	Interprogram - due from	-	-	-	-	966	(966)	-	
145	Assets held for sale	-	-	-	-	-	-	-	
150	TOTAL CURRENT ASSETS	2,152,681	3,208,598	966	-	2,501,884	(966)	7,863,163	
NONCURRENT ASSETS:									
Fixed assets:									
161	Land	1,946,351	-	-	-	-	-	1,946,351	
162	Buildings	62,944,843	-	-	-	-	-	62,944,843	
163	Furniture, equipment & machinery - dwellings	399,511	-	-	-	-	-	399,511	
164	Furniture, equipment & machinery - administration	1,068,138	47,749	-	-	377,315	-	1,493,202	
165	Leasehold improvements	2,606,080	-	-	-	-	-	2,606,080	
166	Accumulated depreciation	(57,467,783)	(13,908)	-	-	(320,416)	-	(57,802,107)	
167	Construction in Progress	1,425,361	-	-	-	-	-	1,425,361	
168	Infrastructure	-	-	-	-	-	-	-	
160	Total fixed assets, net of accumulated depreciation	12,922,501	33,841	-	-	56,899	-	13,013,241	
Other non-current assets:									
171	Notes and mortgages receivable - non-current	-	-	-	-	-	-	-	
172	Notes and mortgages receivable-non-current - past due	-	-	-	-	-	-	-	
174	Other assets	-	-	-	-	-	-	-	
175	Undistributed debits	-	-	-	-	-	-	-	
176	Investment in joint ventures	-	-	-	-	-	-	-	
180	TOTAL NONCURRENT ASSETS	12,922,501	33,841	-	-	56,899	-	13,013,241	
190	TOTAL ASSETS	\$ 15,075,182	\$ 3,242,439	\$ 966	\$ -	\$ 2,558,783	\$ (966)	\$ 20,876,404	

Passaic Housing Authority									
NJ013									
Financial Data Schedule (FDS)									
December 31, 2012									
Line Item #	Account Description	PROJECTS	HOUSING CHOICE VOUCHER	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL	
LIABILITIES AND EQUITY:									
Liabilities:									
Current Liabilities:									
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable ≤ 90 days	-	37,003	-	-	14,127	-	51,130	
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	
321	Accrued wage/payroll taxes payable	46,307	7,903	-	-	33,973	-	88,183	
322	Accrued compensated absences - current portion	53,482	6,410	-	-	14,640	-	74,532	
324	Accrued contingency liability	-	-	-	-	-	-	-	
325	Accrued interest payable	-	-	-	-	-	-	-	
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	
333	Accounts payable - other government	130,820	-	-	-	-	-	130,820	
341	Tenant security deposits	190,409	-	-	-	-	-	190,409	
342	Deferred revenue	19,627	-	-	-	-	-	19,627	
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-	-	
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	-	
345	Other current liabilities	-	19,668	-	-	-	-	19,668	
346	Accrued liabilities - other	-	-	-	-	116,690	-	116,690	
347	Interprogram - due to	-	-	966	-	-	(966)	-	
310	TOTAL CURRENT LIABILITIES	440,645	70,984	966	-	179,430	(966)	691,059	
NONCURRENT LIABILITIES:									
351	Long-term debt, net of current - capital projects	-	-	-	-	-	-	-	
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	
353	Non-current liabilities- other	-	452,366	-	-	-	-	452,366	
354	Accrued compensated absences - noncurrent	274,809	57,688	-	-	131,764	-	464,261	
355	Loan Liability - Non Current	-	-	-	-	-	-	-	
356	FASB 5 Liabilities	-	-	-	-	-	-	-	
357	Accrued pension and OPEB liabilities	-	-	-	-	-	-	-	
350	TOTAL NONCURRENT LIABILITIES	274,809	510,054	-	-	131,764	-	916,627	
300	TOTAL LIABILITIES	715,454	581,038	966	-	311,194	(966)	1,607,686	
EQUITY:									
508.1	Invested in Capital Assets, Net of Related Debt	12,922,500	33,841	-	-	56,900	-	13,013,241	
511.1	Restricted Net Assets	-	1,169,964	-	-	-	-	1,169,964	
512.1	Unrestricted Net Assets	1,437,228	1,457,596	-	-	2,190,689	-	5,085,513	
513	TOTAL EQUITY	14,359,728	2,661,401	-	-	2,247,589	-	19,268,718	
600	TOTAL LIABILITIES AND EQUITY	\$ 15,075,182	\$ 3,242,439	\$ 966	\$ -	\$ 2,558,783	\$ (966)	\$ 20,876,404	
	Proof of concept	-	-	-	-	-	-	-	

Passaic Housing Authority									
NJ013									
Financial Data Schedule (FDS)									
December 31, 2012									
Line Item #	Account Description	OPERATING	CAPITAL	HOUSING CHOICE VOUCHER	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
REVENUE:									
70300	Net tenant rental revenue	\$ 2,808,744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,808,744
70400	Tenant revenue - other	140,539	-	-	-	-	-	-	140,539
70500	Total tenant revenue	2,949,283	-	-	-	-	-	-	2,949,283
70600	HUD PHA grants	3,331,890	530,813	16,194,579	45,896	-	-	-	20,103,178
70610	Capital grants	-	589,220	-	-	-	-	-	589,220
70710	Management fee	-	-	-	-	-	963,205	(963,205)	-
70720	Asset management fee	-	-	-	-	-	45,960	(45,960)	-
70730	Book keeping fee	-	-	-	-	-	192,975	(192,975)	-
70750	Other fees	-	-	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-	-	-
71100	Investment income - unrestricted	3,279	-	2,793	-	-	3,879	-	9,951
71200	Mortgage interest income	-	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	11,154	-	-	-	-	11,154
71500	Other revenue	208,204	-	63,318	-	-	2,139	-	273,661
71600	Gain or loss on sale of fixed assets	(4,938)	-	-	-	-	-	-	(4,938)
72000	Investment income - restricted	-	-	18,591	-	-	-	-	18,591
70000	TOTAL REVENUE	6,487,718	1,120,033	16,290,435	45,896	-	1,208,158	(1,202,140)	23,950,100
EXPENSES:									
Administrative									
91100	Administrative salaries	408,706	-	340,418	-	-	432,686	-	1,181,810
91200	Auditing fees	10,870	-	4,130	-	-	1,140	-	16,140
91300	Outside management fees	552,359	202,169	208,680	-	-	-	(963,208)	-
91310	Book-keeping fee	62,551	-	130,425	-	-	-	(192,976)	-
91400	Advertising and marketing	-	-	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	179,207	-	216,201	-	-	242,964	-	638,372
91600	Office expenses	48,124	-	42,092	-	-	76,743	-	166,959
91700	Legal expenses	95	-	18,325	-	-	41,175	-	59,595
91800	Travel	5,662	-	13,194	-	-	19,152	-	38,008
91810	Allocated overhead	-	-	-	-	-	-	-	-
91900	Other	17,620	-	65,992	-	-	92,012	-	175,624
92000	Asset Management Fee	45,956	-	-	-	-	-	(45,956)	-
Tenant services									
92100	Tenant services - salaries	155,629	-	-	36,300	-	-	-	191,929
92200	Relocation costs	-	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	27,712	-	-	9,596	-	-	-	37,308
92400	Tenant services - other	58,736	-	-	-	-	-	-	58,736

Passaic Housing Authority									
NJ013									
Financial Data Schedule (FDS)									
December 31, 2012									
Line Item #	Account Description	OPERATING	CAPITAL	HOUSING CHOICE VOUCHER	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
	Utilities:								
93100	Water	161,416	-	-	-	-	-	-	161,416
93200	Electricity	637,152	-	-	-	-	-	-	637,152
93300	Gas	425,585	-	-	-	-	-	-	425,585
93400	Fuel	-	-	-	-	-	-	-	-
93500	Labor	153,152	-	-	-	-	-	-	153,152
93600	Sewer	105,313	-	-	-	-	-	-	105,313
93700	Employee benefit contributions- utilities	119,914	-	-	-	-	-	-	119,914
93800	Other utilities expense	18,899	-	-	-	-	-	-	18,899
	Ordinary maintenance & operation								
94100	Ordinary maintenance and operations - labor	789,396	-	-	-	-	-	-	789,396
94200	Ordinary maintenance and operations - materials & other	398,351	48,144	-	-	-	-	-	446,495
94300	Ordinary maintenance and operations - contract costs	667,123	-	-	-	-	-	-	667,123
94500	Employee benefit contributions- ordinary maintenance	420,965	-	-	-	-	-	-	420,965
	Protective services								
95100	Protective services - labor	98,769	-	-	-	-	-	-	98,769
95200	Protective services- other contract costs	116,116	187,000	26,736	-	-	-	-	329,852
95300	Protective services - other	3,628	-	-	-	-	-	-	3,628
95500	Employee benefit contributions- protective services	25,146	-	-	-	-	-	-	25,146
	General expenses								
96100	Insurance premiums	300,208	-	13,107	-	-	16,133	-	329,448
96200	Other general expenses	7,752	-	42,119	-	-	-	-	49,871
96210	Compensated absences	71,089	-	10,640	-	-	23,314	-	105,043
96300	Payments in lieu of taxes	130,820	-	-	-	-	-	-	130,820
96400	Bad debt - tenant rents	8,973	-	-	-	-	-	-	8,973
96500	Bad debt- mortgages	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-	-	-
96710	Amortization of bond issue costs	-	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-	-
96900	TOTAL OPERATING EXPENSES	6,232,994	437,313	1,132,059	45,896	-	945,319	(1,202,140)	7,591,441
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	254,724	682,720	15,158,376	-	-	262,839	-	16,358,659
97100	Extraordinary maintenance	-	-	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	15,314,396	-	-	-	-	15,314,396
97350	HAP Portability - in	-	-	-	-	-	-	-	-
97400	Depreciation expense	1,276,414	-	7,651	-	-	29,320	-	1,313,385
97500	Fraud losses	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-
90000	TOTAL EXPENSES	7,509,408	437,313	16,454,106	45,896	-	974,639	(1,202,140)	24,219,222

Passaic Housing Authority									
NJ013									
Financial Data Schedule (FDS)									
December 31, 2012									
Line Item #	Account Description	OPERATING	CAPITAL	HOUSING CHOICE VOUCHER	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.885 FORMULA CAP FUND STIM GRANT ARRA	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
OTHER FINANCING SOURCES (USES)									
10010	Operating transfers in	93,500	-	-	-	-	-	(93,500)	-
10020	Operating transfers out	-	(93,500)	-	-	-	-	93,500	-
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)	93,500	(93,500)	-	-	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(928,190)	589,220	(163,671)	-	-	233,519	-	(269,122)
MEMO ACCOUNT INFORMATION:									
11020	Required annual debt principal payments	-	-	-	-	-	-	-	-
11030	Beginning equity	14,721,644	-	2,825,072	-	-	1,991,124	-	19,537,840
11040	Prior period adjustments and equity transfers	(22,946)	-	-	-	-	22,946	-	-
11170	Administrative fee equity	-	-	1,442,982	-	-	-	-	1,442,982
11180	Housing assistance payments equity	-	-	1,169,964	-	-	-	-	1,169,964
		-	-	2,612,946	-	-	-	-	2,612,946
11190	Unit months available	8,388	-	21,936	-	-	-	-	30,324
11210	Number of unit months leased	8,340	-	17,390	-	-	-	-	25,730
Equity Roll Forward Test:									
	Calculation from R/E Statement	\$ 14,359,728	\$ -	\$ 2,661,401	\$ -	\$ -	\$ 2,247,589	\$ -	\$ 19,268,718
	B/S Line 513	14,359,728	-	2,661,401	-	-	2,247,589	-	19,268,718
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -