

HOUSING AUTHORITY OF THE CITY OF HOBOKEN

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED SEPTEMBER 30, 2013

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2013**

<u>Contents</u>	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-19
Financial Statements:	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22-23
Notes to Financial Statements	24-36
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	37-38
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	39-41
Supplemental Information:	
Schedule of Expenditures of Federal Awards	42
Notes to Schedule of Expenditures of Federal Awards	43
Schedule of Findings and Questioned Costs	44-49
Schedule of Capital Fund Program Costs and Advances	50
Financial Data Schedule	51-54



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Housing Authority of the City of Hoboken:

Report on the Financial Statements

We have audited the financial statements of the Housing Authority of the City of Hoboken ("the Authority") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Hoboken's basic financial statements as listed in the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 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 opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Hoboken ("the Authority"), as of September 30, 2013, and the respective changes in financial position and cash flows for the year 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of Hoboken'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; the schedule of capital fund program costs and advances and financial data schedule, as required by the United States Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, schedule of capital fund program costs and advances and financial data schedule ("the Schedules") are the responsibility of management and were derived from and relate 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules 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 June 26, 2014 on our consideration of the Housing Authority of the City of Hoboken'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 Housing Authority of the City of Hoboken's internal control over financial reporting and compliance.

June 26, 2014
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

PREAMBLE

This statement is made because of the extreme circumstances placed on the authority and its staff during and after a disaster. Because it was a disaster the Governor declared a state of emergency in NJ. Thus in accordance with state law no thirty day emergency notice had to be given to NJ Treasury. The authority's organizational limitations were caused by the flooding and the need to first provide decent, safe and sanitary housing without loss of life and preventing fires, providing potable water, food and heat as soon as possible and many months thereafter. These basic services have not been easy to provide in the many months following Sandy. Please note seventeen months and more after Sandy, the most well-funded housing authority in the Country, the New York City Housing Authority, still struggles with the emergencies and latent unexpected physical problems which mature over time due to the effects of Sandy and contaminated salt water. So does the Housing Authority of the City of Hoboken (Authority) struggle with such challenges many months after the storm. This was not a simple two week problem and it was over. Unforeseen amounts of money had to be expended immediately with no prior notice in the areas of electrical safety, plumbing - potable water, sanitation, gas issues and HVAC- heat which caused contract cost over runs which had not occurred before Sandy. All this occurred while the Authority main office did not even have the physical office infrastructure to put together bid specifications as our offices were decimated, which require a server, computer, phone, table, chair, light and files which were ruined by flood waters. Thus, HVAC, plumbing and electrical contract amounts were exceeded.

The challenges faced by the Authority included sixteen days of no electricity. There were 21 days with no heat and hot water. Class-three water contaminated all property. During and after the storm, mice were eating wire insulation. Wind damage was everywhere. Ground saturation affected curbing, foundations and caused surface pavement to buckle and drop.

Two water mains burst and there was no water for five days. Staff was out of ruined offices for five months which effected normal administrative functions. There were files destroyed. Main office computers were all destroyed. Asbestos was found in the main office which slowed the rehabilitation. Elevators were down for days and intermittently with water in the pit causing electrical hazards to running the elevators. Fire alarm panels were damaged which also had to be repaired immediately. Sanitation problems existed on the properties, from salt water mixed with fuel and other storm related toxic substances, which had to be cleaned. The office had no telecommunications for a month. Restoration of all offices was required. Files could not be salvaged which hurt many administrative functions including specification writing and normal bidding. As many items started to be resolved, new crises and emergencies which were not expected occurred with heating-boilers, electric and plumbing due to mold and corrosion caused by water from the storm.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

PREAMBLE (continued)

The specifications of many of the vendor services needed for Sandy were not written for a major catastrophe such as Sandy presented where unspecified and immediate service was needed for health and safety reasons. Roof and asphalt problems persist. Boilers have had continuous failure with four to eight sections failing due to problems related to being under water. There was constant imminent danger related to water and fire. And fire erupted caused by erosion. Main panels went up in smoke requiring immediate electrical service and running up cost over contract when combined with other electrical items. In addition the security system went down causing more cost. The city construction code official mandated that the panels be immediately replaced and elevated.

A very cold and severe winter with heavy snowfall exacerbated these latent problems for many months. Electrical service vendors were faced with near fatal experiences attempting to restore electrical systems because of the potential for fire. Just keeping water on for months became a problem. One could say the specs should have been revised and rebid and that would have been reasonable in a normal environment where one has a desk, computer and light. The main office had none of these items for many months. To stop a number of contractors who day and night were trying to deliver basic services to our residents and have a hold up in the middle of a continuing crisis where any delays would have placed the welfare of the residents at jeopardy would not have been prudent. At the time such action could have caused loss of life and would have been irresponsible to even consider not continuing to resolve the problems with professionals in the middle of dangerous physical situations being faced. During this time and afterwards, there was also a shortage of tradesmen.

It is amazing that the Authority restored services with no loss of life or severe injury. In these extreme extenuating hazardous conditions life and safety took precedence over exceeding a contract limit during a natural disaster and in the continuing hazardous aftermath of Sandy many months later and the latent effects caused by water, wind, salt corrosion, pollution, mildew, snow, contamination and loss of normal office functions.

To the Authorities credit it delivered basic housing services without loss of life or injury and should be commended for such a performance. A comment by the auditor regarding the cost overruns would be acceptable.

End of Preamble

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

As Management of the Housing Authority of the City of Hoboken (the Authority), we present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety which is included in the Audit Report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

Assets of the Authority's enterprise fund were \$22,096,475 greater than the liabilities, a decrease in the financial position of \$2,495,531 or a 10% percent decrease.

As noted above, the net position of the Authority exceeded its liabilities by \$22,096,475 as of September 30, 2013. Of this amount, the unrestricted net position is \$4,029,507 representing a decrease of \$495,055 or 11% percent from the previous year. The net investment in capital assets decreased \$1,862,966 or 9% percent for an ending balance of \$18,065,135. The restricted net position decreased \$137,110 as the Authority used up all housing assistance payments reserves. Additional information on the Authority's restricted and unrestricted net positions can be found in the Notes to the financial statements, which can be found in the Audit Report

The Authority's unrestricted cash, and cash equivalent at September 30, 2013 is \$5,451,914 representing an increase of \$67,325 or 1% percent from the prior fiscal year. Total restricted cash decreased \$137,110 for an ending balance of \$1,833. The full detail of these amounts can be found in the Statement of Cash Flows in the Audit Report

The Authority's total assets are \$31,893,645 of which capital assets net book value is \$25,615,135. Other current assets decreased from the previous fiscal year by \$26,286 or 3% percent.

The Authority's total liabilities are reported at \$9,797,170, of which noncurrent liabilities are stated at \$7,354,938. Total liabilities increased during the fiscal year as compared to the prior fiscal year in the amount of \$91,094 or 1% percent. Total current liabilities increased during the fiscal year by \$584,047 or 31% percent, leaving noncurrent liabilities for an increase of \$492,953 or 11% percent as compared to the previous fiscal year.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

FINANCIAL HIGHLIGHTS – CONTINUED

Total current liabilities increased from the previous fiscal year by \$584,047 or 31% percent. Accounts payables increased by \$673,578, accrued liabilities decreased by \$148,281, the current portion of the Capital Project Bonds increased by \$15,000, tenant security deposit payable increased by \$25,970, and unearned revenue increased \$17,780.

Total noncurrent liabilities decreased by \$492,953 or 6% percent. The decrease was made up of three accounts; long-term capital bonds which decreased by \$460,000 for an ending balance of \$7,090,000 and accrued compensated absences – long term with no offsetting assets, decreased \$32,953 from the prior fiscal year for an ending balance of \$264,938.

The Authority had total operating revenue of \$15,124,353 as compared to \$17,172,456 from the prior fiscal year for a decrease of \$2,048,103 or 12% percent. The Authority had total operating expenses of \$21,903,252 as compared to \$16,521,538 from the previous fiscal year for an increase of \$5,381,714 or 33% percent, resulting in an Operating Loss before Capital Grants in the amount of \$6,778,899 for the current fiscal year as compared to Operating Income before Capital Grants of \$650,918 from the prior fiscal year.

Total capital improvements contributions from HUD were \$1,150,698 as compared to \$1,501,058 from the previous fiscal year for a decrease of \$350,360 or 23% percent.

The Authority's Expenditures of Federal Awards amounted to \$10,159,758 for the fiscal year as compared to \$12,205,798 for the previous year.

USING THIS ANNUAL REPORT

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

1. Low Rent Public Housing
2. Housing Choice Vouchers
3. Public Housing Capital Fund Program

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

USING THIS ANNUAL REPORT (continued)

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

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

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

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

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

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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

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

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

The Schedule of Expenditures of Federal Awards is presented for purposes 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.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of Hoboken are those which equal or exceeded \$304,793 in expenditures for the fiscal year ended September 30, 2013. Type B programs for the Housing Authority of the City of Hoboken are those which are less than \$304,793 in expenditures for the fiscal year ended September 30, 2013.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between September 30, 2013 and September 30, 2012:

	Year Ended		Increase (Decrease)
	September-13	September-12	
Cash	\$ 5,451,914	\$ 5,384,589	\$ 67,325
Other Current Assets	824,763	851,049	(26,286)
Capital Assets - Net	25,615,135	27,923,101	(2,307,966)
Restricted Cash	1,833	138,943	(137,110)
Total Assets	31,893,645	34,297,682	(2,404,037)
Less: Current Liabilities	(2,442,232)	(1,858,185)	(584,047)
Less: Non Current Liabilities	(7,354,938)	(7,847,891)	492,953
Net Assets	<u>\$ 22,096,475</u>	<u>\$ 24,591,606</u>	<u>\$ (2,495,131)</u>
Net Investment in Capital Assets	\$ 18,065,135	\$ 19,928,101	\$ (1,862,966)
Restricted Net Position	1,833	138,943	(137,110)
Unrestricted Net Position	4,029,507	4,524,562	(495,055)
	<u>\$ 22,096,475</u>	<u>\$ 24,591,606</u>	<u>\$ (2,495,131)</u>

Cash (including restricted cash) decreased by \$69,785 or 1% percent. Net cash used by operating activities was \$3,134,184, net cash provided by capital and related financing activities was \$3,058,228, and net cash provided by investing activities was \$6,171. The full detail of this amount can be found in the Statement of Cash Flows of the audit report.

Other current assets decreased \$26,286 or 3% percent. The Authority's accounts receivable decreased \$33,111. Prepaid expenses increased in the amount of \$6,825 or 3% was attributed primary to an increase in prepaid insurance amounts.

Capital assets report a decrease in the net book value of the capital assets in the amount of \$2,307,966 or 8% percent. The major factors contributed for the decrease was the construction expenditures and additions to fixed assets in the amount of \$774,369 made during the fiscal year offset by the recording of depreciation expense in the amount of \$3,082,336. The destruction caused by Hurricane Sandy resulted in the removal of \$6,980,433 of fully depreciated capital assets from the books of the Authority. A full detail of capital outlays can be found in the Notes to the Financial Statements.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

Restricted cash decreased from the previous fiscal year by \$137,110. Housing choice voucher restricted reserves decreased \$137,119 and capital fund bond proceeds increased \$9.

Total current liabilities increased from the previous fiscal year by \$584,047 or 31% percent. Accounts payables increased by \$673,578, accrued liabilities decreased by \$148,281, the current portion of the Capital Project Bonds increased by \$15,000, tenant security deposit payable increased by \$25,970, and prepaid revenue increased \$17,780.

Total noncurrent liabilities decreased by \$492,953 or 6% percent. The decrease was made up of three accounts; long-term capital bonds which decreased by \$460,000 for an ending balance of \$7,090,000, accrued compensated absences – long term decreased \$32,953 from the prior fiscal year for an ending balance of \$264,938.

The Authority's reported net position of \$22,096,475 which is made up of three categories. The net investment in capital assets represents 82% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

Balance September 30, 2012	\$ 19,928,102
Acquisition in Fixed Assets	774,369
Depreciation Expense	(3,082,336)
Principal Payment on Debt	445,000
Balance September 30, 2013	\$ 18,065,135

The Housing Authority of City of Hoboken operating results for September 30, 2013 reported a decrease in unrestricted net position of \$495,055 or 11% percent for an ending balance of \$4,029,507. The Authority reported restricted net position in the amount of \$1,833 which was a decrease of \$137,110 from the previous year. A full detail of these accounts can be found in the Notes to the Financial Statements.

At the end of the current year, the Authority is able to report positive balances in the three categories of net position. The same situation held true for the prior year.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in net position between September 30, 2013 and September 30, 2012:

	<u>Year Ended</u>		Increase (Decrease)
	<u>September-13</u>	<u>September-12</u>	
<u>Revenues</u>			
Tenant Revenues	\$ 5,779,747	\$ 5,750,109	\$ 29,638
HUD Subsidies	8,795,797	10,704,740	(1,908,943)
Other Revenues	548,809	717,607	(168,798)
Total Operating Income	<u>15,124,353</u>	<u>17,172,456</u>	<u>(2,048,103)</u>
<u>Expenses</u>			
Other Operating Expenses	18,820,916	16,232,426	2,588,490
Depreciation Expense	3,082,336	289,112	2,793,224
Total Operating Expenses	<u>21,903,252</u>	<u>16,521,538</u>	<u>5,381,714</u>
Operating Income (Loss) Before Capital Grants	(6,778,899)	650,918	(7,429,817)
Interest Income	6,171	5,781	390
Interest Expense	(344,586)	(376,299)	31,713
Insurance proceeds	3,471,485	-	3,471,485
HUD Capital Grants	1,150,698	1,501,058	(350,360)
Increase in Net Position	<u>(2,495,131)</u>	<u>1,781,458</u>	<u>(4,276,589)</u>
Net Position, Prior Year	24,591,606	22,575,391	2,016,215
Prior Period Adjustments	-	234,757	(234,757)
Total Net Position	<u>\$ 22,096,475</u>	<u>\$ 24,591,606</u>	<u>\$ (2,495,131)</u>

Approximately 58% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 38% percent resulted from tenant revenue, and 4% percent resulted from other revenue.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

The Housing Authority of the City of Hoboken received from the capital fund program \$1,150,698 in grant money for capital expenditures and the payment of capital fund debt, a decrease of \$350,360 or 23% percent from the prior fiscal year. The capital expenditures of \$774,369 were used primarily for site improvements and renovations due to the destruction caused by Hurricane Sandy with the remaining funds utilized to pay principal on the debt.

The Authority operating expenses cover a range of expenses. The largest expense was for utilities expenses representing 22% percent of total operating expenses, housing assistance payments accounted for 11% percent, administrative expenses accounted for 13% percent, tenant services accounted for 1% percent, maintenance accounted for 20% percent, protective services accounted for 3% percent, other operating expenses and depreciation accounted for the remaining 30% of the total operating expenses.

The Authority operated at an operating loss in the amount of \$6,778,899, as compared to operating income in prior fiscal year in the amount of \$650,918 for an increase in deficit of \$7,429,817. The key elements of this decrease in operating revenue and increase in operating expenses are as follows:

- The Authority experienced a decrease in HUD operating subsidy in the amount of \$1,908,943.
- The Authority experienced a decrease in other revenue in the amount of \$168,798.
- Below are the expenses that increased for fiscal year ended September 30, 2013:
 - Administrative Expenses increased \$398,115.
 - Other Operating Expenses increased \$1,611,495.
 - Extraordinary Maintenance due to Hurricane Sandy had an expense of \$202,581.
 - Depreciation Expenses increased \$2,793,224 due to \$18,669,328 of assets being placed in service for the fiscal year.
- The increases in other operating expenses of \$1,611,495 were mainly due to the damage from Hurricane Sandy and the severe flooding that occurred throughout the whole City of Hoboken.
- The Authority experienced a decrease in protective services in the amount of \$66,639.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

The following is financial highlights of significant items for a four year period of time ending on September 30, 2013.

	September-13	September-12	September-11	September-10
Significant Income				
Total Tenant Revenue	\$ 5,779,747	\$ 5,750,109	\$ 5,627,168	\$ 5,445,939
HUD Operating Grants	8,795,797	10,704,740	10,364,452	9,817,203
HUD Capital Grants	1,150,698	1,501,058	1,349,630	4,169,479
Investment Income	6,171	5,781	9,241	13,808
Other Income	548,809	712,850	294,733	172,957
Total	16,281,222	18,674,538	17,645,224	19,619,386
Payroll Expense				
Administrative Salaries	1,258,258	814,688	984,015	1,307,031
Tenant Services Salaries	31,564	54,811	33,679	62,164
Utilities Labor	267,897	117,112	117,507	149,330
Maintenance Labor	1,267,663	1,404,346	1,453,320	1,266,262
Employee Benefits Expense	1,964,079	2,113,427	1,744,668	1,801,165
Total Payroll Expense	4,789,461	4,504,384	4,333,189	4,585,952
Other Significant Expenses				
Other Administrative Expenses	594,838	798,837	685,404	550,191
Utilities Expense	4,464,823	4,739,989	4,682,704	4,945,058
Maintenance Supplies	736,189	929,052	370,661	441,941
Maintenance Contract Cost	1,469,174	961,884	634,786	557,722
Protective Services	554,216	764,011	217,601	472,670
Insurance Premiums	648,491	740,160	557,605	626,584
Housing Assistance Payments	2,412,884	2,265,121	2,122,324	2,054,885
Total	10,880,615	11,199,054	9,271,085	9,649,051
Total Operating Expenses	21,903,252	16,521,538	14,913,979	14,784,819
Total of Federal Awards	\$ 10,159,758	\$ 12,205,798	\$ 11,714,082	\$ 14,047,682

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

BUDGETARY HIGHLIGHTS

For the year ended September 30, 2013, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and are required by the State of New Jersey. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles.

The budget for the Housing Choice Voucher Program was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs.

NEW INITIATIVES

For the year 2013 and carrying over to 2014 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 60% percent of its revenue from the Department of Housing and Urban Development, (down from 65% percent in 2012) the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy. The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services and opportunities to provide new initiative such as recycling programs. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of Hoboken all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

For 2013 due to budget cuts once again by Congress, HUD prorated everyone's eligibility for operating funds at 81.86%. For calendar year 2013 the Authority was eligible for \$6,963,169, after the proration the Authority was only able to receive \$5,716,185, which is a decrease in funding of \$1,246,984.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses excluding depreciation expense. The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

HOUSING AUTHORITY PROGRAMS

Public Housing Program

Under the Public Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the City of Hoboken flat rent amount.

Housing Choice Voucher Program

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

Capital Fund Program

The public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments and homes to keep them clean, safe and in good condition.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 - Capital Assets

As of September 30, 2013, the Authority's investment in capital assets was \$25,615,135 (net of accumulated depreciation) reflected in the following schedule which represents a decrease of \$2,307,966 from the previous year. This investment in capital assets includes land, buildings, equipment, and construction in progress. Major capital expenditures of \$774,369 were made during the fiscal year. Major capital assets events during the fiscal year included the following:

- Electrical Repairs/Improvements
- Building Renovations
- Site Improvements

	September-13	September-12	Increase (Decrease)
Land	\$ 1,527,036	\$ 1,527,036	\$ -
Building	57,573,726	45,884,841	11,688,885
Furniture, Equipment - Dwelling	11,645,968	11,624,468	21,500
Furniture, Equipment - Administration	1,891,019	1,843,848	47,171
Construction in Process	1,300,772	19,264,401	(17,963,629)
Total Fixed Assets	73,938,521	80,144,594	(6,206,073)
Accumulated Depreciation	(48,323,386)	(52,221,493)	3,898,107
Net Book Value	<u>\$ 25,615,135</u>	<u>\$ 27,923,101</u>	<u>\$ (2,307,966)</u>

Additional information on the Authority's capital assets can be found in the Notes to the financial statements which is included in the Audit Report.

2 - Long Term Debt

The Authority has participated in the New Jersey pooled leveraging program for the year ending September 30, 2013. Through this financing of majority capital projects will be completed on an expedited basis. As of September 30, 2013 the Capital Project Bond payable of \$7,550,000 was the only interest bearing outstanding debt for the Authority.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of City of Hoboken is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

The capital budgets for the 2014 year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the year ending September 30, 2014:

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2013**

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 Mr. Carmelo G. Garcia, Executive Director, Housing Authority of the City of Hoboken, 400 Harrison Street, Hoboken, NJ 07030 or call (201) 798-0370.

FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2013**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,451,914
Accounts receivable, net	616,624
Prepaid expenses	<u>208,139</u>
Total current assets	<u>6,276,677</u>
Non-current assets:	
Restricted cash	1,833
Capital assets, net	<u>25,615,135</u>
Total non-current assets	<u>25,616,968</u>
Total assets	<u>31,893,645</u>

LIABILITIES

Current liabilities:	
Accounts payable	1,323,233
Accrued expenses	245,051
Accrued compensated absences	29,436
Tenant security deposits	346,342
Prepaid tenant rents	38,170
Current portion of bonds payable	<u>460,000</u>
Total current liabilities	<u>2,442,232</u>
Non-current liabilities:	
Bonds payable, excluding current portion	7,090,000
Accrued compensated absences, net of current portion	<u>264,938</u>
Total non-current liabilities	<u>7,354,938</u>
Total liabilities	<u>9,797,170</u>

NET POSITION

Net position:	
Net investment in capital assets	18,065,135
Restricted	1,833
Unrestricted	<u>4,029,507</u>
Total net position	<u>\$ 22,096,475</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Operating revenues:	
Tenant revenue	\$ 5,779,747
HUD grants	8,795,797
Other revenues	<u>548,809</u>
Total operating revenue	<u>15,124,353</u>
Operating expenses:	
Administrative	2,930,117
Tenant services	134,316
Utilities	4,836,810
Ordinary maintenance and operations	4,478,572
Protective services	697,372
Insurance expense	648,491
General expenses	2,479,773
Housing assistance payments	2,412,884
Extraordinary maintenance	202,581
Depreciation	<u>3,082,336</u>
Total operating expenses	<u>21,903,252</u>
Operating loss	<u>(6,778,899)</u>
Non-operating revenues:	
Investment income	6,171
Interest expense	(344,586)
Insurance proceeds	<u>3,471,485</u>
Net non-operating revenues (expense)	<u>3,133,070</u>
Loss before capital grants	(3,645,829)
Capital grants	<u>1,150,698</u>
Change in net position	(2,495,131)
Net position, beginning of year (as restated)	<u>24,591,606</u>
Net position, end of year	<u>\$ 22,096,475</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Cash Flows from Operating Activities:	
Cash received from grantors	\$ 9,008,411
Cash received from tenants	6,155,897
Cash paid to employees	(2,748,226)
Cash paid to suppliers	<u>(15,550,266)</u>
Net cash flows provided (used) by operating activities	<u>(3,134,184)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(774,369)
Insurance proceeds received	3,471,485
Interest paid on capital debt	(344,586)
Principal paid on capital debt	(445,000)
Capital grants	<u>1,150,698</u>
Net cash flows provided (used) by capital and related financing activities	<u>3,058,228</u>
Cash Flows from Investing Activities:	
Investment income	<u>6,171</u>
Net cash flows provided (used) by investing activities	<u>6,171</u>
Net increase (decrease) in cash	(69,785)
Cash and cash equivalents, beginning of year	<u>5,523,532</u>
Cash and cash equivalents, end of year	<u>\$ 5,453,747</u>

A reconciliation of cash and cash equivalents to Statement of Net Position is as follows:

Cash and cash equivalents	\$ 5,451,914
Restricted cash	<u>1,833</u>
	<u>\$ 5,453,747</u>

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (6,778,899)
Items which did not use cash:	
Depreciation	3,082,336
Bad debts	36,906
Working capital changes which provided (used) cash:	
Accounts receivable - HUD	194,834
Accounts receivable - tenants	(57,993)
Accounts receivable - miscellaneous	(140,636)
Prepaid expenses	(6,825)
Accounts payable	524,912
Accrued expenses	4,044
Accrued compensated absences	(36,613)
Tenant security deposits	25,970
Prepaid tenant rents	<u>17,780</u>
Net cash provided (used) by operating activities	<u>\$ (3,134,184)</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Hoboken ("Hoboken Housing Authority") or ("the Authority") is a public body corporate and politic of the State of New Jersey ("the State") created by the City of Hoboken ("the City") under Local Redevelopment and Housing Law (N.J.S.A 40A:12A-1, et seq) of the State. The Authority is responsible for operating low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners who serve five-year terms. The governing board 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 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 within the City of Hoboken. 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 capital fund program provides funds annually, via a formula, to public housing agencies for capital and management activities including modernization and development of public housing units.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity

In accordance with Statement No. 61 of the Government Accounting Standards Board (“GASB”), the Authority’s basic financial statements include those of the Housing Authority of the City of Hoboken and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

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

D. Basis of Accounting

The Authority’s financial statements are prepared in accordance with 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 a Statement of Cash Flows. GASB 34 also requires the Authority to include Management’s 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.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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 Principle 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 (position), with the associated cash and investments also being reported on HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net assets (position), with the associated assets being reported on the FDS 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.

E. 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, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

F. 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.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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 State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of securities that 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. No governmental unit under GUDPA has ever lost protected deposits.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

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

H. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants 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.

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.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Prepaid Expenses

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

J. Capital Assets, Net

Development costs which are comprised of initial development costs, (acquisition costs, modernization costs, and the costs of urban renewal property), site preparation and property betterments, land, structures and equipment are recorded at historical cost. The costs of demolition expenses are capitalized as land improvements.

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

• Dwelling Equipment	5 Years
• Office Improvements	7 Years
• Site Improvements	15 Years
• Building Components	15 Years
• Buildings	40 Years

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

Maintenance and repairs expenditures are charged to operations when incurred. Expenditures determined to represent additions or betterments are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are removed from the books, and any gain or loss is included in operations.

K. Compensated Absences

Accumulated unpaid leave time is accrued at the estimated amounts of future benefits attributable to services already rendered.

Employees may be compensated for accrued vacation leave in the event of retirement or separation from the Authority. In the event of retirement, an employee is compensated for one half of their daily rate, times the number of unused sick days up to a maximum of \$15,000 under the Authority's current personnel policy. Generally, unused vacation may be carried over for a one year period. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

L. Prepaid Tenant Rents

Prepaid tenant rents primarily consists of prepayment of rent by tenants applicable to future periods.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Taxes

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

N. 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 — 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 — All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

O. 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 to zero. In accordance with GASB Statement No. 34, interprogram receivables and payables are eliminated for financial statement purposes, however they are reflected in the Authority's financial data schedule as required by HUD.

P. Economic Dependency

The Low Rent Public Housing and Housing Choice Voucher programs of the Authority are economically dependent on operating grants and subsidies from HUD.

NOTE 2. CASH AND CASH EQUIVALENTS

For the fiscal year ended September 30, 2013, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$5,453,747, and the bank balance approximated \$6,250,605.

Of the bank balance, \$251,833 was covered by federal depository insurance and the remaining \$5,998,772 was collateralized with the pledging financial institution for the fiscal year ended September 30, 2013.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 2. CASH AND CASH EQUIVALENTS (continued)

<u>Cash Account</u>	<u>2013</u>
Insured:	
FDIC	\$ 251,833
Collateralized:	
Collateralized amount held by pledging financial institution	<u>5,998,772</u>
	<u>\$ 6,250,605</u>

Custodial Credit Risk - 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 government does not have a deposit policy for custodial credit risk.

All bank deposits as of the balance sheet date are covered by the Government Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable, net consists of the following at September 30, 2013:

<u>Description</u>	<u>2013</u>
Accounts receivable - HUD	\$ 339,862
Accounts receivable - tenants	108,012
Accounts receivable - miscellaneous	<u>168,750</u>
Total accounts receivable, net	<u>\$ 616,624</u>

Accounts receivable - HUD

Accounts receivable - HUD represents amounts due to the Authority under the Capital Fund Program for expenditures in excess of reimbursements, and from the Operating Fund for funds earned and not yet received. The Authority considers these amounts fully collectible and accordingly, have made no allowance for doubtful accounts.

Accounts receivable - tenants

Accounts receivable - tenants represents amounts due for tenant rents and are stated net of an allowance of \$72,848 at September 30, 2013.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 3. ACCOUNTS RECEIVABLE (continued)

Accounts receivable - miscellaneous

Accounts receivable - miscellaneous consisted of amounts due to the Authority for development costs related to the Campus Redevelopment Project. The Authority considers these amounts fully collectible and accordingly, have made no allowance for doubtful accounts.

NOTE 4. CAPITAL ASSETS, NET

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2013:

Description	September 30, 2012	Additions	Disposals	Transfers	September 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,527,036	\$ -	\$ -	\$ -	\$ 1,527,036
Construction in Progress	<u>19,264,402</u>	<u>705,698</u>	<u>-</u>	<u>(18,669,328)</u>	<u>1,300,772</u>
Total	<u>20,791,438</u>	<u>705,698</u>	<u>-</u>	<u>(18,669,328)</u>	<u>2,827,808</u>
<u>Depreciable capital assets:</u>					
Buildings and Improvements	45,884,841	-	(6,980,443)	18,669,328	57,573,726
Furniture and Equipment	<u>13,468,316</u>	<u>68,671</u>	<u>-</u>	<u>-</u>	<u>13,536,987</u>
Total	<u>59,353,157</u>	<u>68,671</u>	<u>(6,980,443)</u>	<u>18,669,328</u>	<u>71,110,713</u>
Less: accumulated depreciation	<u>52,221,493</u>	<u>3,082,336</u>	<u>(6,980,443)</u>	<u>-</u>	<u>48,323,386</u>
Net capital assets	<u>\$ 27,923,102</u>	<u>\$ (2,307,967)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,615,135</u>

Depreciation expense for the fiscal year ended September 30, 2013 amounted to \$3,082,336.

NOTE 5. RESTRICTED CASH AND RESTRICTED NET POSITION

Restricted cash and restricted net position as of September 30, 2013 consisted of unspent proceeds from the 2004 Series A Capital Fund Program Revenue Bonds and are restricted for certain capital improvements in accordance with the Authority's approved annual plan.

NOTE 6. COMPENSATED ABSENCES

Accrued compensated absences represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 6. COMPENSATED ABSENCES (continued)

Compensated absences activity for the year ended September 30, 2013 consisted of the following:

Beginning compensated absences	\$	330,987
Compensated absences earned		275,309
Compensated absences redeemed		<u>(311,922)</u>
Ending compensated absences		294,374
Less: current portion		<u>29,436</u>
Compensated absences, net of current portion	\$	<u>264,938</u>

NOTE 7. NON-CURRENT LIABILITIES

A summary of the Authority's outstanding bonds payable is as follows:

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A on December 23, 2004. The Authority's share of the funds from the bond issue pool amounted to \$10,550,000. Interest accrues at 4.63% and is payable semi-annually with principal on May 1st and November 1st. Repayment of the funds shall be paid solely from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development.

	\$	7,550,000
Less: current portion		<u>460,000</u>
Bonds payable, excluding current portion	\$	<u>7,090,000</u>

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

Year	Principal	Interest	Total
2014	\$ 460,000	\$ 335,849	\$ 795,849
2015	475,000	318,041	793,041
2016	505,000	297,490	802,490
2017	525,000	275,177	800,177
2018	545,000	251,990	796,990
2019-2023	3,155,000	861,973	4,016,973
2024-2026	<u>1,885,000</u>	<u>134,889</u>	<u>2,019,889</u>
	<u>\$ 7,550,000</u>	<u>\$ 2,475,409</u>	<u>\$ 10,025,409</u>

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 8. 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 approximated the required contributions:

<u>Year</u>	<u>Amount</u>
2013	\$ <u>320,232</u>
2012	\$ <u>301,403</u>
2011	\$ <u>267,627</u>

NOTE 9. 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.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 9. PENSION PLAN (continued)

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 6.5% of employees’ annual compensation, as defined. Employers are required to contribute at an actuarially determined rate for the PERS. 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
September 30, 2011	\$ <u>295,093</u>	<u>100</u>	\$ <u>-</u>
September 30, 2012	\$ <u>284,980</u>	<u>100</u>	\$ <u>-</u>
September 30, 2013	\$ <u>263,871</u>	<u>100</u>	\$ <u>-</u>

NOTE 10. RISK MANAGEMENT

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority participates in the New Jersey Public Housing Authority Joint Insurance Fund (NJPHA –JIF), which was established in 1998 by several Housing Authority’s as a means of reducing the cost of general liability insurance. The NJ-PHA JIF is a public entity risk pool currently operating as a common risk management and insurance program for the member Authority’s. The main purpose of the Consortium is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit. Settlement amounts have not exceeded insurance coverage except for deductibles for the years ended September 30, 2013, 2012, and 2011.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 11. ECONOMIC DEPENDENCY

The Section 8 and the Low Rent Public Housing programs are economically dependent on annual grants from HUD.

NOTE 12. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of September 30, 2013, the Authority cannot reasonably estimate if material liabilities will result from such audits.

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE

The Authority adopted GASB 65 *"Items previously Reported as Assets and Liabilities"* for the fiscal year ended September 31, 2013. The Authority had previously accounted for loan origination costs as an asset as defined by GASB Concepts Statement No. 4, and had maintained records that are adequate to apply GASB 65 retrospectively. GASB 65 requires that loan origination costs be reported as an outflow of resources in the period in which they are realized. The effects of the change in accounting principle is that assets and unrestricted net position decreased \$175,320 as of October 1, 2012.

In 2011 the Authority had adopted GASB 45 as its basis of accounting for Other Post Employment Benefits. The Authority had been calculating and accounting for OPEB obligations and expenses based on the results of an actuarial valuation. Since the Authority is participating in a cost-sharing multiple-employer defined benefit plan it is required by GASB 45 to recognize OPEB expenses for their contractually required contributions to the plan. Because over time the effects on the financial statements would be materially different from the treatment under GASB 45, it is preferable that the Authority adopt this change in accounting principle. Under GASB 45, the Authority will recognize as an expense the amount it is billed by the state for its participation in the State Health Benefit Plan. Because the expense is recognized in the amount that is paid for the benefits there is no net obligation at the end of the year. Under the actuarial method that has been used in each of the previous two years, the Authority had recognized OPEB expense and a net annual obligation in the amount \$224,418 and \$212,902 for the years ended September 31, 2013 and 2012, respectively. The change in accounting principle is being applied retroactively and all comparative financial statements have been adjusted to reflect that. Employee benefit contributions for administrative, utility and maintenance have been reduced on the 2012 Statement of Revenues, Expenses and Changes in Net Position by \$409,987 and the related \$409,987 in annual net obligation was removed from the 2012 Statement of Net Position. The 2012 beginning balance in unrestricted Net Position has been restated and is increased by \$409,987 to reflect a reduction in the 2012 expenses related to OPEB and the \$409,987 annual net obligation related to those expenses has also been removed from the 2012 Statement of Net Position. The overall effect of the retroactive application of GASB 45 is to increase unrestricted net position by \$634,405 and to decrease the OPEB liability by \$634,405.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 14. RESTATEMENT OF NET POSITION

As a result of the application of GASB 65 and GASB 45, changes in accounting principles noted in footnote 14, the Authority restated its September 30, 2012 net position from \$24,356,849 to \$24,591,606, an increase of \$234,757. The net increase in net position is made up of a \$197,085 increase to beginning 2011 equity related to OPEB contributions, a \$212,902 increase to beginning 2012 equity related OPEB contributions, and a \$175,320 decrease related to loan origination costs. Under the GASB 65 and GASB 45 change in accounting principles, the other assets account, related to loan origination costs was reduced from \$175,320 to \$0, and the Accrued OPEB Liability account was reduced from \$634,405 to \$0.

NOTE 15. 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 26, 2014 (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
Housing Authority of the City of Hoboken:

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 Housing Authority of the City of Hoboken ("the Authority") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Hoboken's basic financial statements, and have issued our report thereon dated June 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the City of Hoboken'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 Housing Authority of the City of Hoboken's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Hoboken's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-2, 2013-3 and 2013-5 to be material weaknesses.

**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)**

Internal Control Over Financial Reporting (continued)

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Hoboken'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2013-1, 2013-2, 2013-3, 2013-4, 2013-5 and 2013-6.

City of Hoboken Housing Authority's Response to Findings

The Housing Authority of the City of Hoboken's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Hoboken's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

June 26, 2014
Toms River, New Jersey



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

To the Board of Commissioners
Housing Authority of the City of Hoboken:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Housing Authority of the City of Hoboken ("the Authority"), 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 Housing Authority of the City of Hoboken's major federal programs for the year ended September 30, 2013. Housing Authority of the City of Hoboken'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 Housing Authority of the City of Hoboken'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 Housing Authority of the City of Hoboken'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 Housing Authority of the City of Hoboken'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)**

Basis for Qualified Opinion

Low Rent Public Housing Program

As described in the accompanying schedule of findings and questioned costs as items 2013-2, 2013-3, and 2013-6, the Housing Authority of the City of Hoboken did not comply with the eligibility and procurement compliance requirements of OMB Circular A-133 regarding annual recertifications and original applications related to eligibility requirements, and bid awarding processes related to procurement requirements, as required by the Low Rent Public Housing Program (CFDA #14.850). Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of Hoboken to comply with the requirements of that program.

Housing Choice Voucher Program

As described in the accompanying schedule of findings and questioned costs as item 2013-6, the Housing Authority of the City of Hoboken did not comply with the eligibility compliance requirements of OMB Circular A-133 regarding original applications as required by the Housing Choice Voucher Program (CFDA #14.871). Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of Hoboken to comply with the requirements of that program.

Qualified Opinion on Low Rent Public Housing and Housing Choice Voucher Program

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraphs, the Housing Authority of the City of Hoboken complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low Rent Public Housing and Housing Choice Voucher programs.

Other Matters

The Housing Authority of the City of Hoboken's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Hoboken's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of Housing Authority of the City of Hoboken 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 Housing Authority of the City of Hoboken'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 Housing Authority of the City of Hoboken's internal control over 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)**

Report on Internal Control Over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-2, 2013-3, 2013-5 and 2013-6 to be a material weakness.

The Housing Authority of the City of Hoboken's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Hoboken's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

We have audited the financial statements of Housing Authority of the City of Hoboken as of and for the year ended September 30, 2013, and have issued our report thereon dated June 26, 2014, 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.

June 26, 2014
Toms River, New Jersey

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<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 Program	14.850	\$ 6,034,896
Section 8 Housing Choice Voucher Program	14.871	2,521,881
Public Housing Capital Fund Program	14.872	<u>1,602,981</u>
		<u>\$ 10,159,758</u>

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the City of Hoboken under programs of the federal government for the year ended September 30, 2013. 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 Hoboken Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Hoboken 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 did not pass-through any federal awards to subrecipients.

NOTE 4. NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2013.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2013**

I. Summary of Auditor's Results

Financial Statement Section

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| a. | Material Weakness(es) identified? | Yes |
| b. | Were significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements? | Yes |

Federal Awards Section

- | | | |
|----|---|-----------|
| 1. | Dollar threshold used to distinguish between type and A and type B programs: | \$304,793 |
| 2. | Auditee qualified as low-risk Auditee? | No |
| 3. | Type of auditor's report on compliance for major programs: | Qualified |
| 4. | Internal Control over compliance: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Were significant deficiencies identified not considered to be material weaknesses? | No |
| c. | Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) | Yes |
| 5. | Identification of major programs: | |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Voucher Program
14.850	Low Rent Public Housing Program

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2013

II. Financial Statement Findings

We consider the following findings listed as 2013-1, 2013-2, 2013-3, 2013-4 and 2013-5 to be Financial Statement Findings as well as Federal Award Findings and Questioned Costs. See Section III - Federal Award Findings and Questioned Costs for detail of findings.

III. Federal Award Findings and Questioned Costs

Finding 2013-1

Criteria: N.J.A.C. 5:31-4.1 requires that all persons submitting a claim for payment to the authority, shall attach a detailed bill with a certification of the party claiming payment, that it is correct.

Condition: Of the vouchers examined it was noted that there were no vendor's certification attached.

Context: As a result of our examination of various vouchers, we noted there were no vendor certifications available for inspection.

Cause: Management has not properly evaluated and implemented the requirements of N.J.A.C. 5:31-4.1.

Effect: Internal Controls related to procurement are not as required by the New Jersey Administrative Code.

Recommendation: The Authority should put into place internal controls to insure that all applicable state requirements are properly implemented.

Views of responsible officials and planned corrective action: The Authority has now added the required certification language to their purchase orders so that it is returned by the vendor at the time of invoicing.

Finding 2013-2

Criteria: Payments made to vendors should be in accordance with the contracted prices approved by the board of commissioners.

Condition: One vendor who was awarded a contract through the sealed bid process was paid in excess of the amount of the contract.

Known Questioned Costs: \$753,315

Context: Notwithstanding the state of emergency that existed for a part of the fiscal year, there were payments made to the vendor that were in excess of the contract by \$753,315.

Cause: Management has not properly evaluated and implemented the requirements of state and federal procurement.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2013

III. Federal Award Findings and Questioned Costs (continued)

Finding 2013-2 (continued)

Effect: The \$753,315 over-expenditure is a questioned cost.

Recommendation: The Authority should put into place internal controls to insure that all state and federal laws and regulations are properly implemented.

Views of responsible officials and planned corrective action: The Authority was unable to follow normal procurement procedures while the Authority's main office was displaced for five months as the result of Hurricane Sandy, making normal office functions nearly impossible. The Authority will now more closely monitor contract performance; that is, when a contract is four months from contract completion or at 70% of its contract value, it will be reviewed for re-bid. Additionally, the Authority will require the finance department to keep a detailed spreadsheet budget/actual to be reviewed every month by management.

Finding 2013-3

Criteria: N.J.S.A. 40A:11-3(a) requires that all contracts that in the aggregate are greater than \$26,000, be subject to the sealed bid process. 24 CFR Part 85:36(c) also requires that all contracts that in aggregate are greater than \$100,000 be awarded via a sealed bid process.

Condition: Five vendors were paid in excess of the \$26,000 bid threshold and in none of the five cases had a vendor been subjected to the sealed bid requirement. Additionally, of the five vendors tested, two were paid in excess of \$100,000.

Known Questioned Costs: \$573,054.

Context: Payments were made throughout the year to these vendors in the amount of \$795,922. Although the Authority was subject to state of emergency conditions due to Hurricane Sandy, in the beginning of the Authority's fiscal year, it appears that most of the expenditures occurred outside the scope of the emergency. There were no emergency procurement reports filed with the state as required by N.J.S.A. 19:44A-20.12.

Cause: Management has not properly evaluated and implemented the requirements of state and federal procurement laws and regulations.

Effect: The Authority is not in compliance with state and federal procurement laws and regulations.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2013

III. Federal Award Findings and Questioned Costs (continued)

Finding 2013-3 (continued)

Recommendation: The Authority should put into place internal controls to insure that all state and federal laws and regulations are properly evaluated and implemented.

Views of responsible officials and planned corrective action: The Authority demonstrated a good faith effort to comply with procurement regulations during a period of staffing shortage brought on by federal sequestration and the challenges of dealing with Hurricane Sandy that happened simultaneously. As stated in our response to finding 2013-2, the Authority will now more closely monitor contract performance. When a contract is four months from contract completion or at 70% of its contract value, it will be reviewed for re-bid. Additionally, the Authority will ensure that all state approved contractors are active and enter into additional cooperative pricing agreements.

Finding 2013-4

Criteria: The use of credit cards or store cards for procurement is not permitted by local units in the state of New Jersey per the November 25, 1997 Attorney General's decision on which he cites Local Budget Law, Local Fiscal Affairs Law and Local Public Contracts Law. There has also been guidance promulgated by the Division of Local Government Services.

Condition: There was a store credit card in use at the time of audit.

Context: More than \$100,000 had been charged to the card over the course of the year with individual charges that are in excess of 15% of the local unit's bid threshold.

Cause: Management has not properly evaluated and implemented the requirements of state procurement.

Effect: The Authority is not in compliance with state procurement laws.

Recommendation: The Authority should put into place internal controls to insure that all state laws and regulations are properly implemented. Finding 2013-05.

Views of responsible officials and planned corrective action: The Authority has ceased use of the store card and is in the process of obtaining a NJ state approved procurement ("P Card") card.

Finding 2013-5

Criteria: N.J.A.C. 5:31-7.2 provides that the governing body of each authority is responsible for establishing and maintaining an internal control structure.

Condition: At the time of audit the accounting department was unable print a vendor history report subtotaled by vendor.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2013

III. Federal Award Findings and Questioned Costs (continued)

Context: It is imperative that the accounting department has a method of determining the aggregated amount charged to particular vendors in order to remain in compliance with state and federal laws and regulations.

Cause: Management was unable to determine at the time whether or not the software provider offered this report as part of their package.

Effect: Internal control over certain aspects of procurement are ineffective.

Recommendation: Management should assure the accounting software package it uses is compatible with providing the regulatory accounting needs of the accounting department and that the users of the software are properly trained and supported.

Views of responsible officials and planned corrective action: The Authority's software does not provide for the required reports, therefore until another accounting software can be utilized, the Authority will maintain an excel spread sheet subtotaled by vendor and reconciled to the Authority's general ledger.

Finding 2013-6:

Criteria: Entities receiving Federal Funds under OMB Section A-133 are required to comply with certain conditions of the grant agreement and are required to have in place an internal control system that reasonably assures compliance with the requirement of Federal Awards such as Section 8 Housing Choice Vouchers and the Low Rent Public Housing program.

Context: During inspection of the Section 8 Housing Choice Voucher program tenant files, we noted that 1 out of 15 files tested did not include annual inspection reports and 4 out of 15 files tested did not include original applications. Also, upon being provided with a list of failed inspections for the year, the Authority could not document whether the unit passed re-inspection within 30 days. The Authority administered approximately 211 vouchers for the year ended September 30, 2013.

During inspection of the Low Rent Public Housing program tenant files, we noted that 6 out of 30 files tested did not include original application, 5 out of 30 files tested did not include Section 214 Citizen Declaration forms, 1 out of 30 files tested did not include HUD 9886 Consent to Release Information form, and 5 out of 30 files tested did not include HUD's 50058 annual recertification form, along with verification of the tenant's assets and income. The Authority occupied approximately 1,330 units for the year ended September 30, 2013.

Condition: Tenant files for the Section 8 Housing Choice Voucher Program and the Low Rent Public Housing Program are materially incomplete.

Known Questioned Costs: There are known questioned costs. However, the amount cannot be determined because the Authority has not provided us with the appropriate HUD-50058 recertification forms.

HOUSING AUTHORITY OF THE CITY OF HOBOKEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2013

III. Federal Award Findings and Questioned Costs (continued)

Finding 2013-6: (continued)

Effect: The Housing Authority is not in compliance with the Housing Choice Voucher Program and the Low Rent Public Housing Program regulations.

Recommendation: We recommend the Authority design and implement internal control procedures that will reasonably assure compliance with OMB Circular A-133.

Views of responsible officials and planned corrective action: The Authority feels that these were isolated incidents caused by the natural disaster (Hurricane Sandy) and to personnel changes in management where property managers were terminated and the new managers had to correct certain files. The Authority is diligently pursuing the auditor's recommendations and will immediately begin to sample tenant files on a quarterly basis to ensure compliance and include a certified quality control log in each tenant file.

IV. Schedule of Prior Year Audit Findings

None.

**HOUSING AUTHORITY OF THE CITY OF HOBOKEN
SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>501-11</u>	<u>501-12</u>	<u>Total</u>
Budget	\$ <u>1,872,891</u>	\$ <u>1,701,229</u>	\$ <u>3,574,120</u>
<u>Advances:</u>			
Cumulative through 09/30/2012	\$ 1,466,517	\$ -	\$ 1,466,517
Current year	<u>406,374</u>	<u>861,952</u>	<u>1,268,326</u>
Cumulative through 09/30/2013	<u>1,872,891</u>	<u>861,952</u>	<u>2,734,843</u>
<u>Costs:</u>			
Cumulative through 09/30/2012	1,466,517	-	1,466,517
Current year	<u>406,374</u>	<u>1,196,607</u>	<u>1,602,981</u>
Cumulative through 09/30/2013	<u>1,872,891</u>	<u>1,196,607</u>	<u>3,069,498</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>(334,655)</u>	\$ <u>(334,655)</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 Housing Authority of the City of Hoboken as of and for the year ended September 30, 2013 are provided herein.

2) Capital Fund Grant No. NJ39P01550111 with an approved funding of \$1,872,891 has been fully drawn down and expended as per Capital Fund Grant Regulations.

Hoboken Housing Authority										
NJ015										
Financial Data Schedule (FDS)										
September 30, 2013										
Line Item #		Account Description	PROJECTS	14.871 HOUSING CHOICE VOUCHERS	COCC	ELIMINATION	TOTAL			
		ASSETS:								
		CURRENT ASSETS:								
		Cash:								
111		Cash - unrestricted	\$ 5,087,211	\$ -	\$ 18,361	\$ -	\$ 5,105,572			
112		Cash - restricted - modernization and development	-	-	-	-	-			
113		Cash - other restricted	1,833	-	-	-	1,833			
114		Cash - tenant security deposits	346,342	-	-	-	346,342			
115		Cash - restricted for payment of current liabilities	-	-	-	-	-			
100		Total cash	5,435,386	-	18,361	-	5,453,747			
		Accounts and notes receivables:								
121		Accounts receivable - PHA projects	-	-	-	-	-			
122		Accounts receivable - HUD other projects	339,862	-	-	-	339,862			
124		Accounts receivable - other government	-	-	-	-	-			
125		Accounts receivable - miscellaneous	-	-	168,750	-	168,750			
126		Accounts receivable- tenants	134,975	-	-	-	134,975			
126.1		Allowance for doubtful accounts - tenants	(49,905)	-	-	-	(49,905)			
126.2		Allowance for doubtful accounts - other	-	-	-	-	-			
127		Notes and mortgages receivable- current	-	-	-	-	-			
128		Fraud recovery	45,885	-	-	-	45,885			
128.1		Allowance for doubtful accounts - fraud	(22,943)	-	-	-	(22,943)			
129		Accrued interest receivable	-	-	-	-	-			
120		Total receivables, net of allowances for doubtful accounts	447,874	-	168,750	-	616,624			
		Current investments								
131		Investments - unrestricted	-	-	-	-	-			
132		Investments - restricted	-	-	-	-	-			
135		Investments - restricted for payment of current liability	-	-	-	-	-			
142		Prepaid expenses and other assets	203,305	3,750	1,084	-	208,139			
143		Inventories	-	-	-	-	-			
143.1		Allowance for obsolete inventories	-	-	-	-	-			
144		Interprogram - due from	-	-	-	-	-			
145		Assets held for sale	-	-	-	-	-			
150		TOTAL CURRENT ASSETS	6,086,565	3,750	188,195	-	6,278,510			
		NONCURRENT ASSETS:								
		Fixed assets:								
161		Land	1,527,036	-	-	-	1,527,036			
162		Buildings	57,573,726	-	-	-	57,573,726			
163		Furniture, equipment & machinery - dwellings	11,645,968	-	-	-	11,645,968			
164		Furniture, equipment & machinery - administration	1,847,734	-	43,285	-	1,891,019			
165		Leasehold improvements	-	-	-	-	-			
166		Accumulated depreciation	(48,280,101)	-	(43,285)	-	(48,323,386)			
167		Construction in Progress	1,300,772	-	-	-	1,300,772			
168		Infrastructure	-	-	-	-	-			
160		Total fixed assets, net of accumulated depreciation	25,615,135	-	-	-	25,615,135			
		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	25,615,135	-	-	-	25,615,135			
190		TOTAL ASSETS	\$ 31,701,700	\$ 3,750	\$ 188,195	\$ -	\$ 31,893,645			

Hoboken Housing Authority												
NJ015												
Financial Data Schedule (FDS)												
September 30, 2013												
Line Item #				Account Description	PROJECTS	14.871 HOUSING CHOICE VOUCHERS	COCC	ELIMINATION	TOTAL			
LIABILITIES AND EQUITY:												
Liabilities:												
Current Liabilities:												
311				Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -			
312				Accounts payable ≤ 90 days	731,377	-	23,812	-	755,189			
313				Accounts payable > 90 days past due	-	-	-	-	-			
321				Accrued wage/payroll taxes payable	78,153	873	25,500	-	104,526			
322				Accrued compensated absences - current portion	20,015	161	9,260	-	29,436			
324				Accrued contingency liability	-	-	-	-	-			
325				Accrued interest payable	140,525	-	-	-	140,525			
331				Accounts payable - HUD PHA programs	-	-	-	-	-			
332				Accounts payable - PHA projects	-	-	-	-	-			
333				Accounts payable - other government	568,044	-	-	-	568,044			
341				Tenant security deposits	346,342	-	-	-	346,342			
342				Deferred revenues	38,170	-	-	-	38,170			
343				Current portion of L-T debt - capital projects	460,000	-	-	-	460,000			
344				Current portion of L-T debt - operating borrowings	-	-	-	-	-			
345				Other current liabilities	-	-	-	-	-			
346				Accrued liabilities - other	-	-	-	-	-			
347				Interprogram - due to	-	-	-	-	-			
348				Loan Liability - Current	-	-	-	-	-			
310				TOTAL CURRENT LIABILITIES	2,382,626	1,034	58,572	-	2,442,232			
NONCURRENT LIABILITIES:												
351				Long-term debt, net of current - capital projects	7,090,000	-	-	-	7,090,000			
352				Long-term debt, net of current - operating borrowings	-	-	-	-	-			
353				Non-current liabilities- other	-	-	-	-	-			
354				Accrued compensated absences - noncurrent	180,144	1,449	83,345	-	264,938			
355				Loan Liability - Non Current	-	-	-	-	-			
356				FASB 5 Liabilities	-	-	-	-	-			
357				Accrued pension and OPEB liabilities	-	-	-	-	-			
350				TOTAL NONCURRENT LIABILITIES	7,270,144	1,449	83,345	-	7,354,938			
300				TOTAL LIABILITIES	9,652,770	2,483	141,917	-	9,797,170			
EQUITY:												
508.1				Invested In Capital Assets, Net of Related Debt	18,065,135	-	-	-	18,065,135			
511.1				Restricted Net Assets	1,833	-	-	-	1,833			
512.1				Unrestricted Net Assets	3,981,962	1,267	46,278	-	4,029,507			
513				TOTAL EQUITY - NET ASSETS/POSITION	22,048,930	1,267	46,278	-	22,096,475			
600				TOTAL LIABILITIES AND EQUITY	\$ 31,701,700	\$ 3,750	\$ 188,195	\$ -	\$ 31,893,645			
				Proof of concept	-	-	-	-	-			

Hoboken Housing Authority							
NJ015							
Financial Data Schedule (FDS)							
September 30, 2013							
Line Item #	Account Description	OPERATING	CAPITAL	14.871 HOUSING CHOICE VOUCHERS	COCC	ELIMINATION	TOTAL
REVENUE:							
70300	Net tenant rental revenue	5,691,069	\$ -	\$ -	\$ -	\$ -	\$ 5,691,069
70400	Tenant revenue - other	88,678	-	-	-	-	88,678
70500	Total tenant revenue	5,779,747	-	-	-	-	5,779,747
70600	HUD PHA grants	6,034,896	452,283	2,308,618	-	-	8,795,797
70610	Capital grants	-	1,150,698	-	-	-	1,150,698
70710	Management fee	-	-	-	1,087,349	(1,087,349)	-
70720	Asset management fee	-	-	-	159,590	(159,590)	-
70730	Book keeping fee	-	-	-	138,683	(138,683)	-
70750	Other fees	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-
71100	Investment income - unrestricted	4,472	-	323	1,376	-	6,171
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	-	-	2,375	-	-	2,375
71500	Other revenue	3,909,569	-	-	108,350	-	4,017,919
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-
70000	TOTAL REVENUE	15,728,684	1,602,981	2,311,316	1,495,348	(1,385,622)	19,752,707
EXPENSES:							
Administrative							
91100	Administrative salaries	486,875	-	24,740	729,072	-	1,240,687
91200	Auditing fees	11,125	-	-	-	-	11,125
91300	Outside management fees	1,056,965	-	30,384	-	(1,087,349)	-
91310	Book-keeping fee	119,693	-	18,990	-	(138,683)	-
91400	Advertising and marketing	188	-	50	-	-	238
91500	Employee benefit contributions- administrative	559,075	-	11,709	482,344	-	1,053,128
91600	Office expenses	143,793	50,205	183	54,649	-	248,830
91700	Legal expenses	11,385	-	-	87,315	-	98,700
91800	Travel	1,048	-	-	6,642	-	7,690
91810	Allocated overhead	-	-	-	-	-	-
91900	Other	81,096	57,492	7,775	123,356	-	269,719
92000	Asset Management Fee	159,590	-	-	-	(159,590)	-
Tenant services							
92100	Tenant services - salaries	31,564	-	-	-	-	31,564
92200	Relocation costs	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	20,649	-	-	-	-	20,649
92400	Tenant services - other	79,901	-	-	2,202	-	82,103
Utilities							
93100	Water	842,770	-	-	170	-	842,940
93200	Electricity	1,329,771	-	-	-	-	1,329,771
93300	Gas	1,019,607	-	-	-	-	1,019,607
93400	Fuel	15,851	-	-	-	-	15,851
93500	Labor	267,897	-	-	-	-	267,897
93600	Sewer	1,258,042	-	-	-	-	1,258,042
93700	Employee benefit contributions- utilities	58,777	-	-	-	-	58,777
93800	Other utilities expense	43,925	-	-	-	-	43,925
Ordinary maintenance & operation							
94100	Ordinary maintenance and operations - labor	1,248,530	-	-	-	-	1,248,530
94200	Ordinary maintenance and operations - materials & other	727,697	-	-	8,492	-	736,189
94300	Ordinary maintenance and operations - contract costs	1,650,876	-	-	13,696	-	1,664,572
94500	Employee benefit contributions- ordinary maintenance	829,281	-	-	-	-	829,281
Protective services							
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services- other contract costs	-	-	-	-	-	-
95300	Protective services - other	696,772	-	-	600	-	697,372
95500	Employee benefit contributions- protective services	-	-	-	-	-	-
General expenses							
96100	Insurance premiums	629,571	-	15,000	3,920	-	648,491
96200	Other general expenses	2,076,404	-	166	241,299	-	2,317,869
96210	Compensated absences	-	-	-	-	-	-
96300	Payments in lieu of taxes	124,998	-	-	-	-	124,998
96400	Bad debt - tenant rents	36,906	-	-	-	-	36,906
96500	Bad debt- mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-
96710	Interest of mortgage (or bonds) payable	-	344,586	-	-	-	344,586
96730	Amortization of bond issue costs	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
96900	TOTAL OPERATING EXPENSES	15,620,622	452,283	108,997	1,753,757	(1,385,622)	16,550,037

Hoboken Housing Authority							
NJ015							
Financial Data Schedule (FDS)							
September 30, 2013							
Line Item #	Account Description	OPERATING	CAPITAL	14.871 HOUSING CHOICE VOUCHERS	COCC	ELIMINATION	TOTAL
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	108,062	1,150,698	2,202,319	(258,409)	-	3,202,670
97100	Extraordinary maintenance	202,581	-	-	-	-	202,581
97200	Casualty losses - non capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	2,412,884	-	-	2,412,884
97350	HAP Portability - in	-	-	-	-	-	-
97400	Depreciation expense	3,073,699	-	-	8,637	-	3,082,336
97500	Fraud losses	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	TOTAL EXPENSES	18,896,902	452,283	2,521,881	1,762,394	(1,385,622)	22,247,838
	OTHER FINANCING SOURCES (USES)						
10010	Operating transfers in	-	-	-	-	-	-
10020	Operating transfers out	-	-	-	-	-	-
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	119,261	-	-	-	(119,261)	-
10092	Inter Project excess cash transfer out	(119,261)	-	-	-	119,261	-
10093	Transfers between program and project in	-	-	13,989	-	(13,989)	-
10094	Transfers between program and project out	-	-	-	(13,989)	13,989	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	-	-	13,989	(13,989)	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(3,168,218)	1,150,698	(196,576)	(281,035)	-	(2,495,131)
	MEMO ACCOUNT INFORMATION:						
11020	Required annual debt principal payments	-	460,000	-	-	-	460,000
11030	Beginning equity	23,902,482	-	190,883	263,484	-	24,356,849
11040	Prior period adjustments and equity transfers	163,968	-	6,960	63,829	-	234,757
11170	Administrative fee equity	-	-	-	-	-	-
11180	Housing assistance payments equity	-	-	-	-	-	-
11190	Unit months available	16,236	-	2,532	-	-	18,768
11210	Number of unit months leased	15,959	-	2,532	-	-	18,491
	Equity Roll Forward Test:						
	Calculation from R/E Statement	\$ 22,048,930	\$ -	\$ 1,267	\$ 46,278	\$ -	\$ 22,096,475
	B/S Line 513	\$ 22,048,930	\$ -	\$ 1,267	\$ 46,278	\$ -	\$ 22,096,475
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -