

PATERSON HOUSING AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
YEARS ENDED MARCH 31, 2013 AND 2012

PATERSON HOUSING AUTHORITY
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YEARS ENDED MARCH 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Paterson Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Paterson Housing Authority ("the Authority") as of and for the years ended March 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Paterson Housing Authority as of March 31, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paterson Housing Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial data schedule and schedule of capital fund program costs and advances are also not required parts of the financial statements and are presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards, notes to schedule of expenditures of federal awards, financial data schedule and schedule of capital fund program costs and advances are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, financial data schedule and schedule of capital fund program costs and advances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2013 on our consideration of the Paterson Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Paterson Housing Authority's internal control over financial reporting and compliance.

December 2, 2013
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PATERSON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

The Paterson Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 14 of the Audit Report).

FINANCIAL CONTACT

The individual to be contacted regarding this report is Ms. Irma Gorham, Executive Director of the Housing Authority of the City of Paterson, at (973) 345-5650. Specific requests may be submitted to Mr. Dale Jones, Assistant Executive Director, Housing Authority of the City of Paterson, 60 Van Houten Street, Paterson, NJ 07505.

FINANCIAL HIGHLIGHTS

- The Authority's net position increased by approximately \$4.1 million or (6.6%) during fiscal year ending March 31, 2013. Net Position was \$62.3 million in 2012 and \$66.4 million in 2013, respectively.
- Operating revenues increased by approximately \$3.7 million or (16%) from \$23.1 million in 2012 to \$26.8 million in 2013. The increase in revenues is attributed mainly to the Authority absorbing the Housing Choice Voucher Program from the City of Paterson.
- Total operating expenses (excluding depreciation and housing assistance payments) for all Authority programs increased by approximately \$116k or (.9%). Total expenses were \$13.202 million in 2012 and \$13.318 million for 2013, respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

**PATERSON HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

MD&A

~ Management Discussion
and Analysis ~

Basic Financial Statements

~ Authority-wide Financial Statements (new) – pages 14 - 17
~ Notes to Financial Statements (expanded/restructured) – pages 18 - 37

Other Required Supplementary Information

~ Required Supplementary Information pages 43 - 57
(other than MD&A)

Authority-Wide Financial Statements

The Authority-wide financial statements (see pages 14 – 17) are designed to be corporate-like in that all business type activities are consolidated into a total for the entire Authority.

These Statements include a Statement of Net Position which is similar to a Balance Sheet. The statement is presented in the format where assets, minus liabilities, equal, “Net Position”, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as “Current” (convertible into cash within one year), and “Non-current”.

The focus of the Statement of Net Position (the “Unrestricted Net Position”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, 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.

**PATERSON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

Authority-Wide Financial Statements (continued)

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Change in Net Position (see pg 15 - similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included (see pg 16 – 17) which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Financial Statements

Traditional users of governmental financial statements will find the Financial Statements presentation more familiar.

Many of the grants maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs

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

**PATERSON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

The Authority's Programs (continued)

Capital Grants – The Authority receives specifically earmarked capital grants from HUD. These funds are used to rehabilitate the Authority owned buildings and structures.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD.

Resident Opportunities For Family Self-Sufficiency Program – The program targets adults ages 65 and older and persons with disabilities living in the Authority's developments. The objective is to highlight the importance of nutrition and fitness, mental health, computer literacy and other life skills management.

Housing Counseling Program Service – The Authority's staff work with low-income residents to educate them to be first time homeowners.

**PATERSON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

AUTHORITY-WIDE STATEMENT

The following table reflects the condensed Statements of Net Position compared to prior year.

TABLE 1
STATEMENTS OF NET POSITION
(in millions of dollars)

	2013	2012	Variance
Current Assets	\$ 13.9	\$ 11.1	\$ 2.8
Other Assets	31.9	30.9	1.0
Capital Assets	26.6	24.2	2.4
Total Assets	<u>72.4</u>	<u>66.2</u>	<u>6.2</u>
Current Liabilities	4.3	2.0	2.3
Long-Term Liabilities	1.7	1.9	-.2
Total Liabilities	<u>6.0</u>	<u>3.9</u>	<u>2.1</u>
Equity/Net Position:			
Net Investment in Capital Assets	26.6	24.2	2.4
Restricted Net Position	31.6	30.8	.8
Unrestricted Net Position	8.2	7.3	.9
Total Equity/Net Position	<u>\$ 66.4</u>	<u>\$ 62.3</u>	<u>\$ 4.1</u>

For more detailed information see pages 14 and 15 for the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position.

Major Factors Affecting the Statements of Net Position:

- During 2013 total assets increased by \$6.2 million, while total liabilities increased by \$2.1 million, respectively.

**PATERSON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

AUTHORITY-WIDE STATEMENT (continued)

Table 2 presents details on the change in Unrestricted Net Position

**TABLE 2
CHANGE IN UNRESTRICTED NET POSITION
(in millions of dollars)**

	Millions of Dollars
Unrestricted Net Position, Beginning of Year	\$7.29
Results of Operations	4.12
Net Income Adjustments:	
Depreciation (1)	1.56
Use of restricted HAP reserves (2)	(.78)
Capital Expenditures (3)	(3.96)
Unrestricted Net Position, End of Year	\$8.23

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position. Therefore, it is added back to the results of operations.

(2) Contribution of housing assistance payment reserves (HAP) represents an operating revenue item which increases restricted net position.

(3) Capital expenditures represent an outflow of resources, but are not treated as an expense against Results of Operations, and therefore, must not be deducted.

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a more accurate depiction of the change in financial well-being.

**PATERSON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

AUTHORITY-WIDE STATEMENT (continued)

TABLE 3

STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
(in millions of dollars)

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	2013	2012	Variance
Revenues			
Tenant Revenue – Rents and Other	\$ 3.40	\$ 3.35	\$ 0.05
HUD Operating Grants	21.13	17.18	3.95
Capital Grants	3.43	1.64	1.79
Other government grants	0.16	.38	-.22
Investment income	1.98	1.98	0.0
Other Revenues	5.00	2.17	2.83
Total Revenue	35.10	26.70	8.40
Expenses			
Administrative	3.23	2.84	.39
Tenant Services	1.38	1.36	.02
Utilities	2.25	2.27	-.02
Maintenance	2.46	2.32	.14
Protective Services	.47	.45	.02
Insurance	.36	.37	-.01
General	3.17	3.59	-.42
Extraordinary Maintenance	.05	.33	-.28
Housing Assistance Payments	16.05	12.76	3.29
Depreciation	1.56	1.57	-.01
Total Expenses	30.98	27.86	3.12
Change in Net Position	\$ 4.12	\$ (1.16)	\$ 5.28

**PATERSON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE,
EXPENSES AND CHANGES IN NET POSITION**

Total Revenue increased by approximately \$8.4 million or 31% in 2013 in comparison to 2012. This is attributed to the following:

- A one-time contribution of HCV Program assets in the amount of \$2.8 million from the City of Paterson as a result of the Authority taking over the City's HCV Program.
- An increase of \$3.6 in HCV subsidy from \$11.6 million in 2012 to \$15.2 million in 2013. This is primarily a result of the Authority having 3,043 more unit months under lease in 2013 than in 2012 which is from taking over the City's HCV program. Additionally, HUD overfunded 2013 subsidy by \$781 thousand which is restricted only to pay future tenant rents.

Total Expenses increased by 11.2% during 2013 in comparison to 2012.

Major factors affecting expenses is as follows:

- Administrative expenses increased \$.39 million primarily due to an overall increase in salaries and benefits, office expenses and legal costs.
- Housing assistance payments expense increased \$3.29 million primarily due to the Authority increasing its unit months leased by 3,043 from 2012 to 2013.

**PATERSON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of March 31, 2013, the Authority had \$26.62 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase over the previous fiscal year (additions, deductions and depreciation) of \$2.4 million or 9.91%.

TABLE 4

CAPITAL ASSETS
(in millions of dollars)

	2013	2012
Land	\$.87	\$.87
Buildings	77.94	76.85
Equipment – Administrative	2.65	2.47
Equipment – Dwelling	1.88	1.27
Accumulated Depreciation	(65.52)	(63.96)
Construction In Progress	8.81	6.72
Total	\$ 26.63	\$ 24.22

The following reconciliation summarizes the change in Capital Assets.

TABLE 5

CHANGE IN CAPITAL ASSETS
(in millions of dollars)

	2013	2012
Beginning Balance	\$ 24.22	\$ 23.99
Additions	3.97	1.80
Depreciation	(1.56)	(1.57)
Ending Balance	\$ 26.63	\$ 24.22

This year's major additions are primarily capital expenditures related to modernizing the Authority's housing developments.

**PATERSON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

DEBT ADMINISTRATION

As of March 31, 2013, the Authority had no long term debt outstanding (bonds, notes, etc.). Debt of prior years had been officially forgiven by HUD.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL STATEMENTS

**PATERSON HOUSING AUTHORITY
STATEMENTS OF NET POSITION
AS OF MARCH 31, 2013 AND 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 11,965,015	\$ 9,629,541
Accounts receivable, net	1,844,723	1,334,076
Prepaid expenses	<u>132,474</u>	<u>121,601</u>
Total current assets	<u>13,942,212</u>	<u>11,085,218</u>
Non-current assets:		
Restricted cash	3,443,212	2,423,375
Notes receivable, long term	28,394,012	28,461,854
Capital assets, net	<u>26,626,774</u>	<u>24,227,825</u>
Total non-current assets	<u>58,463,998</u>	<u>55,113,054</u>
Total assets	<u>72,406,210</u>	<u>66,198,272</u>

LIABILITIES

Current liabilities:		
Accounts payable	2,396,477	425,764
Accrued expenses	166,867	133,736
Accrued compensated absences, current	558,391	250,439
Tenant security deposits	233,010	230,554
Other current liabilities	<u>977,837</u>	<u>996,136</u>
Total current liabilities	<u>4,332,582</u>	<u>2,036,629</u>
Non-current liabilities:		
Accrued compensated absences, net of current portion	677,927	973,006
Noncurrent liabilities - other	<u>988,672</u>	<u>899,618</u>
Total non-current liabilities	<u>1,666,599</u>	<u>1,872,624</u>
Total liabilities	<u>5,999,181</u>	<u>3,909,253</u>

NET POSITION

Net position:		
Net investment in capital assets	26,626,774	24,227,825
Restricted	31,551,831	30,770,610
Unrestricted	<u>8,228,424</u>	<u>7,290,584</u>
Total net position	<u>\$ 66,407,029</u>	<u>\$ 62,289,019</u>

See accompanying notes to financial statements.

PATERSON HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Tenant revenue	\$ 3,398,990	\$ 3,345,489
HUD operating grants	21,125,823	17,182,040
Other government grants	164,723	378,664
Other revenues	<u>2,175,905</u>	<u>2,165,659</u>
Total operating revenue	<u>26,865,441</u>	<u>23,071,852</u>
Operating expenses:		
Administrative	3,230,638	2,840,310
Tenant services	1,375,285	1,362,690
Utilities	2,253,705	2,266,655
Ordinary maintenance and operations	2,460,883	2,316,531
Protective services	473,802	451,637
Insurance expense	356,595	371,634
General expenses	3,167,205	3,592,242
Housing assistance payments	16,050,847	12,762,299
Depreciation	<u>1,567,237</u>	<u>1,565,123</u>
Total operating expenses	<u>30,936,197</u>	<u>27,529,121</u>
Operating gain (loss)	<u>(4,070,756)</u>	<u>(4,457,269)</u>
Non-operating revenues (expenses):		
Investment income	8,019	9,200
Mortgage interest income	1,971,123	1,971,123
Contributions	2,823,935	-
Extraordinary maintenance	<u>(46,143)</u>	<u>(326,027)</u>
Net non-operating revenues (expense)	<u>4,756,934</u>	<u>1,654,296</u>
Income (loss) before capital grants	686,178	(2,802,973)
Capital grants	<u>3,431,832</u>	<u>1,638,406</u>
Change in net assets	4,118,010	(1,164,567)
Net position, beginning of year	<u>62,289,019</u>	<u>63,453,586</u>
Net position, end of year	<u>\$ 66,407,029</u>	<u>\$ 62,289,019</u>

See accompanying notes to financial statements.

**PATERSON HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash received from grantors	\$ 22,830,965	\$ 17,800,739
Cash received from tenants	3,357,959	4,759,561
Cash paid to employees	(3,697,414)	(3,474,325)
Cash paid to suppliers	<u>(21,455,498)</u>	<u>(19,924,561)</u>
Net cash flows provided (used) by operating activities	<u>1,036,012</u>	<u>(838,586)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(3,973,778)	(1,804,629)
Casualty losses	-	-
Extraordinary maintenance	(46,143)	(326,027)
Gain (loss) on disposal of capital assets	7,592	-
Capital grant contributions	3,431,832	1,638,406
Contributions from DCD	<u>2,823,935</u>	<u>-</u>
Net cash flows provided (used) by capital and related financing activities	<u>2,243,438</u>	<u>(492,250)</u>
Cash Flows from Investing Activities:		
Collection on notes receivable	67,842	-
Investment income	<u>8,019</u>	<u>9,200</u>
Net cash flows provided (used) by investing activities	<u>75,861</u>	<u>9,200</u>
Net increase (decrease) in cash	3,355,311	(1,321,636)
Cash and cash equivalents, beginning of year	<u>12,052,916</u>	<u>13,374,552</u>
Cash and cash equivalents, end of year	<u>\$ 15,408,227</u>	<u>\$ 12,052,916</u>

See accompanying notes to financial statements.

PATERSON HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2013 AND 2012 (continued)

	<u>2013</u>	<u>2012</u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:		
Operating gain (loss)	\$ (4,070,756)	\$ (4,457,269)
Items which did not use cash:		
Depreciation	1,567,237	1,565,123
Bad debts	2,209,124	2,415,018
Working capital changes which provided (used) cash:		
Accounts receivable - HUD and other government	(928,529)	(43,148)
Accounts receivable - tenants	(109,319)	(45,166)
Accounts receivable - other	289,200	(674,054)
Prepaid expenses	(10,873)	12,315
Inventories	-	29,792
Accounts payable	1,970,713	80,669
Accrued compensated absences	12,873	10,672
Accrued wages and payroll taxes	33,131	316
Tenant security deposits	2,456	9,542
Other current liabilities	(25,524)	(353,220)
Other liabilities	<u>96,279</u>	<u>610,824</u>
Net cash provided (used) by operating activities	\$ <u>1,036,012</u>	\$ <u>(838,586)</u>

	<u>2013</u>	<u>2012</u>
A reconciliation of cash and cash equivalents to Statement of Net Position is as follows:		
Cash and cash equivalents	\$ 11,965,015	\$ 9,629,541
Restricted cash and cash equivalents	<u>3,443,212</u>	<u>2,423,375</u>
	<u>\$ 15,408,227</u>	<u>\$ 12,052,916</u>

See accompanying notes to financial statements.

**PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Paterson ("Paterson Housing Authority") or ("the Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A: 12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Paterson, New Jersey ("the City"). The Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners who serve four year terms. The Authority's board of commissioners is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Housing Authority's board of commissioners to manage the day-to-day operations of the Authority.

The Authority operates public housing units through non-profit affiliates, Paterson Development Management Corporation (PDMC), Belmont Management and Development Corporation (BMDC) and Alexander Hamilton Development and Management Corporation (AHDMC). These entities own non-controlling interests in several low income tax credit partnerships.

A description of these interests is as follows:

The Authority in conjunction with PDMC developed 20 units of low income housing which resulted in a tax credit partnership known as Sojourner Douglass Urban Renewal, LP. (SD). PDMC is the general partner and maintained a 1% interest in SD through December 13, 2011. On December 13, 2011, the Authority exercised its Right of First Refusal (ROFR) and as a result PDMC purchased the remaining partnership interest of SD from the limited partner.

PDMC also owns a .01% interest in both the Christopher Columbus Hope 98 Urban Renewal L.P. and the Paterson Hope 98 Urban Renewal L.P. which also operates low income public housing units through the Authority. These partnerships are the result of the revitalization of the Authority's former Christopher Columbus Public Housing Development.

The Authority in conjunction with BMDC developed Belmont 2007 Urban Renewal Associates, L.P. which is a 85 unit senior development in which BMDC has a .001% interest.

The Authority in conjunction with AHDMC developed Alexander Hamilton Associates, L.L.C. which is an 80 unit family development in which the AHDMC has a .01% interest. This is phase 1 of the revitalization of the Authority's former Alexander Hamilton Public Housing Development.

These entities are also independently controlled and receive their own financial audits.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Description of Programs

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

Low Rent Public Housing Program

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

Housing Assistance Payments Program - Section 8

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

Public Housing Capital Fund Program

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

Business Activities

The Authority administers the Section 8 programs for the City of Paterson's Department of Community Development. Management fees are generated through the use of Authority personnel in administering the program.

Community Development Block Grant

The primary objective of the Community Development Block Grants (CDBG) / Entitlement Grants program (large cities and urban counties) (24 CFR part 570 subpart D) is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income.

State and Local Programs

The Authority administers various grants from the state of New Jersey and the City of Paterson. The activities of state and local grants are reported in this fund.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Description of Programs (continued)

Resident Opportunity and Supportive Services Program

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

Housing and Counseling Assistance Program ("HCAP")

The purpose of the Housing Counseling Assistance Program is to counsel homeowners, homebuyers, prospective renters and tenants under HUD, conventional and other government programs in improving their housing conditions and in meeting the responsibilities of tenancy and homeowners.

Shelter Plus Care Program ("SPC")

Shelter Plus Care is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters.

HUD-Veterans Affairs Supportive Housing Program ("HUD-VASH")

The HUD-VASH program provides rental assistance under a supportive housing program for homeless veterans. This program combines Housing Choice Voucher rental assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers and in the community.

C. Reporting Entity

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

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

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

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"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include managements' discussion and analysis as part of the Required Supplemental Information.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

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

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

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

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

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

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.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accounts Receivable, Net

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. Also included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order. 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.

H. Prepaid Expenses

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

I. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- Buildings 27.5 - 40 Years
- Furniture and Equipment 3 - 7 Years

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

J. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with GASB Standards. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. Taxes

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

M. Equity Classifications

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

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

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

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

N. Economic Dependency

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

O. Budgets and Budgetary Accounting

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

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 2. CASH AND CASH EQUIVALENTS

At March 31, 2013 and 2012, the Authority had funds on deposit in checking accounts.

All bank deposits as of the balance sheet date are entirely insured or collateralized by a collateral pool maintained by public depositories.

For the fiscal years ended March 31, 2013 and 2012, the carrying amount of the Authority's cash (including restricted cash) was \$15,408,227 and \$12,052,916 and the bank balances were \$17,299,087 and \$12,608,561. Cash and cash equivalents consist of the following:

<u>Cash Category</u>	<u>2013</u>	<u>2012</u>
Operations	\$ 11,729,265	\$ 9,398,987
Tenant security deposits	235,750	\$ 230,554
Restricted	<u>3,443,212</u>	<u>2,423,375</u>
	<u>\$ 15,408,227</u>	<u>\$ 12,052,916</u>

Of the bank balances, \$801,217 and \$797,977 was covered by federal depository insurance and the remaining \$16,497,870 and \$11,810,584 was collateralized with the pledging financial institution as of March 31, 2013 and 2012.

<u>Depository Account</u>	<u>2013</u>	<u>2012</u>
Insured:		
FDIC	\$ 801,217	\$ 797,977
Collateralized:		
GUDPA	<u>16,497,870</u>	<u>11,810,584</u>
	<u>\$ 17,299,087</u>	<u>\$ 12,608,561</u>

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of March 31, 2013 and 2012, the Authority's bank balances were not exposed to custodial credit risk.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at March 31, 2013 and 2012;

<u>Account</u>	<u>2013</u>	<u>2012</u>
Accounts receivable - HUD	\$ 1,262,967	\$ 422,065
Accounts receivable - tenants	13,217	10,214
Accounts receivable - other government	142,964	55,337
Accounts receivable - miscellaneous	<u>425,575</u>	<u>846,460</u>
	<u>\$ 1,844,723</u>	<u>\$ 1,334,076</u>

Accounts receivable - HUD

Accounts receivable - HUD represents amounts due to the Authority for amounts expended under grant agreements that have not been reimbursed as of March 31, 2013 and 2012.

Accounts receivable - tenants

Accounts receivable - tenants represents amounts due for tenant rents. This number is composed of active tenant balances as well as amounts from fraud settlements. At March 31, 2013 and 2012, the balance is shown net of an allowance for doubtful accounts of \$207,787 and \$167,303, respectively.

Accounts receivable - other government

Accounts receivable - other government consists of amounts due from other housing authorities and governmental agencies for portable tenants or reimbursed grant expenditures. These amounts are considered fully collectible and as such, an allowance for doubtful accounts is not recorded.

Accounts receivable - misc

Accounts receivable - misc consists of amounts owed from managed properties and other miscellaneous sources from normal ongoing operations which the Authority believes to be fully collectible, and as such has not recorded an allowance for doubtful accounts.

Accounts receivable - misc also consists of developer fees and replacement reserves from Roizman and Companies for the purchase of land for the Rosa Parks Development and for the Social Service building. The developer has not fulfilled their requirements and the Authority has set up an allowance for doubtful accounts in the amount of \$127,842.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 4. CAPITAL ASSETS, NET

Capital assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost, less accumulated depreciation.

The following summarizes changes in capital assets for the fiscal years ended March 31, 2013 and 2012:

Description	March 31, 2012	Additions	Dispositions	Transfers	March 31, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 872,800	\$ -	\$ -	\$ -	\$ 872,800
Construction in progress	<u>6,723,805</u>	<u>3,431,832</u>	<u>-</u>	<u>(1,344,617)</u>	<u>8,811,020</u>
Total	<u>7,596,605</u>	<u>3,431,832</u>	<u>-</u>	<u>(1,344,617)</u>	<u>9,683,820</u>
<u>Depreciable capital assets:</u>					
Buildings	76,846,436	321,888	-	769,956	77,938,280
Furniture and equipment	<u>3,741,319</u>	<u>220,058</u>	<u>(7,592)</u>	<u>574,661</u>	<u>4,528,446</u>
Total	<u>80,587,755</u>	<u>541,946</u>	<u>(7,592)</u>	<u>1,344,617</u>	<u>82,466,726</u>
Less: accumulated depreciation	<u>63,956,535</u>	<u>1,567,237</u>	<u>-</u>	<u>-</u>	<u>65,523,772</u>
Net capital assets	<u>\$24,227,825</u>	<u>\$ 2,406,541</u>	<u>\$ (7,592)</u>	<u>\$ -</u>	<u>\$ 26,626,774</u>
<hr/>					
Description	March 31, 2011	Additions	Dispositions	Transfers	March 31, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 872,800	\$ -	\$ -	\$ -	\$ 872,800
Construction in progress	<u>9,257,186</u>	<u>1,804,629</u>	<u>-</u>	<u>(4,338,010)</u>	<u>6,723,805</u>
Total	<u>10,129,986</u>	<u>1,804,629</u>	<u>-</u>	<u>(4,338,010)</u>	<u>7,596,605</u>
<u>Depreciable capital assets:</u>					
Buildings	72,770,941	-	-	4,075,495	76,846,436
Furniture and equipment	<u>3,480,204</u>	<u>-</u>	<u>(1,400)</u>	<u>262,515</u>	<u>3,741,319</u>
Total	<u>76,251,145</u>	<u>-</u>	<u>(1,400)</u>	<u>4,338,010</u>	<u>80,587,755</u>
Less: accumulated depreciation	<u>62,391,412</u>	<u>1,565,123</u>	<u>-</u>	<u>-</u>	<u>63,956,535</u>
Net capital assets	<u>\$23,989,719</u>	<u>\$ 239,506</u>	<u>\$ (1,400)</u>	<u>\$ -</u>	<u>\$ 24,227,825</u>

Depreciation expense for the fiscal years ended March 31, 2013 and 2012, amounted to \$1,567,237 and \$1,565,123, respectively.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 5. RESTRICTED CASH

Restricted cash consists of the following as of March 31, 2013 and 2012:

<u>Cash Category</u>	<u>2013</u>	<u>2012</u>
Development Funds	\$ 1,373,798	\$ 1,076,770
Family Self Sufficiency Deposits	56,208	55,286
Housing Assistance Payments Reserves	<u>2,013,206</u>	<u>1,291,319</u>
	<u>\$ 3,443,212</u>	<u>\$ 2,423,375</u>

Housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Program for future housing assistance payments.

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

Development Funds represent cash received from the sale of public housing property. These funds are restricted for the modernization of public housing units.

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. Employees accrue compensated absences according to the following schedule:

<u>Years of Service</u>	<u>Number of Days</u>
1-5	1 working day per month
6-10	1 1/4 working days per month
11-15	1 2/3 working days per month
16-20	2 1/12 working days per month
21 and over	2 1/2 working days per month

Employees are allowed to carry over thirty days into the subsequent year. Employees accrue sick days at the rate of 1 & 1/4 days per month. Upon termination, employees with ten or more years of service will be paid 50% of sick time to a maximum of \$15,000. Compensated absences activity for the years ended March 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Beginning compensated absences	\$ 1,223,445	\$ 1,212,773
Compensated absences earned	430,306	161,831
Compensated absences redeemed	<u>(417,433)</u>	<u>(151,159)</u>
Ending compensated absences	1,236,318	1,223,445
Less: current portion	<u>558,391</u>	<u>250,439</u>
Compensated absences, net of current portion	<u>\$ 677,927</u>	<u>\$ 973,006</u>

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 7. PENSION PLAN

A. Description of the Plan

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 Statutes, 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.

B. Public Employees Retirement System

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. Medical benefits are now provided by the State Health Benefits Program.

C. 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.

D. Contribution Requirements

The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007 for most PERS state employees and effective July 1, 2008 for PERS local employees, based on Chapter 103, P.L. 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 7. PENSION PLAN (continued)

D. Contribution Requirements (continued)

The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits. Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers to contribute 50% of the normal and accrued liability contribution amounts certified by PERS for payment due in State fiscal year 2009. This law also provided that a local employer may pay 100% of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
March 31, 2013	\$ 398,252	100	\$ -
March 31, 2012	\$ 405,955	100	\$ -
March 31, 2011	\$ 415,042	100	\$ -

NOTE 8. OTHER POST EMPLOYMENT BENEFITS

The Authority participates 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.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)

Contribution Requirements – SHBP

Contributions to pay for the health premiums of participating employees in the SHBP – Local are collected from the State of New Jersey, participating local employers, active members, and retired members. Local employer payments and active and retired member contributions are generally received on a monthly basis.

Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996.

Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health care benefits coverage by all active public employees. Employees of the State, local governments, and boards of education who become a member of a State or locally-administered retirement system on or after the law’s effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee’s annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78’s effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

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. At March 31, 2013, the Authority had twenty-nine (29) retired participants in the system. The required contribution rate is determined on an annual pay as you go basis.

The following amounts were the required contributions to the SHBP for the past three years:

Year	Amount
March 31, 2013	\$ <u>227,635</u>
March 31, 2012	\$ <u>262,927</u>
March 31, 2011	\$ <u>206,453</u>

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 9. NOTES RECEIVABLE

The Authority was awarded certain grants by the United States Department of Housing & Urban Development (HUD) for the revitalization of the public housing units. The Authority entered into several redevelopment and revitalization agreements with selected developers to provide affordable housing in accordance with HUD regulations. Under the program, the Authority leases land to a developer(s) under a long-term land lease and provides loans to the developer(s) for the purpose of constructing affordable housing units. Upon construction completion, the developer has the option of returning the land and its structures to the Authority or returning the funds that were advanced to them.

The Authority had notes receivable (including accrued interest) related to redevelopment of public housing units at March 31, 2013 and 2012 in the amount of \$28,394,012 and \$28,461,854 and consisting of the following:

	<u>2013</u>	<u>2012</u>
<p>The Authority issued a mortgage loan to Paterson Hope '98 Urban Renewal Associates, LLC on October 17, 2000 to facilitate the construction of new buildings and building improvements in conjunction with the Christopher Columbus Hope VI Revitalization. The principal balance is \$5,912,303 with interest accruing at the rate of 9%. If the loan maintains a balance after the completion of construction, the interest rate will be reduced to 5.96% per annum until the time of repayment. The loan matures on October 17, 2040. The loan is secured by real property and any ensuing structures.</p>	\$ 5,912,303	\$ 5,912,303
<p>The Authority issued a mortgage loan to Paterson Hope '98 Urban Renewal Associates, LLC on June 2, 1999 to facilitate the construction of new buildings and building improvements in conjunction with the Christopher Columbus Hope VI Revitalization. The principal balance is \$4,136,645 with interest accruing at the rate of 9%. The loan matures on June 2, 2039. The loan is secured by real property and any ensuing structures.</p>	4,136,645	4,136,645
<p>The Authority issued a mortgage loan to Paterson Hope '98 Urban Renewal Associates, LLC on June 2, 1999 to facilitate the construction of new buildings and building improvements in conjunction with the Christopher Columbus Hope VI Revitalization. The principal balance is \$8,347,219 with interest accruing at the rate of 9%. The loan matures on June 2, 2039. The loan is secured by real property and any ensuing structures.</p>	8,347,219	8,347,219

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 9. NOTES RECEIVABLE (continued)

	<u>2013</u>	<u>2012</u>
<p>The Authority issued a mortgage loan to Paterson Hope '98 Urban Renewal Associates, LLC on October 17, 2000 to facilitate the construction of new buildings and building improvements in conjunction with the Christopher Columbus Hope VI Revitalization. The principal balance is \$3,285,495 with interest accruing at the rate of 9%. If the loan maintains a balance after the completion of construction, the interest rate will be reduced to 5% per annum until the time of repayment. The loan matures on October 17, 2040. The loan is secured by real property and any ensuing structures.</p>	3,285,495	\$ 3,285,495
<p>The Authority issued a note to Sojourner Douglass, L.P. on February 13, 1997. The principal balance is \$1,977,350 with interest accruing at the rate of 1%. The loan matures on February 28, 2022 at which time the entire unpaid balance of principal, all interest accrued on it, and all other sums payable under the note shall be due and payable in full. The loan is secured by real property and any ensuing structures.</p>	1,977,350	1,977,350
<p>The Authority issued a mortgage loan to Belmont 2007 Urban Renewal Associates, L.P. with Replacement Housing Factor funds to facilitate the construction of new buildings and building improvements. The principal balance was \$4,735,000 and was a non-interest bearing loan. The loan matures upon the completion of construction on the property or April 29, 2050, whichever occurs first. The loan is secured by real property and any ensuing structures.</p>	4,735,000	4,735,000
<p>The Authority received assignments on properties from NJHMFA as a result of foreclosures and took over and paid certain tax liens. Pursuant to the resolution of the City of Paterson 10:800 adopted on December 29, 2010, tax liens in the amount of \$137,842 were owed to the Authority as a reimbursement.</p>	-	<u>67,842</u>
<p>Total notes receivable</p>	\$ <u>28,394,012</u>	\$ <u>28,461,854</u>

While interest on these loans has accrued in the amount of \$27,322,555 and \$25,351,123, respectively as of March 31, 2013 and 2012, management has provided for an allowance for the entire balance as the interest is expected to be uncollectable upon the expiration of the notes.

For the years ended March 31, 2013 and 2012, interest income in the amount of \$1,971,123 has been earned but has been completely written off to bad debt expense and included in general expenses on the Statement of Revenue Expenses and Changes in Net Position.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 10. OTHER CURRENT AND NONCURRENT LIABILITIES

Other current and non-current liabilities for the years ended March 31, 2013 and 2012 consist of the following:

<u>Description</u>	<u>Balance at</u> <u>March 31,</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>March 31,</u> <u>2013</u>	<u>Due within</u> <u>one year</u>
Accrued utilities	\$ 124,735	\$ 128,233	\$ (124,735)	\$ 128,233	\$ 128,233
Pension payable	611,159	436,441	(398,252)	649,348	417,779
Prepaid land leases	273,778	350,000	(7,000)	616,778	7,000
Other liabilities	<u>886,082</u>	<u>196,629</u>	<u>(510,561)</u>	<u>572,150</u>	<u>424,825</u>
Total	<u>\$ 1,895,754</u>	<u>\$ 1,111,303</u>	<u>\$ (1,040,548)</u>	<u>\$ 1,966,509</u>	<u>\$ 977,837</u>

<u>Description</u>	<u>Balance at</u> <u>March 31,</u> <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>March 31,</u> <u>2012</u>	<u>Due within</u> <u>one year</u>
Accrued utilities	\$ 221,020	\$ 124,735	\$ (221,020)	\$ 124,735	\$ 124,735
Pension payable	318,306	611,159	(318,306)	611,159	349,952
Prepaid land leases	-	280,000	(6,222)	273,778	7,000
Other liabilities	<u>65,900</u>	<u>838,160</u>	<u>(17,978)</u>	<u>886,082</u>	<u>514,449</u>
Total	<u>\$ 605,226</u>	<u>\$ 1,854,054</u>	<u>\$ (563,526)</u>	<u>\$ 1,895,754</u>	<u>\$ 996,136</u>

As of March 31, 2013 and 2012, included in other liabilities was \$53,956 and \$55,286, respectively of amounts due to participants in the Family Self Sufficiency (FSS) Program.

NOTE 11. TENANT SECURITY DEPOSITS

As of March 31, 2013 and 2012, the tenant security deposit balances were \$233,010 and \$230,554, respectively. This account is held in a separate bank account and is matched with an offsetting liability.

NOTE 12. LEASING ACTIVITIES

The Authority is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Revenue". Rental Revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions which impact personal income and local job availability.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 13. GROUND LEASE AGREEMENTS

During 2008 and 2010, the Authority entered into two ground leases with Alexander Hamilton Associates, LLC in furtherance of their redevelopment objectives. In accordance with generally accepted accounting principles the leases are classified as operating leases which expire in 90 years.

The leases are summarized as follows:

AMP	Development	Settlement Date	Lease Term	Expiration Date	Lease Price
NJ021000003	Alexander Hamilton	06/11/2008	90 years	06/10/2098	\$280,000
NJ021000003	Alexander Hamilton	06/24/2010	90 years	06/23/2100	\$350,000

NOTE 14. PAYMENTS IN LIEU OF TAXES (PILOT)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City. Under the Cooperation agreement, the Authority must pay the City the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended March 31, 2013 and 2012, PILOT expense totaled \$114,529 and \$107,883, respectively, and is included in general expenses on the Statement of Revenues, Expenses and Changes in Net Position. The detail of the calculation in the Low Rent Public Housing ("LRPH") program is as follows:

	<u>2013</u>	<u>2012</u>
Tenant Rental Revenue - LRPH Program FDS Line 703	\$ 3,289,555	\$ 3,217,676
Tenant Revenue Other - LRPH Program FDS Line 704	109,435	127,813
Utilities Expense - LRPH Program FDS Line 93100 - 93800	<u>(2,253,705)</u>	<u>(2,266,655)</u>
Net Shelter Rent - LRPH Program	<u>\$ 1,145,285</u>	<u>\$ 1,078,834</u>
10% PILOT allocated to Low Rent Public Housing	\$ 114,529	\$ 107,883
Total PILOT due for the year ended March 31, 2013	114,529	107,883
Less: Prepaid PILOT paid to the City during FYE 03/31/2013	<u>(50,632)</u>	<u>(35,657)</u>
Net PILOT due to the City as of March 31, 2013	<u>\$ 63,897</u>	<u>\$ 72,226</u>

As the land owner, the Authority is responsible for the PILOT on the Sojourner Douglass property and is subsequently reimbursed by the tenant for their allocated portion.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 15. RESTRICTED NET ASSETS

Restricted net assets consist of the following at March 31, 2013 and 2012:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Mortgage loan reserves	\$ 28,461,854	\$ 28,461,854
Reserves for modernization and development	1,076,771	1,076,770
Housing assistance payments reserve (HAP equity)	<u>2,013,206</u>	<u>\$ 1,231,986</u>
	<u>\$ 31,551,831</u>	<u>\$ 30,770,610</u>

Upon collection of notes receivable, amounts are restricted for the revitalization and rehabilitation of public housing units.

Reserves for modernization and development are restricted for use in the public housing program for modernization of existing public housing units and / or development of new public housing units.

Housing assistance payments reserve are restricted for use in the Housing Choice Voucher program for tenant rents.

NOTE 16. RISK MANAGEMENT

The Authority is exposed to various risks related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. Significant losses are covered by commercial insurance for all major programs, there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

NOTE 17. ECONOMIC DEPENDENCY

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

NOTE 18. PASS-THROUGH GRANTS

The Paterson Housing Authority is a subrecipient of federal, state, and local grants received from the City of Paterson. These funds are subsequently passed-through to other nonprofit and governmental subrecipients.

PATERSON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED MARCH 31, 2013 AND 2012

NOTE 19. TRANSFER OF THE CITY OF PATERSON, SECTION 8 PROGRAM

On August 10, 2012, the United States Department of Housing and Urban Development officially approved the transfer of the City of Paterson, Section 8 Program to the Paterson Housing Authority. The effective date of the transfer was January 1, 2013. As a result of the transfer, the Program's assets totaling \$2,849,990 were transferred to the Authority as the Authority absorbed the Program within its own Housing Choice Voucher program.

NOTE 20. 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 March 31, 2013, the Authority cannot estimate if material liabilities will result from such audits.

NOTE 21. 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 December 2, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



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

To the Board of Commissioners
Paterson Housing Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Paterson Housing Authority ("the Authority") as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Paterson Housing Authority's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paterson Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 item 2013-01.

Purpose of this Report

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

December 2, 2013
Toms River, New Jersey



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

To the Board of Commissioners
Paterson Housing Authority:

Report on Compliance for Each Major Federal Program

We have audited the Paterson Housing Authority compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Paterson Housing Authority's major federal programs for the year ended March 31, 2013. Paterson Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Paterson Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Paterson Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Paterson Housing Authority's compliance.

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

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs as item 2013-01, Paterson Housing Authority did not comply with the special tests and provisions compliance requirements of OMB Circular A-133 regarding annual inspections as required by the Housing Choice Voucher Program (CFDA #14.871). Compliance with such requirements is necessary, in our opinion, for Paterson Housing Authority to comply with the requirements of that program.

Qualified Opinion on Housing Choice Voucher Program

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, Paterson Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Housing Choice Voucher program.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Paterson Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended March 31, 2013.

Other Matters

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

Report on Internal Control Over Compliance

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

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

**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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 item 2013-01 to be a material weakness.

Paterson Housing Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Paterson Housing Authority'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 Paterson Housing Authority as of and for the year ended March 31, 2013, and have issued our report thereon dated December 2, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

December 2, 2013
Toms River, New Jersey

SUPPLEMENTAL INFORMATION

**PATERSON HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 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	14.850a	\$ 3,362,547
Public Housing Capital Fund Program	14.872	4,183,761
Resident Opportunity and Supportive Services	14.870	130,042
Shelter Plus Care	14.238	145,697
Housing Counseling and Assistance Program	14.169	32,931
Hope IV - Revitalization Program	14.866	884,267
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	92,949
Section 8 Housing Choice Voucher Program	14.871	<u>16,518,656</u>
Total U.S. Department of Housing and Urban Development:		\$ <u>25,350,850</u>
	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>
City of Paterson:		
Department of Human Services		
Pass Through Program:		
Community Development Block Grant	14.218	Not Available
		\$ <u>523,114</u>
Total Expenditures of Federal Awards		\$ <u>25,873,964</u>

**PATERSON HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2013**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Paterson Housing Authority under programs of the federal government for the year ended March 31, 2013. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the Paterson Housing Authority, it is not intended to and does not present the financial position, changes in net assets or cash flows of Paterson Housing Authority. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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. PASS THROUGH AWARDS

Of the federal expenditures presented in the schedule, the Authority was a subrecipient of the following federal awards that passed-through the Department of Human Services from the City of Paterson:

Federal and State Grantor/Program Title	Federal CFDA Number	Grant Expenditures
Community Development Block Grant	14.218	\$ 523,114

NOTE 4. NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended March 31, 2013.

**PATERSON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 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? | No |
| | b. Were significant deficiencies identified not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements? | Yes |

Federal Awards Section

- | | | |
|----|--|------------|
| 1. | Dollar threshold used to distinguish between Type A Programs and Type B Programs: | \$ 776,219 |
| 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 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
14.850a	Low Rent Public Housing Program
14.872	Public Housing Capital Fund Program
14.866	Hope IV - Revitalization Program

**PATERSON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2013**

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

Reference 2013-01:

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.

Context: During inspection of the Section 8 Housing Choice Voucher program tenant files, we noted that 5 out of 26 files tested did not include annual inspection reports. Also, after our review of failed inspections, 12 out of 20 units tested did not pass re-inspection within 30 days and 2 out of 20 units tested were marked inconclusive. The Authority administered approximately 1,450 vouchers for the year ended March 31, 2013.

Known Questioned Costs: \$21,240

Condition: The Housing Authority is not in compliance with the Housing Choice Voucher Program regulations.

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

Authority Response:

We agree with the Auditor's findings and will increase oversight in the Housing Choice Voucher Program to ensure that established internal control policies are being followed on a timely basis.

IV. Schedule of Prior Year Audit Findings

Reference 2012-01:

Observation: During inspection of the Section 8 Housing Choice Voucher program tenant files, it was noted that a significant amount of required documents were not available for inspection, including: 24 annual inspection reports, 1 copy of the tenants social security card, 3 citizen declaration forms, 11 lead based paint forms, and 11 signed leases, of 52 files tested. Also, one file was missing a 50058 recertification form for the previous 3 years.

Status: The finding remains open. See 2013-01 above.

**PATERSON HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES
FOR THE YEAR ENDED MARCH 31, 2013**

	<u>R502-08</u>	<u>R502-09</u>	<u>R502-10</u>	<u>R502-11</u>	<u>P501-09</u>	<u>P501-10</u>	<u>P501-11</u>	<u>P501-12</u>	<u>Totals</u>
Budget	\$ <u>1,136,747</u>	\$ <u>709,923</u>	\$ <u>735,207</u>	\$ <u>812,402</u>	\$ <u>2,787,682</u>	\$ <u>2,775,332</u>	\$ <u>2,262,254</u>	\$ <u>1,512,031</u>	\$ <u>12,731,578</u>
<u>Advances:</u>									
Cumulative through 3/31/12	\$ 897,950	\$ 651,162	\$ -	\$ -	\$ 2,632,523	\$ 1,477,418	\$ -	\$ -	\$ 5,659,053
Current Year	<u>238,797</u>	<u>58,761</u>	<u>735,207</u>	<u>277,113</u>	<u>155,159</u>	<u>1,170,724</u>	<u>935,227</u>	<u>8,365</u>	<u>3,579,353</u>
Cumulative through 3/31/13	<u>1,136,747</u>	<u>709,923</u>	<u>735,207</u>	<u>277,113</u>	<u>2,787,682</u>	<u>2,648,142</u>	<u>935,227</u>	<u>8,365</u>	<u>9,238,406</u>
<u>Costs:</u>									
Cumulative through 3/31/12	1,030,196	671,830	-	-	2,632,523	1,495,164	-	-	5,829,713
Current Year	<u>106,551</u>	<u>38,093</u>	<u>735,207</u>	<u>812,402</u>	<u>155,159</u>	<u>1,154,869</u>	<u>1,172,715</u>	<u>8,365</u>	<u>4,183,361</u>
Cumulative through 3/31/13	<u>1,136,747</u>	<u>709,923</u>	<u>735,207</u>	<u>812,402</u>	<u>2,787,682</u>	<u>2,650,033</u>	<u>1,172,715</u>	<u>8,365</u>	<u>10,013,074</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(535,289)</u>	\$ <u>-</u>	\$ <u>(1,891)</u>	\$ <u>(237,488)</u>	\$ <u>-</u>	\$ <u>(774,668)</u>
<u>Summary</u>									
<u>Soft Costs:</u>									
Cumulative through 3/31/12	\$ -	\$ -	\$ -	\$ -	\$ 1,281,628	\$ 983,842	\$ -	\$ -	\$ 2,265,470
Current Year	<u>9,676</u>	<u>38,093</u>	<u>-</u>	<u>-</u>	<u>112,213</u>	<u>287,524</u>	<u>686,556</u>	<u>-</u>	<u>1,134,062</u>
Cumulative through 3/31/13	<u>9,676</u>	<u>38,093</u>	<u>-</u>	<u>-</u>	<u>1,393,841</u>	<u>1,271,366</u>	<u>686,556</u>	<u>-</u>	<u>3,399,532</u>
<u>Hard Costs:</u>									
Cumulative through 3/31/12	1,030,196	671,830	-	-	1,350,895	511,321	-	-	3,564,242
Current Year	<u>96,875</u>	<u>-</u>	<u>735,207</u>	<u>812,402</u>	<u>42,946</u>	<u>867,345</u>	<u>486,159</u>	<u>8,365</u>	<u>3,049,299</u>
Cumulative through 3/31/13	<u>1,127,071</u>	<u>671,830</u>	<u>735,207</u>	<u>812,402</u>	<u>1,393,841</u>	<u>1,378,666</u>	<u>486,159</u>	<u>8,365</u>	<u>6,613,541</u>
Cumulative	\$ <u>1,136,747</u>	\$ <u>709,923</u>	\$ <u>735,207</u>	\$ <u>812,402</u>	\$ <u>2,787,682</u>	\$ <u>2,650,032</u>	\$ <u>1,172,715</u>	\$ <u>8,365</u>	\$ <u>10,013,073</u>

NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

The total amount of Capital Fund Program Costs and Advances incurred and earned by the Paterson Housing Authority as of and for the year ended March 31, 2013 are provided herein:

- 1) Capital Fund Grant No. NJ39R02150208 with an approved funding of \$1,136,747 has been fully drawn down and expended as per Capital Fund Grant Regulations.
- 2) Capital Fund Grant No. NJ39R02150209 with an approved funding of \$709,923 has been fully drawn down and expended as per Capital Fund Grant Regulations.
- 3) Capital Fund Grant No. NJ39P02150109 with an approved funding of \$2,787,682 has been fully drawn down and expended as per Capital Fund Grant Regulations.

Paterson Housing Authority													
NJ021													
Financial Data Schedule (FDS)													
March 31, 2013													
Line Item #		Account Description	PROJECTS	14.871 Housing Choice Vouchers	14.169 Housing Counseling Assistance Program	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	State and Local					
ASSETS:													
CURRENT ASSETS:													
Cash:													
111		Cash - unrestricted	\$ 6,939,450	\$ 3,288,008	\$ -	\$ -	\$ 1,099	\$ 82,593					
112		Cash - restricted - modernization and developmer	-	-	-	-	-	-					
113		Cash - other restricted	1,373,798	2,066,179	-	-	-	-					
114		Cash - tenant security deposits	235,750	-	-	-	-	-					
115		Cash - restricted for payment of current liabilities:	-	-	-	-	-	-					
100		Total cash	8,548,998	5,354,187	-	-	1,099	82,593					
Accounts and notes receivables													
121		Accounts receivable - PHA projects	-	90,827	-	-	-	-					
122		Accounts receivable - HUD other project	774,668	-	-	889	5,396	-					
124		Accounts receivable - other governmen	-	-	-	-	-	-				52,137	
125		Accounts receivable - miscellaneous	218,049	-	-	-	-	-				-	
126		Accounts receivable- tenant	34,249	-	-	-	-	-				-	
126.1		Allowance for doubtful accounts - tenant	(21,032)	-	-	-	-	-				-	
126.2		Allowance for doubtful accounts - othe	(127,842)	-	-	-	-	-				-	
127		Notes and mortgages receivable- curren	-	-	-	-	-	-				-	
128		Fraud recovery	95,081	91,674	-	-	-	-				-	
128.1		Allowance for doubtful accounts - fraud	(95,081)	(91,674)	-	-	-	-				-	
129		Accrued interest receivable	-	-	-	-	-	-				-	
120		Total receivables, net of allowances for doubtful account	878,092	90,827	-	889	5,396	52,137					
Current investments													
131		Investments - unrestrictec	-	-	-	-	-	-				-	
132		Investments - restrictec	-	-	-	-	-	-				-	
135		Investments - restricted for payment of current liabilit	-	-	-	-	-	-				-	
142		Prepaid expenses and other assets	94,345	11,883	-	-	-	-				-	
143		Inventories	33,100	-	-	-	-	-				-	
143.1		Allowance for obsolete inventorie	(33,100)	-	-	-	-	-				-	
144		Interprogram - due from	5,920	-	-	-	-	-				-	
145		Assets held for sale	-	-	-	-	-	-				-	
150		TOTAL CURRENT ASSETS	9,527,355	5,456,897	-	889	6,495	134,730					
NONCURRENT ASSETS:													
Fixed assets:													
161		Land	817,000	-	-	-	-	-				-	
162		Buildings	75,439,841	2,025	-	-	-	-				-	
163		Furniture, equipment & machinery - dwelling	1,883,267	-	-	-	-	-				-	
164		Furniture, equipment & machinery - administration	1,002,835	107,479	-	-	-	-				-	
165		Leasehold improvement	-	-	-	-	-	-				-	
166		Accumulated depreciator	(62,740,969)	(63,097)	-	-	-	-				-	
167		Construction in Progress	8,428,487	-	-	-	-	-				-	
168		Infrastructure	-	-	-	-	-	-				-	
160		Total fixed assets, net of accumulated depreciator	24,830,461	46,407	-	-	-	-				-	
Other non-current assets:													
171		Notes and mortgages receivable - non-curren	28,394,012	-	-	-	-	-				-	
172		Notes and mortgages receivable-non-current - past du	-	-	-	-	-	-				-	
174		Other assets	-	-	-	-	-	-				-	
175		Undistributed debits	-	-	-	-	-	-				-	
176		Investment in joint venture:	-	-	-	-	-	-				-	
180		TOTAL NONCURRENT ASSETS	53,224,473	46,407	-	-	-	-				-	
190		TOTAL ASSETS	\$ 62,751,828	\$ 5,503,304	\$ -	\$ 889	\$ 6,495	\$ 134,730					

Paterson Housing Authority													
NJ021													
Financial Data Schedule (FDS)													
March 31, 2013													
Line Item #	Account Description	PROJECTS	14.871 Housing Choice Vouchers	14.169 Housing Counseling Assistance Program	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	State and Local						
LIABILITIES AND EQUITY:													
Liabilities:													
Current Liabilities:													
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						
312	Accounts payable ≤ 90 days	893,981	253,402	-	-	168	104						
313	Accounts payable > 90 days past due	300	739,535	-	-	-	-						
321	Accrued wage/payroll taxes payable	73,160	22,141	-	-	4,228	4,718						
322	Accrued compensated absences - current portior	241,953	46,019	-	-	-	-						
324	Accrued contingency liability	-	-	-	-	-	-						
325	Accrued interest payable	-	-	-	-	-	-						
331	Accounts payable - HUD PHA programs	4,301	-	-	-	-	-						
332	Accounts payable - PHA projects	-	-	-	-	-	-						
333	Accounts payable - other government	63,897	-	-	-	-	-						
341	Tenant security deposits	233,010	-	-	-	-	-						
342	Deferred revenue	-	-	-	-	-	-						
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-						
344	Current portion of L-T debt - operating borrowing	-	-	-	-	-	-						
345	Other current liabilities	689,182	-	-	-	-	7,225						
346	Accrued liabilities - other	121,172	16,999	-	-	-	-						
347	Interprogram - due to	5,920	136,249	-	889	145	46,282						
310	TOTAL CURRENT LIABILITIES	2,326,876	1,214,345	-	889	4,541	58,329						
NONCURRENT LIABILITIES:													
351	Long-term debt, net of current - capital projects	-	-	-	-	-	-						
352	Long-term debt, net of current - operating borrowing	-	-	-	-	-	-						
353	Non-current liabilities- other	750,338	53,956	-	-	-	-						
354	Accrued compensated absences - noncurrent	164,085	4,430	-	-	-	-						
355	Loan Liability - Non Current	-	-	-	-	-	-						
356	FASB 5 Liabilities	-	-	-	-	-	-						
357	Accrued pension and OPEB liability:	-	77,748	-	-	-	-						
350	TOTAL NONCURRENT LIABILITIES	914,423	136,134	-	-	-	-						
300	TOTAL LIABILITIES	3,241,299	1,350,479	-	889	4,541	58,329						
EQUITY:													
508.1	Invested in Capital Assets, Net of Related Deb	24,830,461	46,407	-	-	-	-						
511.1	Restricted Net Assets	29,538,625	2,013,206	-	-	-	-						
512.1	Unrestricted Net Assets	5,141,443	2,093,212	-	-	1,954	76,401						
513	TOTAL EQUITY	59,510,529	4,152,825	-	-	1,954	76,401						
600	TOTAL LIABILITIES AND EQUITY	\$ 62,751,828	\$ 5,503,304	\$ -	\$ 889	\$ 6,495	\$ 134,730						
	Proof of concept	-	-	-	-	-	-						

Paterson Housing Authority								
NJ021								
Financial Data Schedule (FDS)								
March 31, 2013								
Line Item #	Account Description	14.866 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC	14.218 COMMUNITY DEVELOPMENT BLOCK GRANT	14.249 SECTION 8 MODERATE REHABILITATION SINGLE ROOM OCC.	Business Activities	COCC	ELIM	TOTAL
ASSETS:								
CURRENT ASSETS:								
Cash:								
111	Cash - unrestricted	\$ -	\$ -	\$ 4,251	\$ -	\$ 1,413,864	\$ -	\$ 11,729,265
112	Cash - restricted - modernization and developmer	-	-	-	-	-	-	-
113	Cash - other restricted	-	3,235	-	-	-	-	3,443,212
114	Cash - tenant security deposits	-	-	-	-	-	-	235,750
115	Cash - restricted for payment of current liabilities:	-	-	-	-	-	-	-
100	Total cash	-	3,235	4,251	-	1,413,864	-	15,408,227
Accounts and notes receivables								
121	Accounts receivable - PHA projects:	-	-	-	-	-	-	90,827
122	Accounts receivable - HUD other project:	482,014	-	-	-	-	-	1,262,967
124	Accounts receivable - other government	-	-	-	-	-	-	52,137
125	Accounts receivable - miscellaneous	-	-	-	-	335,368	-	553,417
126	Accounts receivable- tenant:	-	-	-	-	-	-	34,249
126.1	Allowance for doubtful accounts - tenant:	-	-	-	-	-	-	(21,032)
126.2	Allowance for doubtful accounts - othe	-	-	-	-	-	-	(127,842)
127	Notes and mortgages receivable- curren	-	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-	186,755
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	(186,755)
129	Accrued interest receivable	-	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful account	482,014	-	-	-	335,368	-	1,844,723
Current investments								
131	Investments - unrestricted	-	-	-	-	-	-	-
132	Investments - restrictec	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liabilit	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	-	26,246	-	132,474
143	Inventories	-	-	-	-	-	-	33,100
143.1	Allowance for obsolete inventorie	-	-	-	-	-	-	(33,100)
144	Interprogram - due from:	-	-	-	-	265,830	(271,750)	-
145	Assets held for sale	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	482,014	3,235	4,251	-	2,041,308	(271,750)	17,385,424
NONCURRENT ASSETS:								
Fixed assets:								
161	Land	-	-	-	-	55,800	-	872,800
162	Buildings	-	-	-	-	2,496,414	-	77,938,280
163	Furniture, equipment & machinery - dwelling	-	-	-	-	521	-	1,883,788
164	Furniture, equipment & machinery - administratio	-	-	-	-	1,534,344	-	2,644,658
165	Leasehold improvement:	-	-	-	-	-	-	-
166	Accumulated depreciator	-	-	-	-	(2,719,706)	-	(65,523,772)
167	Construction in Progress	382,533	-	-	-	-	-	8,811,020
168	Infrastructure	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	382,533	-	-	-	1,367,373	-	26,626,774
Other non-current assets:								
171	Notes and mortgages receivable - non-curren	-	-	-	-	-	-	28,394,012
172	Notes and mortgages receivable-non-current - past du	-	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-	-
175	Undistributed debits	-	-	-	-	-	-	-
176	Investment in joint venture:	-	-	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	382,533	-	-	-	1,367,373	-	55,020,786
190	TOTAL ASSETS	\$ 864,547	\$ 3,235	\$ 4,251	\$ -	\$ 3,408,681	\$ (271,750)	\$ 72,406,210

Paterson Housing Authority														
NJ021														
Financial Data Schedule (FDS)														
March 31, 2013														
Line Item #	Account Description	14.866 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC	14.218 COMMUNITY DEVELOPMENT BLOCK GRANT	14.249 SECTION 8 MODERATE REHABILITATION SINGLE ROOM OCC.	Business Activities	COCC	ELIM	TOTAL						
LIABILITIES AND EQUITY:														
Liabilities:														
Current Liabilities:														
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						
312	Accounts payable ≤ 90 days	388,673	-	-	-	44,630	-	1,580,958						
313	Accounts payable > 90 days past due	-	-	-	-	-	-	739,835						
321	Accrued wage/payroll taxes payable	11,076	-	-	-	51,544	-	166,867						
322	Accrued compensated absences - current portion	-	-	-	-	270,419	-	558,391						
324	Accrued contingency liability	-	-	-	-	-	-	-						
325	Accrued interest payable	-	-	-	-	-	-	-						
331	Accounts payable - HUD PHA programs	-	-	4,251	-	-	-	8,552						
332	Accounts payable - PHA projects	-	-	-	-	-	-	-						
333	Accounts payable - other government	-	3,235	-	-	-	-	67,132						
341	Tenant security deposits	-	-	-	-	-	-	233,010						
342	Deferred revenue	-	-	-	-	-	-	-						
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-	-						
344	Current portion of L-T debt - operating borrowing	-	-	-	-	-	-	-						
345	Other current liabilities	-	-	-	-	133,733	-	830,140						
346	Accrued liabilities - other	-	-	-	-	9,526	-	147,697						
347	Interprogram - due to	82,265	-	-	-	-	(271,750)	-						
310	TOTAL CURRENT LIABILITIES	482,014	3,235	4,251	-	509,852	(271,750)	4,332,582						
NONCURRENT LIABILITIES:														
351	Long-term debt, net of current - capital projects	-	-	-	-	-	-	-						
352	Long-term debt, net of current - operating borrowing	-	-	-	-	-	-	-						
353	Non-current liabilities- other	-	-	-	-	106,630	-	910,924						
354	Accrued compensated absences - noncurrent	-	-	-	-	509,412	-	677,927						
355	Loan Liability - Non Current	-	-	-	-	-	-	-						
356	FASB 5 Liabilities	-	-	-	-	-	-	-						
357	Accrued pension and OPEB liability:	-	-	-	-	-	-	77,748						
350	TOTAL NONCURRENT LIABILITIES	-	-	-	-	616,042	-	1,666,599						
300	TOTAL LIABILITIES	482,014	3,235	4,251	-	1,125,894	(271,750)	5,999,181						
EQUITY:														
508.1	Invested in Capital Assets, Net of Related Deb	382,533	-	-	-	1,367,373	-	26,626,774						
511.1	Restricted Net Assets	-	-	-	-	-	-	31,551,831						
512.1	Unrestricted Net Assets	-	-	-	-	915,414	-	8,228,424						
513	TOTAL EQUITY	382,533	-	-	-	2,282,787	-	66,407,029						
600	TOTAL LIABILITIES AND EQUITY	\$ 864,547	\$ 3,235	\$ 4,251	\$ -	\$ 3,408,681	\$ (271,750)	\$ 72,406,210						
Proof of concept														

Paterson Housing Authority							
NJ021							
Financial Data Schedule (FDS)							
March 31, 2013							
Line Item #	Account Description	OPERATING	CAPITAL	14.871 Housing Choice Vouchers	14.169 Housing Counseling Assistance Program	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services
REVENUE:							
70300	Net tenant rental revenue	\$ 3,289,555	\$ -	\$ -	\$ -	\$ -	\$ -
70400	Tenant revenue - other	109,435	-	-	-	-	-
70500	Total tenant revenue	3,398,990	-	-	-	-	-
70600	HUD PHA grants	3,362,547	1,134,462	15,202,347	32,931	145,697	130,042
70610	Capital grants	-	3,049,299	-	-	-	-
70710	Management fee	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	-
70730	Book keeping fee	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-
71100	Investment income - unrestricted	6,800	-	19	-	-	-
71200	Mortgage interest income	1,971,123	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	-	-	22,470	-	-	-
71500	Other revenue	657,805	-	3,763,696	-	-	-
71600	Gain or loss on sale of fixed assets	900	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-
70000	TOTAL REVENUE	9,398,165	4,183,761	18,988,532	32,931	145,697	130,042
EXPENSES:							
Administrative							
91100	Administrative salaries	408,050	-	51,426	-	-	-
91200	Auditing fees	7,464	-	17,000	-	-	-
91300	Outside management fees	744,624	278,223	254,007	-	-	1,000
91310	Book-keeping fee	84,323	-	115,613	-	-	-
91400	Advertising and marketing	2,817	-	101	-	-	-
91500	Employee benefit contributions- administrative	211,044	-	70,374	-	-	-
91600	Office expenses	118,958	-	40,143	911	-	2,194
91700	Legal expenses	31,921	10,275	42,036	-	-	-
91800	Travel	-	-	1,373	-	-	1,308
91810	Allocated overhead	-	-	-	-	-	-
91900	Other	24,877	-	15,231	816	-	2,000
92000	Asset Management Fee	115,680	-	-	-	-	-
Tenant services							
92100	Tenant services - salaries	112,687	-	262,134	19,394	-	80,870
92200	Relocation costs	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	62,352	-	148,770	11,810	-	41,690
92400	Tenant services - other	182,660	-	14,130	-	-	-
Utilities							
93100	Water	174,656	-	-	-	-	-
93200	Electricity	893,897	-	-	-	-	-
93300	Gas	562,609	-	-	-	-	-
93400	Fuel	-	-	-	-	-	-
93500	Labor	287,920	-	-	-	-	-
93600	Sewer	110,183	-	-	-	-	-
93700	Employee benefit contributions- utilities	169,397	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-

Paterson Housing Authority							
NJ021							
Financial Data Schedule (FDS)							
March 31, 2013							
Line Item #	Account Description	OPERATING	CAPITAL	14.871 Housing Choice Vouchers	14.169 Housing Counseling Assistance Program	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services
	Ordinary maintenance & operation						
94100	Ordinary maintenance and operations - labor	810,649	-	-	-	-	-
94200	Ordinary maintenance and operations - materials & other	272,781	-	4,652	-	-	-
94300	Ordinary maintenance and operations - contract costs	612,236	-	90,696	-	-	-
94500	Employee benefit contributions- ordinary maintenance	587,915	-	-	-	-	-
	Protective services						
95100	Protective services - labor	41,194	-	-	-	-	-
95200	Protective services- other contract costs	432,608	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-
95500	Employee benefit contributions- protective services	-	-	-	-	-	-
	General expenses						
96100	Insurance premiums	257,729	-	31,709	-	-	-
96200	Other general expenses	714,397	-	30,581	-	-	-
96210	Compensated absences	5,021	-	4,070	-	-	-
96300	Payments in lieu of taxes	114,529	-	-	-	-	-
96400	Bad debt - tenant rents	106,316	-	-	-	-	-
96500	Bad debt- mortgages	1,971,123	-	-	-	-	-
96600	Bad debt - other	131,685	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-
96710	Amortization of bond issue costs	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
96900	TOTAL OPERATING EXPENSES	10,364,302	288,498	1,194,046	32,931	-	129,062
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(966,137)	3,895,263	17,794,486	-	145,697	980
97100	Extraordinary maintenance	43,218	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	14,592,114	-	145,697	-
97350	HAP Portability - in	-	-	731,407	-	-	-
97400	Depreciation expense	1,421,213	-	29,591	-	-	-
97500	Fraud losses	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	TOTAL EXPENSES	11,828,733	288,498	16,547,158	32,931	145,697	129,062

Paterson Housing Authority							
NJ021							
Financial Data Schedule (FDS)							
March 31, 2013							
Line Item #	Account Description	OPERATING	CAPITAL	14.871 Housing Choice Vouchers	14.169 Housing Counseling Assistance Program	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services
OTHER FINANCING SOURCES (USES)							
10010	Operating transfers in	846,164	-	-	-	-	-
10020	Operating transfers out	-	(846,164)	-	-	-	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-
10091	Inter Project excess cash transfer in	-	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	846,164	(846,164)	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(1,584,404)	3,049,099	2,441,374	-	-	980
MEMO ACCOUNT INFORMATION:							
11020	Required annual debt principal payments	-	-	-	-	-	-
11030	Beginning equity	58,045,834	-	1,658,806	-	-	974
11040	Prior period adjustments and equity transfers	-	-	52,645	-	-	-
11170	Administrative fee equity	-	-	2,141,006	-	-	-
11180	Housing assistance payments equity	-	-	2,013,206	-	-	-
		-	-	4,154,212	-	-	-
11190	Unit months available	13,650	-	17,205	-	192	-
11210	Number of unit months leased	13,277	-	15,417	-	161	-
Equity Roll Forward Test:							
	Calculation from R/E Statement	\$ 59,510,529	\$ -	\$ 4,152,825	\$ -	\$ -	\$ 1,954
	B/S Line 513	\$ 59,510,529	\$ -	\$ 4,152,825	\$ -	\$ -	\$ 1,954
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Paterson Housing Authority									
NJ021									
Financial Data Schedule (FDS)									
March 31, 2013									
Line Item #	Account Description	State and Local	14.866 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING	14.218 COMMUNITY DEVELOPMENT BLOCK GRANT	14.249 SECTION 8 MODERATE REHABILITATION SINGLE ROOM OCC	Business Activities	COCC	ELIM	TOTAL
REVENUE:									
70300	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,289,555
70400	Tenant revenue - other	-	-	-	-	-	-	-	109,435
70500	Total tenant revenue	-	-	-	-	-	-	-	3,398,990
70600	HUD PHA grants	-	501,734	523,114	92,949	-	-	-	21,125,823
70610	Capital grants	-	382,533	-	-	-	-	-	3,431,832
70710	Management fee	-	-	-	-	-	1,496,595	(1,485,070)	11,525
70720	Asset management fee	-	-	-	-	-	115,680	(115,680)	-
70730	Book keeping fee	-	-	-	-	-	267,255	(267,255)	-
70750	Other fees	-	-	-	-	-	-	-	-
70800	Other government grants	164,723	-	-	-	-	-	-	164,723
71100	Investment income - unrestricted	-	-	-	-	-	1,200	-	8,019
71200	Mortgage interest income	-	-	-	-	-	-	-	1,971,123
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-	-	-	22,470
71500	Other revenue	3,975	-	-	-	452,542	86,927	-	4,964,945
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-	900
72000	Investment income - restricted	-	-	-	-	-	-	-	-
70000	TOTAL REVENUE	168,698	884,267	523,114	92,949	452,542	1,967,657	(1,868,005)	35,100,350
EXPENSES:									
Administrative									
91100	Administrative salaries	-	162,541	-	-	29,917	1,160,175	-	1,812,109
91200	Auditing fees	-	-	-	-	-	6,116	-	30,580
91300	Outside management fees	1,000	-	34,434	-	171,781	-	(1,485,069)	-
91310	Book-keeping fee	-	-	-	-	67,320	-	(267,256)	-
91400	Advertising and marketing	3,240	2,263	-	-	-	929	-	9,350
91500	Employee benefit contributions- administrative	-	52,395	-	-	14,326	471,406	-	819,445
91600	Office expenses	3,089	4,089	-	-	-	123,602	-	292,986
91700	Legal expenses	-	105,681	-	-	-	406	-	190,319
91800	Travel	828	137	-	-	-	11,781	-	15,427
91810	Allocated overhead	-	-	-	-	-	-	-	-
91900	Other	641	3,099	-	-	-	13,758	-	60,422
92000	Asset Management Fee	-	-	-	-	-	-	(115,680)	-
Tenant services									
92100	Tenant services - salaries	58,391	117,055	-	-	108,955	-	-	759,490
92200	Relocation costs	-	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	27,928	48,327	-	-	59,154	(1,440)	-	398,591
92400	Tenant services - other	879	6,171	-	-	-	13,364	-	217,204
Utilities									
93100	Water	-	-	-	-	-	2,217	-	176,873
93200	Electricity	-	-	-	-	-	49,278	-	943,175
93300	Gas	-	-	-	-	-	3,364	-	565,973
93400	Fuel	-	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-	287,920
93600	Sewer	-	-	-	-	-	184	-	110,367
93700	Employee benefit contributions- utilities	-	-	-	-	-	-	-	169,397
93800	Other utilities expense	-	-	-	-	-	-	-	-

Paterson Housing Authority									
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Financial Data Schedule (FDS)									
March 31, 2013									
Line Item #	Account Description	State and Local	14.866 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING	14.218 COMMUNITY DEVELOPMENT BLOCK GRANT	14.249 SECTION 8 MODERATE REHABILITATION SINGLE ROOM OCC	Business Activities	COCC	ELIM	TOTAL
	Ordinary maintenance & operation								
94100	Ordinary maintenance and operations - labor	-	-	-	-	-	13,284	-	823,933
94200	Ordinary maintenance and operations - materials & other	-	-	-	-	-	-	-	277,433
94300	Ordinary maintenance and operations - contract costs	-	-	-	-	-	66,634	-	769,566
94500	Employee benefit contributions- ordinary maintenance	-	72	-	-	-	1,964	-	589,951
	Protective services								
95100	Protective services - labor	-	-	-	-	-	-	-	41,194
95200	Protective services- other contract costs	-	-	-	-	-	-	-	432,608
95300	Protective services - other	-	-	-	-	-	-	-	-
95500	Employee benefit contributions- protective services	-	-	-	-	-	-	-	-
	General expenses								
96100	Insurance premiums	-	-	-	-	-	67,157	-	356,595
96200	Other general expenses	-	-	-	-	1,089	13,542	-	759,609
96210	Compensated absences	-	-	-	-	-	74,852	-	83,943
96300	Payments in lieu of taxes	-	-	-	-	-	-	-	114,529
96400	Bad debt - tenant rents	-	-	-	-	-	-	-	106,316
96500	Bad debt- mortgages	-	-	-	-	-	-	-	1,971,123
96600	Bad debt - other	-	-	-	-	-	-	-	131,685
96700	Interest expense	-	-	-	-	-	-	-	-
96710	Amortization of bond issue costs	-	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-	-
96900	TOTAL OPERATING EXPENSES	95,996	501,734	34,434	-	452,542	2,092,573	(1,868,005)	13,318,113
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	72,702	382,533	488,680	92,949	-	(124,916)	-	21,782,237
97100	Extraordinary maintenance	-	-	-	-	-	2,925	-	46,143
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	488,680	92,949	-	-	-	15,319,446
97350	HAP Portability - in	-	-	-	-	-	-	-	731,407
97400	Depreciation expense	-	-	-	-	-	116,433	-	1,567,237
97500	Fraud losses	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-
90000	TOTAL EXPENSES	95,996	501,734	523,114	92,949	452,542	2,211,931	(1,868,005)	30,982,340

Paterson Housing Authority									
NJ021									
Financial Data Schedule (FDS)									
March 31, 2013									
Line Item #	Account Description	State and Local	14.866 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING	14.218 COMMUNITY DEVELOPMENT BLOCK GRANT	14.249 SECTION 8 MODERATE REHABILITATION SINGLE ROOM OCC	Business Activities	COCC	ELIM	TOTAL
OTHER FINANCING SOURCES (USES)									
10010	Operating transfers in	-	-	-	-	-	-	(846,164)	-
10020	Operating transfers out	-	-	-	-	-	-	846,164	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-	-	-
10091	Inter Project excess cash transfer in	-	-	-	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	72,702	382,533	-	-	-	(244,274)	-	4,118,010
MEMO ACCOUNT INFORMATION:									
11020	Required annual debt principal payments	-	-	-	-	-	-	-	-
11030	Beginning equity	3,699	-	-	-	-	2,579,706	-	62,289,019
11040	Prior period adjustments and equity transfers	-	-	-	-	-	(52,645)	-	-
11170	Administrative fee equity	-	-	-	-	-	-	-	2,141,006
11180	Housing assistance payments equity	-	-	-	-	-	-	-	2,013,206
		-	-	-	-	-	-	-	4,154,212
11190	Unit months available	-	-	423	150	-	-	-	31,620
11210	Number of unit months leased	-	-	423	141	-	-	-	29,419
	Equity Roll Forward Test:								
	Calculation from R/E Statement	\$ 76,401	\$ 382,533	\$ -	\$ -	\$ -	\$ 2,282,787	\$ -	\$ 66,407,029
	B/S Line 513	\$ 76,401	\$ 382,533	\$ -	\$ -	\$ -	\$ 2,282,787	\$ -	\$ 66,407,029
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -