

Report On Audit

**HOUSING AUTHORITY OF THE
CITY OF SALEM**

**For the Year Ended
September 30, 2023**

Housing Authority of the City of Salem
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of the Housing Authority of the City of Salem, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Salem basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Housing Authority of the City of Salem as of September 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the City of Salem and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Salem's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Housing Authority of the City of Salem 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Salem.
- Housing Authority of the City of Salem's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 5 through 18 and pages 60-65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Salem's basic financial statements. The accompanying supplemental information on pages 66-72 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, and the Financial Data Schedule, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards, and the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024, in our consideration of the Housing Authority of the City of Salem'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Salem's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Salem's internal control over financial reporting and compliance.

Giampaolo & Associates

Lincroft, New Jersey

Date: April 26, 2024

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

As Management of the Housing Authority of the City of Salem (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 19 of this report. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,824,571, representing an increase in the financial position of \$758,949 or 37% as compared to the prior year.

As noted above, the net position of the Authority was \$2,824,571 as of September 30, 2023. Of this amount, the unrestricted net position is a deficit balance of \$533,178 representing a decrease in the deficit of \$224,322 or 30% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 20 the financial statements, which is included in this report.

The net investment in capital assets increased \$524,854 or 19% percent for an ending balance of \$3,345,376. The major factors that contributed to the increase was the purchase of fixed assets in the amount of \$738,433, less the recording of depreciation expense in the amount of \$313,579. The Authority also made a debt payment during the year in the amount of \$100,000.

The restricted net position increased \$9,773 or over 100% percent from the prior year for an ending balance of \$12,373. Additional information on the Authority's restricted net position can be found in Note 19 to the financial statements, which is included in this report.

The Authority's total cash, and cash equivalents on September 30, 2023, is \$756,929 representing an increase of \$258,146 or 52% percent from the prior fiscal year. Operating cash increased \$248,359 or 51% percent for an ending balance of \$733,270. Total restricted deposits and funded reserves increased \$9,787 or 71% percent for an ending balance of \$23,659. The full detail of this amount can be found in the Statement of Cash Flows on pages 22-23 of this report.

The Authority's total assets and deferred outflows are \$4,994,740 of which capital assets net book value is \$3,620,376, deferred outflows in the amount of \$367,667, leaving total current assets at \$1,006,697.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current assets increased from the previous year by \$211,457 or 27% percent. Unrestricted cash and cash equivalents increased by \$248,359, restricted cash increased by \$9,787, accounts receivable decreased by \$45,100, and prepaid expenses decreased by \$1,589.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$424,854 or 13% percent. The major factors that contributed to the increase was the purchase of fixed assets in the amount of \$738,433, less the recording of depreciation expense in the amount of \$313,579. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$103,558 or 22% percent for an ending balance of \$367,667. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$90,339 or 11% percent for an ending balance of \$912,271. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$1,257,898 of which current liabilities are stated at \$283,879 and noncurrent liabilities are stated at \$974,019. Total liabilities decreased during the year as compared to the prior year in the amount of \$316,535 or 20% percent. Total current liabilities increased during the year by \$62,234, leaving non-current liabilities for a decrease of \$378,769 as compared to the previous fiscal year.

As previously stated, total current liabilities increased from the previous year by \$62,234 or 28% percent. Accounts payable increased by \$36,825, accrued liabilities increased by \$1,429, tenant security deposit liability increased by \$14, unearned revenue increased by \$13,966, and the current portion of bonds payable increased by \$10,000 for an ending balance of \$110,000.

Total noncurrent liabilities decreased by \$378,769 or 28% percent. Bonds payable – noncurrent decreased in the amount of \$110,000, and long-term obligations for compensated absences decreased in the amount of \$1,682 for an ending balance of \$30,512.

Accrued pension and OPEB liabilities decreased \$267,087 or 26% percent for an ending balance of \$778,507. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at September 30, 2023, can be found in Notes 16-17 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had total operating revenue of \$2,636,426 as compared to \$2,272,624 from the prior year for an increase of \$363,802 or 16% percent. The Authority had total operating expenses of \$2,276,262 as compared to \$2,425,247 from the previous year for a decrease of \$148,985 or 6% percent. This resulted in an excess of revenue from operations in the amount of \$360,164 for the current year as compared to a deficiency of revenue from operations in the amount of \$152,623 for an increase of \$512,787 or over 100% percent from the previous year. This was after consideration of depreciation expense.

Total capital improvements contributions from HUD were in the amount of \$368,575 as compared to \$434,722 from the previous year for a decrease of \$66,147 or 15% percent. The Authority had capital outlays in the amount of \$738,433 as well as payments for capital bond principal which amounted to \$100,000 for the fiscal year. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$2,465,716 for the fiscal year 2023 as compared to \$2,123,359 for the previous fiscal year 2022 for an increase of \$342,357 or 16% percent.

USING THIS ANNUAL REPORT

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

1. Public and Indian Housing Program
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

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

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION – CONTINUED

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 19 through 23.

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

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

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 59.

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

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION – CONTINUED

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 65-66 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of Salem are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended September 30, 2023. Type B programs for the Housing Authority of the City of Salem are those which are less than \$750,000 in expenditures for the fiscal year ended September 30, 2023.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between September 30, 2023, and September 30, 2022:

	<u>Year Ended</u>		Increase
	September-23	September-22	(Decrease)
Cash	\$ 756,929	\$ 498,783	\$ 258,146
Other Current Assets	249,768	296,457	(46,689)
Capital Assets - Net	3,620,376	3,195,522	424,854
Deferred Outflows	367,667	471,225	(103,558)
Total Assets	4,994,740	4,461,987	532,753
Less: Current Liabilities	(283,879)	(221,645)	(62,234)
Less: Non Current Liabilities	(974,019)	(1,352,788)	378,769
Less: Deferred Inflows	(912,271)	(821,932)	(90,339)
Net Position	<u>\$ 2,824,571</u>	<u>\$ 2,065,622</u>	<u>\$ 758,949</u>
Net Investment in Capital Assets	\$ 3,345,376	\$ 2,820,522	\$ 524,854
Restricted Net Position	12,373	2,600	9,773
Unrestricted Net Position	(533,178)	(757,500)	224,322
Net Position	<u>\$ 2,824,571</u>	<u>\$ 2,065,622</u>	<u>\$ 758,949</u>

Total cash increased by \$258,146 or 52% percent. Net cash provided by operating activities was \$772,652, net cash used by capital and related financing activities was \$514,792, and net cash provided by investing activities was \$286. The full detail of this amount can be found in the Statement of Cash Flows on pages 22-23 of this audit report.

Other current assets decreased \$46,689 or 16% percent. Accounts receivable decreased \$45,100 and prepaid expenses decreased \$1,589.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$424,854 or 13% percent. The major factors that contributed to the increase was the purchase of fixed assets in the amount of \$738,433, less the recording of depreciation expense in the amount of \$313,579. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$103,558 or 22% percent for an ending balance of \$367,667. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$90,339 or 11% percent for an ending balance of \$912,271.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

Total current liabilities increased from the previous year by \$62,234 or 28% percent. Accounts payable increased by \$36,825, accrued liabilities increased by \$1,429, tenant security deposit liability increased by \$14, unearned revenue increased by \$13,966, and the current portion of bonds payable increased by \$10,000 for an ending balance of \$110,000.

Total noncurrent liabilities decreased by \$378,769 or 28% percent. Bonds payable – noncurrent decreased in the amount of \$110,000, and long-term obligations for compensated absences decreased in the amount of \$1,682 for an ending balance of \$30,512.

Accrued pension and OPEB liabilities decreased \$267,087 or 26% percent for an ending balance of \$778,507. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at September 30, 2023, can be found in Notes 16-17 to the financial statements, which is included in this report.

The Authority's reported net position of \$2,824,571 is made up of three categories. The net investment in capital assets in the amount of \$3,345,376 represents a majority of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

The schedule below reflects the activity in the net investment in capital assets account for the current fiscal year:

Balance September 30, 2022	\$	2,820,522
Acquisition in Fixed Assets		738,433
Depreciation Expense		(313,579)
Debt Payment		100,000
Balance September 30, 2023	<u>\$</u>	<u>3,345,376</u>

The Authority reported a restricted net position of \$12,373, representing an increase of \$9,773 from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The account balance consists of the amount of cash that is restricted for the capital fund leveraging program. Additional information on these funds can be found in Note 4 Restricted Cash and Note 19 Restricted Net Position.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Housing Authority of the City of Salem operating results for September 30, 2023, reported an increase in unrestricted position of \$224,322 for an ending deficit balance of \$533,178. Full details of these accounts can be found in the Notes to the Financial Statements Section Note – 20 Unrestricted Net Position.

The following summarizes the changes in Net Position between September 30, 2023, and September 30, 2022:

	<u>Year Ended</u>		Increase (Decrease)
	September-23	September-22	
<u>Revenues</u>			
Tenant Revenues	\$ 501,701	\$ 515,488	\$ (13,787)
HUD Subsidies	2,097,141	1,688,637	408,504
Other Revenues	37,584	68,499	(30,915)
Total Operating Income	<u>2,636,426</u>	<u>2,272,624</u>	<u>363,802</u>
<u>Expenses</u>			
Operating Expenses	1,962,683	2,102,838	(140,155)
Depreciation Expense	313,579	322,409	(8,830)
Total Operating Expenses	<u>2,276,262</u>	<u>2,425,247</u>	<u>(148,985)</u>
Operating (Loss)			
Before Capital Grants	360,164	(152,623)	512,787
Interest Income	272	68	204
HUD Capital Grants	368,575	434,722	(66,147)
Increase in Net Position	<u>729,011</u>	<u>282,167</u>	<u>446,844</u>
Net Position Prior Year	2,065,622	1,742,208	323,414
Prior Period Adjustment	29,938	41,247	(11,309)
Total Net Position	<u>\$ 2,824,571</u>	<u>\$ 2,065,622</u>	<u>\$ 758,949</u>

Approximately 80% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 19% percent resulted from tenant revenue. Charges for various services provided the remaining 1% percent of the total operating income.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total capital improvements contributions from HUD were in the amount of \$368,575 as compared to \$434,722 from the previous year for a decrease of \$66,147 or 15% percent. The Authority had capital outlays in the amount of \$738,433 as well as payments for capital bond principal which amounted to \$100,000 for the fiscal year. Excess amounts were funded from management's reserves. The current year capital additions included kitchen upgrades, unit turnover, and exterior site improvements.

The Authority's operating expenses cover a range of expenses. The largest expense was for utility expenses representing 26% percent of total operating expenses. Administrative expenses accounted for 15% percent, housing assistance payment expenses accounted for 10% percent, maintenance expenses accounted for 23% percent, other operating expenses accounted for 11% percent, interest expense accounted for 1%, and depreciation accounted for the remaining 14% percent of the total operating expenses.

The Authority's operating revenue exceeded its operating expenses resulting in a excess of revenue from operations in the amount of \$360,164 as compared to excess expenses from operations of \$152,623 for the previous year. The key elements for the increase of \$512,787 in comparison to the prior year are as follows:

- The Authority experienced a decrease in tenant rental income in the amount of \$13,787 or 3% percent.
- The Authority experienced an increase in Housing and Urban Development funded Operating Grants in the amount of \$408,504 or 24% percent.
- Other revenue decreased \$30,915 or 45% percent due to less portability income.
- The Authority experienced a decrease in the following expenses:
 - Maintenance expenses decreased \$94,169 or 15% percent.
 - Other Operating expenses decreased \$39,503 or 13% percent.
 - Interest expense decreased \$4,700 or 22% percent.
 - Housing assistance payments decreased \$31,474 or 12% percent.
 - Depreciation expense decreased \$8,830 or 3% percent.
- The Authority experienced an increase in the following expenses:
 - Administrative expenses increased \$9,440 or 3% percent.
 - Utilities expenses increased \$20,251 or 3% percent.

Total net cash provided by operating activities during the year was \$772,652. A full detail of these amounts can be found in the Statement of Cash Flows on pages 22-23 of this report.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four-year period of time ending on September 30, 2023:

	September-23	September-22	September-21	September-20
Significant Income				
Total Tenant Revenue	\$ 501,701	\$ 515,488	\$ 557,434	\$ 553,018
HUD Operating Grants	2,097,141	1,688,637	1,680,759	1,599,815
HUD Capital Grants	368,575	434,722	360,285	392,240
Investment Income	272	68	438	586
Other Income	37,584	68,499	103,872	106,966
Total	\$ 3,005,273	\$ 2,707,414	\$ 2,702,788	\$ 2,652,625
Payroll Expense				
Administrative Salaries	\$ 78,758	\$ 37,011	\$ 31,242	\$ 74,330
Maintenance Labor	69,734	65,005	59,152	65,156
Employee Benefits Expense	48,889	87,747	99,662	90,632
Total Payroll Expense	\$ 197,381	\$ 189,763	\$ 190,056	\$ 230,118
Other Significant Expenses				
Other Administrative Expenses	\$ 232,835	\$ 248,580	\$ 198,311	\$ 282,547
Utilities Expense	602,299	562,105	566,994	564,801
Maintenance Materials Cost	33,314	58,261	68,031	5,022
Maintenance Contract Cost	394,102	445,757	547,505	390,993
Insurance Premiums	207,167	195,973	177,393	163,514
Housing Assistance Payments	218,457	255,793	277,484	234,602
Total	\$ 1,688,174	\$ 1,766,469	\$ 1,835,718	\$ 1,641,479
Total Operating Expenses	\$ 2,276,262	\$ 2,425,247	\$ 2,470,955	\$ 2,414,793
Total of Federal Awards	\$ 2,465,716	\$ 2,123,359	\$ 2,041,044	\$ 1,992,055

BUDGETARY HIGHLIGHTS

The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses.

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

HOUSING AUTHORITY OF THE CITY OF SALEM PROGRAMS

Public and Indian Housing Program:

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

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Section 8 Housing Choice Voucher Program

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

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT’S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

NEW INITIATIVES

For the fiscal year 2023 the Housing Authority’s primary focus has been on funding and accountability. As a public entity that derives approximately 82% percent of its revenue from the Department of Housing and Urban Development, (2022 fiscal year was 78% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority’s operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need for these services.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of Salem all the while being mindful of their responsibility to be good stewards of the public’s tax dollars.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority’s investment in capital assets as of September 30, 2023, was \$3,620,376 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total increase during the year in the Authority’s investment in capital assets was \$424,854 or 13% percent. Major capital expenditures of \$738,433 were made during the year. Major capital assets events during the fiscal year included the following:

- Unit Turnover & Construction
- Exterior Site Improvements
- Kitchen Upgrades

	September-23	September-22	Increase (Decrease)
Land	\$ 183,069	\$ 183,069	\$ -
Building	13,996,657	13,680,248	\$ 316,409
Furniture, Equipment - Dwelling	450,978	426,449	\$ 24,529
Furniture, Equipment - Administration	50,119	34,277	\$ 15,842
Leasehold Improvements	2,935,299	2,235,185	\$ 700,114
Construction in Process	834,366	1,152,827	\$ (318,461)
Total Capital Assets	18,450,488	17,712,055	\$ 738,433
Less: Accumulated Depreciation	(14,830,112)	(14,516,533)	\$ (313,579)
Net Book Value	<u>\$ 3,620,376</u>	<u>\$ 3,195,522</u>	<u>\$ 424,854</u>

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 – Debt Administration

The Authority has participated in the New Jersey pooled leveraging program. Through this financing of majority capital projects will be completed on an expedited basis. Restricted Cash relating to the bonded debt stood at \$2,090 at the end of the fiscal year, with Capital Project Bond payable of \$275,000 in outstanding debt. A full disclosure of loans payable on September 30, 2023, can be found in Note 15 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the City of Salem is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2024 fiscal year have already been submitted to HUD for approval and no major changes are expected. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2024.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Converting Low Income Housing Program rental units into RAD subsidy units.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

**HOUSING AUTHORITY OF THE CITY OF SALEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - CONTINUED

- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2023

	2023
Assets	
Current Assets:	
Cash and Cash Equivalents- Unrestricted	\$ 733,270
Cash and Cash Equivalents- Restricted	23,659
Cash and Cash Equivalents	756,929
Accounts Receivables, Net of Allowances	186,792
Prepaid Expenses	62,976
Total Current Assets	1,006,697
Noncurrent Assets	
Capital Assets	
Land	183,069
Building	13,996,657
Furniture, Equipment - Dwelling	450,978
Furniture, Equipment - Administration	50,119
Leasehold Improvements	2,935,299
Construction in Process	834,366
Total Capital Assets	18,450,488
Less: Accumulated Depreciation	(14,830,112)
Net Book Value	3,620,376
Total Assets	4,627,073
Deferred Outflow of Resources	
Total Deferred Outflows of Resources	367,667
Total Assets and Deferred Outflow of Resources	\$ 4,994,740

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2023

	2023
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 103,634
Accrued Liabilities	34,209
Tenant Security Deposit Payable	11,286
Unearned Revenue	24,750
Long Term Debt - Current	110,000
Total Current Liabilities	283,879
Noncurrent Liabilities	
Long Term Debt - Noncurrent	165,000
Accrued Compensated Absences - Long-Term	30,512
Accrued Other-Post Employment Benefits (OPEB) Liabilities	778,507
Total Noncurrent Liabilities	974,019
Total Liabilities	1,257,898
Deferred Inflow of Resources	
Total Deferred Inflow of Resources	912,271
Net Position:	
Net Investment in Capital Assets	3,345,376
Restricted	12,373
Unrestricted	(533,178)
Total Net Position	2,824,571
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 4,994,740

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2023

	2023
Revenue:	
Tenant Rental Revenue	\$ 501,701
HUD PHA Operating Grants	2,097,141
Other Revenue	37,584
Total Revenue	2,636,426
 Operating Expenses:	
Administrative Expense	336,953
Utilities Expense	602,299
Maintenance Expense	520,679
Other Operating Expenses	261,983
Interest Expense	16,450
Housing Assistance Payments	224,319
Depreciations Expense	313,579
Total Operating Expenses	2,276,262
 Excess Revenue From Operations	 360,164
 Non Operating Income:	
Investment Income	272
 Excess Revenue Before Capital Grant Contributions	 360,436
 Capital Grant Contributions	 368,575
 Change in Net Position	 729,011
 Beginning Net Position	2,065,622
Prior period Adjustment	29,938
Beginning Net Position - Restated	2,095,560
 Ending Net Position	 \$ 2,824,571

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF CASH FLOWS - 1
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2023

	2023
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 398,839
Receipts from Federal Grants	2,196,865
Receipts from Misc. Sources	37,584
Payments to Vendors and Suppliers	(860,153)
Payment of Utilities	(579,860)
Housing Assistance Payments	(224,319)
Payments to Employees	(147,415)
Payment of Employee Benefits	(48,889)
Net Cash Provided by Operating Activities	772,652
 Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	368,575
Acquisitions and Construction of Capital Assets	(738,433)
Decrease in Compensated Absences - Long Term	(1,682)
Net Effect of Deferred Inflows and Outflows	193,897
Change in Accrued Net Pension and OPEB Liabilities	(267,087)
Prior Period Adjustments	29,938
Payment of Debt	(100,000)
Net Cash Used by Capital and Related Financing Activities	(514,792)
 Cash Flow From Investing Activities	
Interest Income	272
Increase of Tenant Security Deposit	14
Net Cash Provided by Investing Activities	286
Net Increase in Cash and Cash Equivalents	258,146
Beginning Cash, Cash Equivalents and Restricted Cash	498,783
Ending Cash, Cash Equivalents and Restricted Cash	\$ 756,929
 Reconciliation of Cash Balances:	
Cash and Cash Equivalents - Unrestricted	\$ 733,270
Cash and Cash Equivalents - Restricted	23,659
Total Ending Cash	\$ 756,929

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM
STATEMENT OF CASH FLOWS - 2
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2023

	2023
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expenses From Operations	\$ 360,164
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	313,579
(Increase) Decrease in:	
Accounts Receivables	45,100
Prepaid Expenses	1,589
Increase (Decrease) in:	
Accounts Payable	36,825
Accrued Expenses	1,429
Unearned Revenue	13,966
Net Cash Provided By Operating Activities	\$ 772,652
Supplemental Disclosure of Cash Flow Information:	
Interest Paid	\$ 17,228

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 40A:12A-1 et al 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 Salem in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low- and moderate-income families residing in City of Salem. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of the City of Salem and City Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the City of Salem reporting entity.

The Authority's financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the following criteria, the Authority has not identified any entity which should be subject to evaluation for inclusion in the Authority's reporting entity.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. 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.

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Basis of Accounting –

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner like private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

Basis of Accounting -Continued

Revenue Recognition

The major sources of income for the Authority are HUD operating subsidies, rental payments from tenants, and other sources such as tenant charges and fees, and HAP portability payments. The Authority recognizes short-term rental income from tenants who have signed a lease agreement for less than one year, in accordance with HUD guidelines. The Authority considers both rental income and subsidies to be exempt from compliance with ASC 606 as they are covered under current and future lease standards. However, tenant reimbursements for costs like utilities, which are based on consumption, are subject to ASC 606 and recognized as revenue when incurred. Additionally, the Authority also generates revenue from tenant charges and fees, and HAP portability payments all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

The Authority provides housing assistance payments to participating owners on behalf of eligible tenants. The Authority also provides provide decent, safe, and sanitary housing for extremely low and very low-income families. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by September 30, are accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HUD's rent subsidy program provides housing to low-income families so that they can lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the City of Salem's flat rent amount.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

Report Presentation –

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows:

- 1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- 2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts.
- 3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight-line basis.
- 4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.
- 5 – Operating subsidies received from HUD are recorded as income when earned.
- 6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

Other accounting policies - Continued

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

8 – The Authority does not have any infrastructure assets for its Enterprise Fund.

9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

10- Advertising cost is charged to expense when incurred.

11- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

12- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

13- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority, but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

Other accounting policies - Continued

14 - Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Under federal, state, and local law, the Authority's program is exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority pay the municipality a 10% of its net shelter rent.

15 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

Other accounting policies - Continued

16 - Operating and non-operating revenues and expenses

The major sources of revenue are HUD operating subsidies, tenants dwelling rents, and other revenue. Other revenue composed primarily of tenant charges and fees, and HAP portability payments that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Non-Operating Revenue and Expenses

Authority's nonoperating revenues relate primarily to capital grants provided by HUD and interest income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2023.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

Budgetary and Policy Control –

The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Activities - The programs administered by the Authority were:

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-58	179
Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ058	31

Public and Indian Housing Program:

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

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

Activities -Continued

Section 8 Housing Choice Voucher Program:

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

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision-making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit.

The lease agreement has similar terms therefore, all lease contract revenue has been aggregated in the caption rental income in the statement of income. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the buildings(s). Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be charged a late fee. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

NOTE 2 - ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates, particularly given that the COVID-19 pandemic continues to create financial uncertainty throughout the economy. The most significant estimates included in the preparation of the financial statements are allowance for doubtful accounts and estimated fixed asset lives.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2023divisioncombined.pdf>

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2023 amounted to \$14,245.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects due to the adoption of GASB 68 can be found in Note 17 – Accrued Pension Liability.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 4 – CASH, CASH EQUIVALENTS

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment include cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. 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.

Concentration of Credit Risk

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/FSLIC 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. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

Risk Disclosures

Collateral for Deposits

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.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. On September 30, 2023, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

The Authority's checking accounts and investments are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>September-23</u>	<u>September-22</u>
Insured	\$ 502,091	\$ 427,447
Collateralized held by pledging bank's trust department in the Authority's name	254,838	71,336
Total Cash and Cash Equivalents	<u>\$ 756,929</u>	<u>\$ 498,783</u>

Restricted Deposits

The Authority has total restricted deposits on September 30, 2023, in the amount of \$23,659. The tenant security deposit restricted deposits on September 30, 2023, was in the amount of \$11,286. This amount is held as security deposits for the tenants of the Public and Indian Housing Program in an interest-bearing account.

The amount of \$2,090 for 2023 is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

The restricted cash in the amount of \$10,283 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements
September 30, 2023

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on September 30, 2023, consisted of the following:

	<u>September-23</u>	<u>September-22</u>
Tenants Accounts Receivable - Present	\$ 177,728	\$ 74,866
Less: Allowance for Doubtful Accounts	(88,864)	(37,433)
Net Tenants Accounts Receivable	<u>88,864</u>	<u>37,433</u>
Tenants Receivable for Repayment Agreements	66,117	63,483
Less: Allowance for Doubtful Accounts	(33,269)	(30,662)
Net Accounts Receivable - Tenants	<u>32,848</u>	<u>32,821</u>
Accounts Receivable HUD	61,914	161,638
Accounts Receivable Other Government	3,166	-
Total Other Receivables	<u>97,928</u>	<u>194,459</u>
Total Accounts Receivables	<u>\$ 186,792</u>	<u>\$ 231,892</u>

Tenant rents are due on the first day of each month. If a rent payment is not received by the 5th day of the month, it is considered past due and late fees are applied. The Authority records its accounts receivable at cost minus an allowance for doubtful accounts, which is established as needed based on factors such as historical collection experience, the current state of accounts receivable, economic conditions, and other considerations. This process involves assessing the creditworthiness of individual tenants and the portfolio as a whole. The determination of the collectability of amounts due requires the Authority to make judgments about future events and trends. The increase in the allowance for doubtful accounts is mainly due to the economic impact of COVID-19, as reflected in bad debt expenses. Management continually monitors tenant payment patterns, investigates past-due accounts, and stays informed of industry and economic trends to estimate the necessary allowances.

NOTE 6 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short-term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority on September 30, 2023, are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated at cost as determined by an appraisal. Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$1,000 are expensed when incurred. Property and equipment are stated at cost. Donated fixed assets are stated at their fair value on the date donated.

Depreciation Expense

Depreciation expense for September 30, 2023, was \$313,579 and \$322,409 for 2022. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

1.) Building and Structure	40 Years
2.) Site Improvements	15 Years
3.) Furniture & Equipment	15 Years
4.) Vehicles	5 Years
5.) Computer Equipment	5 years

The Housing Authority of the City of Salem reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No Impairment loss has been recognized during the year ended September 30, 2023.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements
September 30, 2023

NOTE 8 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ended September 30, 2023:

	Balance September-22	Additions	Transfer	Balance September-23
Land	\$ 183,069	\$ -	\$ -	\$ 183,069
Buildings	13,680,248	316,409	-	13,996,657
Furniture & Equipment - Dwelling	426,449	24,529	-	450,978
Furniture & Equipment - Administration	34,277	32,287	(16,445)	50,119
Leasehold Improvements	2,235,185	96,633	603,481	2,935,299
Construction in Progress	1,152,827	268,575	(587,036)	834,366
Total Fixed Assets	17,712,055	738,433	-	18,450,488
Accumulated Depreciation	(14,516,533)	(313,579)	-	(14,830,112)
Net Book Value	\$ 3,195,522	\$ 424,854	\$ -	\$ 3,620,376

Below is a schedule of the net book value of the fixed assets for the Authority as of September 30, 2023:

<u>Net Book Value of the Fixed Assets</u>	<u>September-23</u>
Land	\$ 183,069
Buildings	1,525,018
Furniture & Equipment - Dwelling	29,434
Furniture & Equipment - Administration	22,001
Leasehold Improvements	1,026,488
Construction in Progress	834,366
Net Book Value	\$ 3,620,376

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The OPEB and Pension Liability discussed in Note 16 and 17 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 31,399	\$ 1,230	\$ 32,629
Changes in Assumptions	81,144	528	81,672
Net Difference Between Projected and Actual Earning on Pension Plan Investments	160	7,056	7,216
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	169,665	76,485	246,150
Total	\$ 282,368	\$ 85,299	\$ 367,667
 Deferred Inflows of Resources	 OPEB	 Pension	 Total
Differences Between Expected and Actual Experiences	\$ 112,703	\$ 1,085	\$ 113,788
Changes in Assumptions	207,510	25,527	233,037
Net Difference Between Projected and Actual Earning on Pension Plan Investments	451,481	-	451,481
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	113,965	113,965
Total	\$ 771,694	\$ 140,577	\$ 912,271

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements
September 30, 2023

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - CONTINUED

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$32,629 and \$113,788.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$81,672 and \$233,037.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB 68-75. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$7,216 and \$451,481.

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$246,150 and \$113,965.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 10 – ACCOUNTS PAYABLE

Accounts payable is a liability account that represents the amount owed by the Authority to its creditors for goods or services received but not yet paid for. When the Authority receives goods or services on credit, it incurs a liability to pay the vendor or supplier in the future. This liability is recorded as an accounts payable on the Authority's financial statements, specifically on the Statement of Net Position under the category of current liabilities. Accounts payable is an important aspect of a company's financial management, as it represents its short-term obligations to its vendors and suppliers. Accounts payable on September 30, 2023 and 2022, consist of the following:

	<u>September-23</u>	<u>September-22</u>
Accounts Payable Vendors	\$ 102,424	\$ 65,599
Accounts Payable P.I.L.O.T.	1,210	1,210
Total Accounts Payable	<u>\$ 103,634</u>	<u>\$ 66,809</u>

NOTE 11 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of Salem. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes. During the fiscal year ended September 30, 2023, there was PILOT accrued of \$-0-.

NOTE 12 – ACCRUED EXPENSES

Accrued expenses are Authority expenses that have been incurred but not yet paid. These expenses are recognized in the financial statements before payment has actually been made, and typically refer to items such as salaries, interest, and taxes. Accrued expenses on September 30, 2023 and 2022, consisted of the following:

	<u>September-23</u>	<u>September-22</u>
Accrued Wages and Payroll Taxes	\$ 2,994	\$ 1,916
Compensated Absences - Current Portion	3,390	3,577
Accrued Interest Payable	5,386	7,344
Accrued Utilities	22,439	19,943
Total Accrued Liabilities	<u>\$ 34,209</u>	<u>\$ 32,780</u>

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 13 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Accrued compensated absences represents amounts to which employees are entitled to base on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service. Employees may be compensated for sick leave at retirement, to a maximum of \$12,000.

The Authority has determined that the potential liability for accumulated vacation and sick time on September 30, 2023, as follows:

Balance		Payments	Balance	Current
September-22	Additions	Made	September-23	Portion
\$ 35,771	\$ -	\$ (1,869)	\$ 33,902	\$ 3,390

NOTE 14 – UNEARNED REVENUE

Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. Subject to ASC 606, rental payments with acceptance provisions and future delivery commitments, wherein the Authority has not completed its obligations under the lease, are also offset against the associated accounts receivable since the requirements for revenue recognition have not been met. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The Authority primary government unearned revenue for September 30, 2023, consisted of October 2023 rents.

NOTE 15 – LONG TERM DEBT – CAPITAL PROJECT BOND PAYABLE

The Authority participated on December 23, 2004, with other New Jersey Housing Authorities in the issuance of \$79,860,000 in Series 2004 HMFA Bonds. The Authority portion of the Series 2004 HMFA Bonds is \$6,400,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low-Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2026.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 15 – LONG TERM DEBT – CAPITAL PROJECT BOND PAYABLE-CONTINUED

The faith and credit of the Housing Authority of the City of Salem was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2005. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

The Bonds are payable by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Bank of New York, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

The interest payable for November 1, 2023, is \$8,812. These amounts were not accrued since the payment would be made from the Authority Capital Fund Program (CFP) and would be considered grant revenue in the year ended September 30, 2023.

Balance September 30, 2022	\$	375,000
Additions		-
Payment of Debt		<u>(100,000)</u>
Balance September 30, 2023	\$	<u>275,000</u>

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

September 30, 2024	\$	110,000
September 30, 2025		110,000
September 30, 2026		<u>55,000</u>
Total Capital Project Bonds	\$	<u>275,000</u>

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements
September 30, 2023

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of September 30, 2023, and 2022 reported accrued pension and OPEB liability amounts as follows:

	<u>September-22</u>	<u>September-22</u>
Accrued OPEB Liability	\$ 608,032	\$ 852,650
Accrued Pension Liability	170,475	192,944
Total OPEB and Pension Liability	<u>\$ 778,507</u>	<u>\$ 1,045,594</u>

These amounts arose due to adoption of GASB #75 in 2018 year as well as GASB #68 which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 17 will discuss the effect of GASB #68 and the pension liability which arose from that.

OPEB Liability

The Authority as of September 30, 2023, reported a net OPEB liability in the amount of \$608,032 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	<u>September-23</u>	<u>September-22</u>
Employer OPEB Liability	\$ 605,823	\$ 855,031
Plan Net Position	2,209	(2,381)
Employer Net OPEB Liability	<u>\$ 608,032</u>	<u>\$ 852,650</u>

The Authority allocation percentage is 0.0037650% as of June 30, 2022.

OPEB Liability – Plan Description and Benefits Provided

Plan Description: The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple- employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Benefits Provided: The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who:

- 1) retired on a disability pension; or
- 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation's agreement.

Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended September 30, 2023 was \$608,032.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements
September 30, 2023

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Plan Description and Benefits Provided - Continued

Employees covered by benefits terms: On June 30, 2022 (the census date), the following employees were covered by the benefits terms:

Plan Members

4

Net OPEB Liability

The total OPEB liability as of June 30, 2022, latest report, was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions: The total OPEB Liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.16%

Salary Increases

Through 2026 = 2.75% to 6..55%

Thereafter = 3.00% to 7.00%

Net OPEB Liability - Continued

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale.

Certain actuarial assumptions used in the September 30, 2022, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013, to June 30, 2022 and July 1, 2014 to June 30, 2022, respectively. 100% of active members are considered to participate in the Plan upon retirement.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2022, was 3.54%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.54%	3.54%	4.54%
Total OPEB Liability	\$ 704,832	\$ 608,032	\$ 530,148

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 515,812	\$ 608,032	\$ 726,140

Change in Assumptions: Effective June 30, 2022.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 year for the 2022.

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2023</u>	<u>2022</u>
Service Cost	\$ 29,994	\$ 40,079
Interest on Total OPEB liability	15,112	19,603
Expected Investment Return	3	(113)
Administrative Expenses	464	537
Changes in Benefits Term	15,153	96
Current Period Deferred		
Inflows/Outflows of Resources	(23,735)	(33,328)
Inputs	(31,460)	(17,777)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	(250,149)	(189,813)
Benefit Payments	-	-
Change in Plan	-	-
Net Change in Total OPEB Liability	<u>(244,618)</u>	<u>(180,716)</u>
Total OPEB Liability, Beginning	<u>852,650</u>	<u>1,033,366</u>
 Total OPEB Liability, Ending	 <u>\$ 608,032</u>	 <u>\$ 852,650</u>

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements
September 30, 2023

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS -CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year Ending June 30, 2023	\$	(55,096)
Year Ending June 30, 2024		(55,145)
Year Ending June 30, 2025		(43,547)
Year Ending June 30, 2026		(19,448)
Year Ending June 30, 2027		(4,360)
Therafter		(299,123)
Total	\$	<u>(476,719)</u>

NOTE 17 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of September 30, 2023, reported a net pension liability in the amount of \$170,475 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	<u>September-23</u>	<u>September-22</u>
Employer Total Pension Liability	\$ 792,698	\$ 657,337
Plan Net Position	(622,223)	(464,393)
Employer Net Pension Liability	<u>\$ 170,475</u>	<u>\$ 192,944</u>

The Authority allocation percentage is 0.00112962% as of June 30, 2022.

Plan Description

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Net Pension Liability Information

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

The following represents the membership tiers for PERS:

- 1) Tier 1 – Members who enrolled prior to July 1, 2007
- 2) Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3) Tier 3 – Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
- 4) Tier 4 – Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 5) Tier 5 – Members who were eligible to enroll on or after June 28, 2011.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries 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 fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Net Pension Liability Information

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2022, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2022.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2022 the State's pension contribution was less than the actuarial determined amount.

Actuarial Assumptions

The total pension liability for June 30, 2022, measurement dates were determined by using an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2022.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions - Continued

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2022.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	4.00%	4.91%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Investment Grade Credit	7.00%	3.38%
High Yield	4.00%	4.95%
Private Credit	7.00%	8.10%
Real Assets	8.00%	11.19%
Real Estate	3.00%	7.60%
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
	<u>100%</u>	

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0% percent) or 1 percentage-point higher (8.0% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 203,771	\$ 170,475	\$ 141,146

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2023	\$ (14,623)
Year Ending June 30, 2024	(7,450)
Year Ending June 30, 2025	(3,633)
Year Ending June 30, 2026	7,926
Year Ending June 30, 2027	(17)
Total	<u>\$ (17,797)</u>

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2022, are as follows:

Service Cost	\$	12,788
Interest on the Total Pension Liability		53,900
Benefits Changes		121
Member Contributions		(52,165)
Administrative Expenses		219
Expected Investment Return Net of Investment Expenses		(1,878)
Pension Expense Related to Specific Liabilities of Individual Employers		(176)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		(4,988)
Changes of Assumptions		(2,829)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		4,770
Total	\$	<u>9,760</u>

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements
September 30, 2023

NOTE 18 – NET INVESTMENT IN CAPITAL ASSETS

This component consists of land, construction in process and depreciable assets, net of accumulation and net of related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of investment in Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Balance September 30, 2022	\$	2,820,522
Acquisition in Fixed Assets		738,433
Depreciation Expense		(313,579)
Debt Payment		100,000
Balance September 30, 2023	\$	<u>3,345,376</u>

NOTE 19 – RESTRICTED NET ASSETS

The Authority restricted net position account balance on September 30, 2023, is \$12,373.

The restricted cash in the amount of \$10,283 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD’s PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The amount of \$2,090 for 2023 is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on September 30, 2023, was not made available.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 20 – UNRESTRICTED NET POSITION

The Authority’s unrestricted net position account balance on September 30, 2023, is negative (\$533,178). The detail of the account balance is as follows:

	PIH Program Reserves	HCV Program Adm Reserves	Total
Balance September 30, 2022	\$ (801,465)	\$ 43,965	\$ (757,500)
Increase During the Year	222,177	2,145	224,322
Balance September 30, 2023	<u>\$ (579,288)</u>	<u>\$ 46,110</u>	<u>\$ (533,178)</u>

NOTE 21 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended September 30, 2023, were \$1,564,980.

Annual Contributions Contracts for the Section 8 Housing Choice Program provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for September 30, 2023, were in the amount of \$267,274.

NOTE 22 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low-income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD was \$2,465,716 to the Authority which represents approximately 82% percent of the Authority's total revenue for the year ended September 30, 2023.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 23 - CONTINGENCIES

Litigation – On September 30, 2023, the Authority was not involved in any threatened litigation.

Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended September 30, 2023.

Other Insurance

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Construction Commitments

On September 30, 2023, the Authority outstanding construction commitments pertaining to its capital fund were not material. The cost pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 24 – PRIOR PERIOD ADJUSTMENT

For year ending September 30, 2023

As of September 30, 2023, the Authority had a prior period adjustment in the amount of \$29,938 while recording the opening Net Pension Liability and OPEB as of October 1, 2021.

HOUSING AUTHORITY OF THE CITY OF SALEM

Notes to Financial Statements

September 30, 2023

NOTE 25 – SUBSEQUENT EVENTS

The events described in the statements pertain to the period between the statement of net assets date and the availability of the financial statements for issuance. During this interim period, any events that occurred must be assessed for potential recognition or disclosure. The effects of subsequent events serve as evidence regarding conditions that existed after the statement of net assets date, necessitating disclosure in the accompanying notes.

Management has conducted an evaluation of the Authority's activity up to April 26, 2024, which is the date when the financial statements became available for issuance. Following this assessment, it has been determined that no subsequent events have transpired that would require recognition in the financial statements or disclosure in the notes accompanying the financial statements.

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2023

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

	2023	2022	2021
<u>Total OPEB Liability</u>			
Service Cost	\$ 29,994	\$ 40,079	\$ 34,891
Interest on Total OPEB liability	15,112	19,603	28,643
Expected Investment Return	3	(113)	(439)
Administrative Expenses	464	537	571
Changes in Benefits Term	15,153	96	60
Current Period Deferred			
Inflows/Outflows of Resources	(23,735)	(33,328)	(31,703)
Inputs	(31,460)	(17,777)	129,388
Net Difference Between Projected and			
Actual Investments Earning on OPEB	(250,149)	(189,813)	24,106
Plan Investments			
Benefit Payments	-	-	-
Change in Plan	-	-	-
Net Change in Total OPEB Liability	(244,618)	(180,716)	185,517
Total OPEB Liability, Beginning	852,650	1,033,366	847,849
Total OPEB Liability, Ending	\$ 608,032	\$ 852,650	\$ 1,033,366
Covered, Employee Payroll	\$ 147,414	\$ 103,486	\$ 96,021
Total OPEB Liability as a percentage of covered employee payroll	412.47%	823.93%	1076.19%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2023

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

	2020	2019	2018
<u>Total OPEB Liability</u>			
Service Cost	\$ 41,721	\$ 41,721	\$ 3,913
Interest on Total OPEB liability	39,812	39,812	16,498
Expected Investment Return	(706)	(706)	-
Administrative Expenses	593	593	-
Changes in Benefits Term	(119)	(119)	
Current Period Deferred			
Inflows/Outflows of Resources	(38,769)	(38,769)	
Inputs	(50,659)	(50,659)	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	8,127	224	
Benefit Payments	-	-	(34,648)
Change in Plan	-	381,292	-
Net Change in Total OPEB Liability	-	373,389	(14,237)
Total OPEB Liability, Beginning	847,849	474,460	488,697
Total OPEB Liability, Ending	\$ 847,849	\$ 847,849	\$ 474,460
Covered, Employee Payroll	\$ 139,486	\$ 173,208	\$ 122,790
Total OPEB Liability as a percentage of covered employee payroll	607.84%	489.50%	386.40%

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2023

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2023	2022	2021	2020	2019
Housing Authority's proportion of the net pension liability	0.00112962%	0.00162870%	0.00108734%	0.00108734%	0.00108734%
Housing Authority's proportionate share of the net pension liability	\$ 170,475	\$ 192,944	\$ 311,554	\$ 204,024	\$ 204,024
Housing Authority's covered employee payroll	\$ 147,414	\$ 103,486	\$ 96,021	\$ 139,486	\$ 173,208
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	115.64%	186.44%	324.46%	146.27%	117.79%
Plan fiduciary net position as a percentage of the total pension liability	21.50%	29.35%	24.08%	43.42%	43.42%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2023

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2018	2017	2016	2015	2014
Housing Authority's proportion of the net pension liability	0.00107261%	0.00108734%	0.00109491%	0.00107650%	0.00131589%
Housing Authority's proportionate share of the net pension liability	\$ 211,192	\$ 253,114	\$ 324,280	\$ 241,652	\$ 246,370
Housing Authority's covered employee payroll	\$ 122,790	\$ 95,689	\$ 109,666	\$ 149,248	\$ 159,033
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	171.99%	264.52%	295.70%	161.91%	205.97%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.01%	59.86%	52.07%	52.08%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2023

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 14,245	\$ 19,704	\$ 20,900	\$ 11,115	\$ 11,014
Contribution in relation to the contractually required contribution	(14,245)	(19,704)	(20,900)	(11,115)	(11,014)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 147,414	\$ 103,486	\$ 96,021	\$ 139,486	\$ 173,208
Contribution as a percentage of covered employee payroll	9.66%	19.04%	21.77%	7.97%	6.36%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF SALEM

Required Supplementary Information
September 30, 2023

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 10,669	\$ 10,073	\$ 9,727	\$ 9,255	\$ 10,848
Contribution in relation to the contractually required contribution	(10,669)	(10,073)	(9,727)	(9,255)	(10,848)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 122,790	\$ 95,689	\$ 109,666	\$ 149,248	\$ 159,033
Contribution as a percentage of covered employee payroll	8.69%	10.53%	8.87%	6.20%	6.82%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**HOUSING AUTHORITY OF THE CITY OF SALEM
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2023**

Programs funded by:

U.S. Department of Housing and Urban Development

<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>Public and Indian Housing Program</u>				
NJ058	\$ -	\$ 1,564,980	\$ 1,564,980	\$ -
Grant Total 14.850	<u>-</u>	<u>1,564,980</u>	<u>1,564,980</u>	<u>-</u>
<u>Section 8 Housing Choice Voucher Program</u>				
NJ39P058	-	267,274	267,274	-
Grant Total 14.871	<u>-</u>	<u>267,274</u>	<u>267,274</u>	<u>-</u>
<u>Public Housing Capital Fund Program</u>				
NJ39P058	-	633,462	633,462	-
Grant Total 14.872	<u>-</u>	<u>633,462</u>	<u>633,462</u>	<u>-</u>
Total Expenditures of Federal Awards	<u>\$ -</u>	<u>\$ 2,465,716</u>	<u>\$ 2,465,716</u>	<u>\$ -</u>

**HOUSING AUTHORITY OF THE CITY OF SALEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2023**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of Salem is under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the City of Salem, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the City of Salem.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Housing Authority of the City of Salem has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:

Housing Authority City of Salem had Capital Project Bonds payable in the amount of \$775,000, outstanding on September 30, 2023. See Note 15 of this report for full detail.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2023.

Note 6. Sub recipients:

Of the federal expenditures presented in the schedule above, the Housing Authority of the City of Salem did not provide federal awards to any sub recipients.

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2023

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$663,160	\$70,110	\$733,270		\$733,270
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$2,090	\$10,283	\$12,373		\$12,373
114 Cash - Tenant Security Deposits	\$11,286		\$11,286		\$11,286
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$676,536	\$80,393	\$756,929	\$0	\$756,929
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$61,914		\$61,914		\$61,914
124 Accounts Receivable - Other Government		\$3,166	\$3,166		\$3,166
125 Accounts Receivable - Miscellaneous	\$66,117		\$66,117		\$66,117
126 Accounts Receivable - Tenants	\$177,728		\$177,728		\$177,728
126.1 Allowance for Doubtful Accounts - Tenants	-\$88,864		-\$88,864		-\$88,864
126.2 Allowance for Doubtful Accounts - Other	-\$33,269	\$0	-\$33,269		-\$33,269
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$183,626	\$3,166	\$186,792	\$0	\$186,792
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$62,976		\$62,976		\$62,976
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From	\$27,166		\$27,166	-\$27,166	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$950,304	\$83,559	\$1,033,863	-\$27,166	\$1,006,697
161 Land	\$183,069		\$183,069		\$183,069
162 Buildings	\$13,996,657		\$13,996,657		\$13,996,657
163 Furniture, Equipment & Machinery - Dwellings	\$450,978		\$450,978		\$450,978
164 Furniture, Equipment & Machinery - Administration	\$50,119		\$50,119		\$50,119
165 Leasehold Improvements	\$2,935,299		\$2,935,299		\$2,935,299
166 Accumulated Depreciation	-\$14,830,112		-\$14,830,112		-\$14,830,112
167 Construction in Progress	\$834,366		\$834,366		\$834,366
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,620,376	\$0	\$3,620,376	\$0	\$3,620,376
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$3,620,376	\$0	\$3,620,376	\$0	\$3,620,376
200 Deferred Outflow of Resources	\$367,667		\$367,667		\$367,667
290 Total Assets and Deferred Outflow of Resources	\$4,938,347	\$83,559	\$5,021,906	-\$27,166	\$4,994,740
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$102,424		\$102,424		\$102,424
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$2,994		\$2,994		\$2,994
322 Accrued Compensated Absences - Current Portion	\$3,390		\$3,390		\$3,390
324 Accrued Contingency Liability					
325 Accrued Interest Payable	\$5,386		\$5,386		\$5,386

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2023

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$1,210		\$1,210		\$1,210
341 Tenant Security Deposits	\$11,286		\$11,286		\$11,286
342 Unearned Revenue	\$24,750		\$24,750		\$24,750
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$110,000		\$110,000		\$110,000
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$22,439		\$22,439		\$22,439
347 Inter Program - Due To		\$27,166	\$27,166	-\$27,166	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$283,879	\$27,166	\$311,045	-\$27,166	\$283,879
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$165,000		\$165,000		\$165,000
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$30,512		\$30,512		\$30,512
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities	\$778,507		\$778,507		\$778,507
350 Total Non-Current Liabilities	\$974,019	\$0	\$974,019	\$0	\$974,019
300 Total Liabilities	\$1,257,898	\$27,166	\$1,285,064	-\$27,166	\$1,257,898
400 Deferred Inflow of Resources	\$912,271		\$912,271		\$912,271
508.4 Net Investment in Capital Assets	\$3,345,376		\$3,345,376		\$3,345,376
511.4 Restricted Net Position	\$2,090	\$10,283	\$12,373		\$12,373
512.4 Unrestricted Net Position	-\$579,288	\$46,110	-\$533,178		-\$533,178
513 Total Equity - Net Assets / Position	\$2,768,178	\$56,393	\$2,824,571	\$0	\$2,824,571
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,938,347	\$83,559	\$5,021,906	-\$27,166	\$4,994,740

Salem Housing Authority (NJ058)
SALEM, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2023

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$501,701		\$501,701		\$501,701
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	\$501,701	\$0	\$501,701		\$501,701
70600 HUD PHA Operating Grants	\$1,829,867	\$267,274	\$2,097,141		\$2,097,141
70610 Capital Grants	\$368,575		\$368,575		\$368,575
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$272		\$272		\$272
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery		\$1,576	\$1,576		\$1,576
71500 Other Revenue	\$28,789	\$7,219	\$36,008		\$36,008
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$2,729,204	\$276,069	\$3,005,273		\$3,005,273
91100 Administrative Salaries	\$78,758		\$78,758		\$78,758
91200 Auditing Fees	\$10,500		\$10,500		\$10,500
91300 Management Fee	\$0	\$16,567	\$16,567		\$16,567
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$25,360		\$25,360		\$25,360
91600 Office Expenses	\$6,707		\$6,707		\$6,707
91700 Legal Expense	\$20,143		\$20,143		\$20,143
91800 Travel					
91810 Allocated Overhead					
91900 Other	\$155,543	\$23,375	\$178,918		\$178,918
91000 Total Operating - Administrative	\$297,011	\$39,942	\$336,953		\$336,953
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other					
92500 Total Tenant Services	\$0	\$0	\$0		\$0
93100 Water	\$184,095		\$184,095		\$184,095
93200 Electricity	\$268,434		\$268,434		\$268,434
93300 Gas	\$149,770		\$149,770		\$149,770
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$602,299	\$0	\$602,299		\$602,299
94100 Ordinary Maintenance and Operations - Labor	\$69,734		\$69,734		\$69,734
94200 Ordinary Maintenance and Operations - Materials and Other	\$33,314		\$33,314		\$33,314
94300 Ordinary Maintenance and Operations Contracts	\$394,102		\$394,102		\$394,102
94500 Employee Benefit Contributions - Ordinary Maintenance	\$23,529		\$23,529		\$23,529

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2023

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
94000 Total Maintenance	\$520,679	\$0	\$520,679		\$520,679
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0		\$0
96110 Property Insurance					
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance	\$207,167		\$207,167		\$207,167
96100 Total insurance Premiums	\$207,167	\$0	\$207,167		\$207,167
96200 Other General Expenses	\$778		\$778		\$778
96210 Compensated Absences					
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents	\$54,038		\$54,038		\$54,038
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$54,816	\$0	\$54,816		\$54,816
96710 Interest of Mortgage (or Bonds) Payable	\$16,450		\$16,450		\$16,450
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$16,450	\$0	\$16,450		\$16,450
96900 Total Operating Expenses	\$1,698,422	\$39,942	\$1,738,364		\$1,738,364
97000 Excess of Operating Revenue over Operating Expenses	\$1,030,782	\$236,127	\$1,266,909		\$1,266,909
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$218,457	\$218,457		\$218,457
97350 HAP Portability-In		\$5,862	\$5,862		\$5,862
97400 Depreciation Expense	\$313,579		\$313,579		\$313,579
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$2,012,001	\$264,261	\$2,276,262		\$2,276,262
10010 Operating Transfer In	\$247,659		\$247,659		\$247,659
10020 Operating transfer Out	-\$247,659		-\$247,659		-\$247,659
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
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 Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$717,203	\$11,808	\$729,011		\$729,011

Salem Housing Authority (NJ058)

SALEM, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2023

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
11020 Required Annual Debt Principal Payments	\$100,000	\$0	\$100,000		\$100,000
11030 Beginning Equity	\$2,021,037	\$44,585	\$2,065,622		\$2,065,622
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$29,938		\$29,938		\$29,938
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity		\$46,110	\$46,110		\$46,110
11180 Housing Assistance Payments Equity		\$10,283	\$10,283		\$10,283
11190 Unit Months Available	2160	380	2540		2540
11210 Number of Unit Months Leased	1724	363	2087		2087
11270 Excess Cash	\$461,260		\$461,260		\$461,260
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$0		\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$268,575		\$268,575		\$268,575
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$117,228		\$117,228		\$117,228
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

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

Board of Commissioners
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079

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, the financial statements of the governmental activities of Housing Authority of the City of Salem, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Salem's basic financial statements, and have issued our report thereon dated April 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the City of Salem's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Salem's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Salem'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Salem'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Lincroft, New Jersey

Date: April 26, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Authority of the City of Salem's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Salem's major federal program for the year ended September 30, 2023. Housing Authority of the City of Salem's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Authority of the City of Salem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Housing Authority of the City of Salem and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Housing Authority of the City of Salem's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Housing Authority of the City of Salem's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing Authority of the City of Salem's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Housing Authority of the City of Salem's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the City of Salem's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Authority of the City of Salem's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Salem's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lincroft, New Jersey

Date: April 26, 2024

HOUSING AUTHORITY OF THE CITY OF SALEM
 Schedule of Findings, Questioned Costs, and Recommendations
 Year Ended September 30, 2022

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Voucher Program	\$ 267,274
14.872	Public Housing Capital Fund Program	\$ 633,462

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as a low-risk auditee _____ X yes _____ no

**FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM
 AUDIT**

None reported

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of Salem
205 Seventh Street
Salem, New Jersey 08079

We have performed the procedures enumerated below on whether the electronic submission of certain information agrees with the hard copy documents within the reporting package for the year ended September 30, 2023. The U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) is responsible for the Uniform Financial Reporting Standards (UFRS) procedures.

Housing Authority of the City of Salem has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the REAC’s UFRS requirements for the submission of the PHA financial data for the year ended September 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Procedure	UFRS Rule Information	Hardcopy Documents	Agrees	Does Not Agree
1	Balance Sheet and Revenue and Expense (Data lines 111 to 13901)	Financial Data Schedule of all CFDA's, If Applicable	Yes	
2	Footnotes (data element G5000-010)	Footnotes to the audited basic financial statements	Yes	
3	Type of Opinion on FDS (data element G3100-040)	Auditors Report on Supplemental Data	Yes	
4	Audit findings narrative (date element G5200-010)	Schedule of Findings and Questioned Costs	Yes	

Procedure	UFRS Rule Information	Hardcopy Documents	Agrees	Does Not Agree
5	General Information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Yes	
6	Financial Statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	Yes	
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	Yes	
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Yes	
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Yes	

We were engaged by Housing Authority of the City of Salem to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on UFRS Rule Information. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of REAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Housing Authority of the City of Salem and REAC, and is not intended to be, and should not be, used by anyone other than these specified parties.

Lincroft, New Jersey
April 26, 2024