

HOUSING AUTHORITY OF THE CITY OF VINELAND

REPORT OF AUDIT

FOR THE YEARS ENDED

SEPTEMBER 30, 2011 AND 2010



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HOUSING AUTHORITY OF THE CITY OF VINELAND

PART I - FINANCIAL SECTION

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

INDEPENDENT AUDITORS' REPORT

Board of Commissioners

Housing Authority of the City of Vineland

We have audited the accompanying statements of net assets of the Housing Authority of the City of Vineland (the "Authority"), and its blended component unit, Vineland Housing Development Corporation as of September 30, 2011 and 2010, and the related statements of revenue, expenses, and changes in net assets, and cash flows, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Vineland Housing Development Corporation were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, as referenced in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the

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Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Financial Data Schedule and other supplementary information were prepared for the purpose of additional analysis and are not a required part of the financial statements but are required by the U.S. Department of Housing and Urban Development. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
June 25, 2012

**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 Vineland

We have audited the financial statements of the Housing Authority of the City of Vineland, as of and for the year ended September 30, 2011, and have issued our report dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. The component unit, Vineland Housing Development Corporation, issues its own audited financial statements which are not audited in accordance with Government Auditing Standards. Accordingly, this report does not extend to the blended component unit.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting, Finding No. 2011-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

We noted certain matters that we reported to management of the Housing Authority of the City of Vineland, in a separate letter dated June 25, 2012.

Housing Authority of the City of Vineland's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. We did not audit Housing Authority of the City of Vineland's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee and management of the Housing Authority of the City of Vineland, New Jersey; the U.S. Department of Housing and Urban Development; the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and other governmental agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Bowman & Company LLP
BOWMAN & COMPANY
Certified Public Accountants
& Consultants

Woodbury, New Jersey
June 25, 2012

Housing Authority of the City of Vineland

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

September 30, 2011

As management of the Vineland Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activity of the Authority for the year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which includes its blended component unit, Vineland Housing Development Corporation.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities as of September 30, 2011 by \$23,777,717 (net assets).
- The Authority had intergovernmental revenues of \$4,537,570 in operating grants, \$854,992 of capital grants and \$476,953 of other government grants for the year ended September 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- Statements of Net Assets - reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statements of Revenue, Expenses and Changes in Net Assets - reports the Authority's operating and nonoperating revenue, by major sources, along with operating and nonoperating expenses and capital contributions.
- Statements of Cash Flows - reports the Authority's net cash from operating, investing, and capital and related financial activities.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE)

Current assets decreased by \$596,870 in 2011 primarily due to the decrease in receivables from HUD and capital improvements to the properties and by \$157,245 in 2010 primarily due to the decrease in receivables from HUD.

Restricted assets increased in 2011 from the prior year in the amount of \$51,337 due to Section 8 revenues exceeding expenses and also increased in 2010 from the prior year in the amount of \$31,947 for revenues exceeding expenses.

Property and Equipment increased in 2011 by \$301,164 due to capital improvements and equipment purchases of \$1,986,286 which is offset by depreciation of \$1,488,827 and net asset removals of \$196,295 for fully depreciated items or retired assets and decreased in 2010 by \$317,811 due to capital improvements and equipment purchases of \$1,059,397 which is offset by depreciation of \$1,377,208.

Current liabilities decreased in 2011 by \$155,510 primarily due to a decrease in accounts and contracts payable and decreased in 2010 by \$83,387 also due to a decrease in accounts payable.

Noncurrent liabilities decreased in 2011 by \$937,237 primarily due to the reversal of the accrual for post retirement benefits of \$732,710 which is no longer required since the authority has switched health benefits to the State program and a bond payment of \$190,000 and increased in 2010 by \$210,538 due to the accrual for the post retirement benefits of \$366,355 and the increase in long-term accrued compensated absences of \$29,183 which was offset by a bond payment of \$180,000.

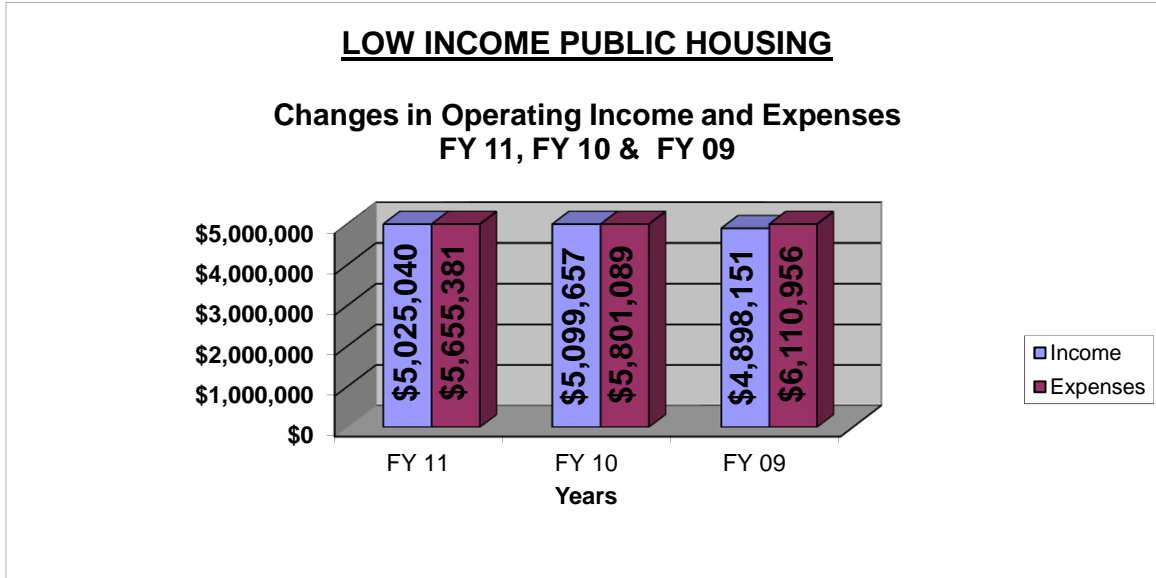
Housing Authority of the City of Vineland

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

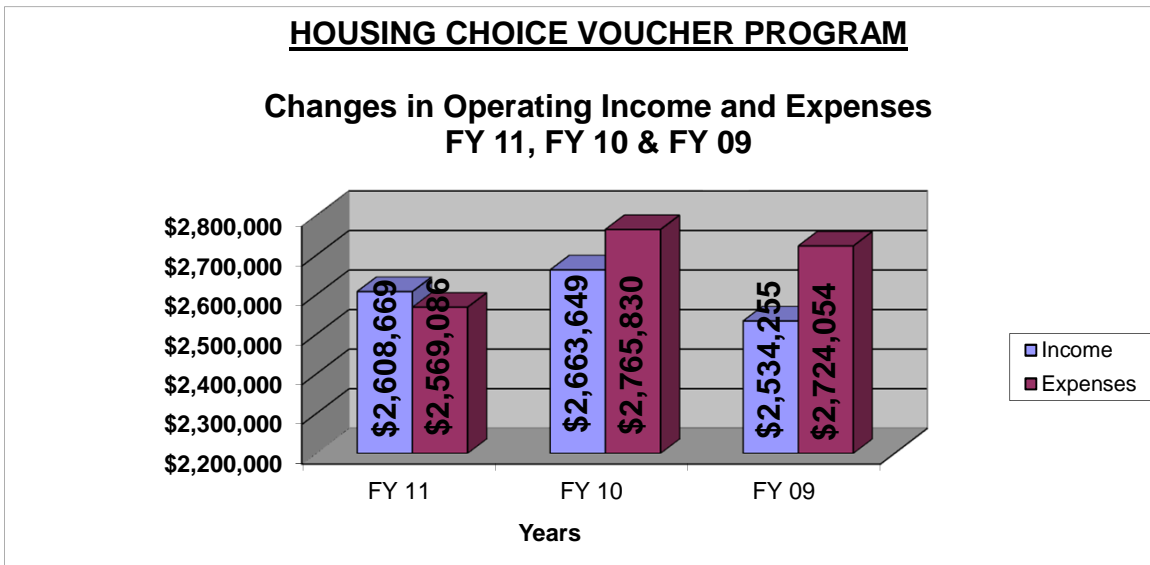
September 30, 2011

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) - CONTINUED

The following chart illustrates the operating income and expenses for the Low-Income Public Housing Program:



The following chart illustrates the operating income and expenses for the Housing Choice Voucher Program.



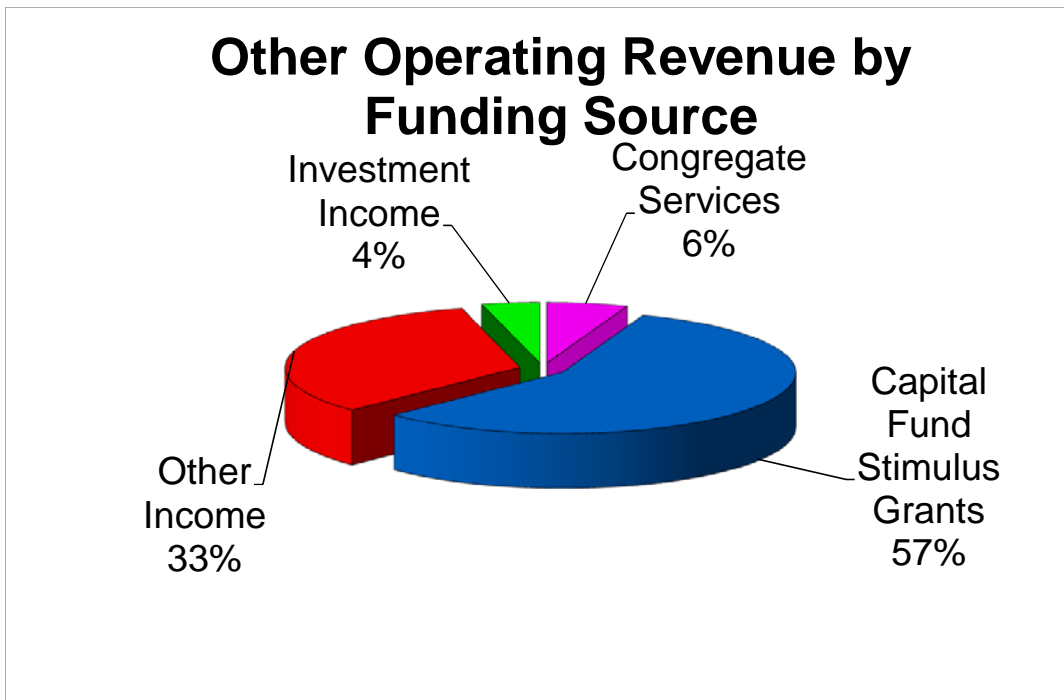
Housing Authority of the City of Vineland

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

September 30, 2011

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) - CONTINUED

The following chart illustrates the income and expenses for other operating revenue sources:



The federal grants increased in 2011 from the prior year in the amount of \$283,287 due primarily to site improvements at Parkview from the CFRG-ARRA and CFRC-Comp Grants and decreased in 2010 by \$364,697, due primarily to the majority of the CFRG - ARRA being spent in 2009 (\$794,448) which was utilized to renovate bathrooms at Tarkiln Acres.

Other Government Grants decreased in 2011 by \$4,501 and by \$13,578 in 2010 due to a decrease in funding by the State of NJ Congregate services program.

Tenant revenue increased in 2011 from the prior year in the amount of \$21,910 and by \$175,830 in 2010 as a result of an increase in tenant earned income which is utilized to calculate the tenant's rent.

Management contract fees increased in 2011 by \$105,071 and by \$38,897 in 2010 due to additional contracts to provide services to third parties.

Investment income decreased in 2011 from the prior year in the amount of \$2,661, due primarily to a less favorable interest rate than in the past and decreased in 2010 by \$27,709 due to a less favorable interest rate and a reduction in the amount invested.

Other income increased in 2011 from the prior year in the amount of \$782,521 primarily due to the gain on change in OPEB plan of \$732,710 and the insurance recovery, net of impairment loss from the Parkview fire of \$113,430 and increased by \$68,797 in 2010 due to additional tower rental during the year, changes in miscellaneous revenues, such as late fees, sale of assets and fraud recovery.

Housing Authority of the City of Vineland

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

September 30, 2011

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) - CONTINUED

Administrative expenses decreased in 2011 from the prior year in the amount of \$305,367 primarily due to no longer accruing the OPEB benefits which is no longer necessary due to a switch to the state sponsored health insurance plan and decreased in 2010 from the prior year in the amount of \$145,462 primarily as a result of the retirement of employees who was not replaced and and conservative spending.

Tenant services decreased in 2011 from the prior year by \$30,722 and by \$46,913 in 2010 due to a change in employees from full-time with benefits to part-time employees with no benefits.

Utilities increased in 2011 from the prior year in the amount of \$8,296 and decreased in 2010 by \$64,737, due primarily to the change in accounting method for accruals of utilities expenses.

Housing assistance payments decreased in 2011 from the prior year in the amount of \$66,332 due to abortion of ports-ins and increased tenant incomes and increased by \$17,947 in 2010 as a result of more units being leased under the Section 8 Program in 2011.

Ordinary maintenance and operation expenses increased in 2011 from the prior year in the amount of \$39,166 and decreased from the prior year in the amount of \$190,586 due primarily to the maintenance performed on the scattered sites 2011 and 2009.

Protective services increased in 2011 from the prior year in the amount of \$25,628 due to an additional contract for services for Kidston Towers and increased in 2010 by \$2,637 for contract increases.

General expenses decreased in 2011 from the prior year in the amount of \$6,923 primarily due to the decrease in compensated absences of \$63,540 and an increased in bad debts of \$53,189 primarily due to the increase in the allowance account for the Due from Vineland Housing Solutions, LLC and increased in 2010 by \$49,089 primarily due to the increase in compensated absences.

Depreciation expense increased in 2011 from the prior year in the amount of \$111,619 primarily due to the depreciation on the new assets and decreased in 2010 by \$130,241 as a result of more capital assets being fully depreciated.

Housing Authority of the City of Vineland

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

September 30, 2011

STATEMENTS OF NET ASSETS

	2011	2010	2009
Current Assets	\$ 5,867,319	\$ 6,464,189	\$ 6,621,434
Restricted Assets	738,029	686,692	654,745
Property and equipment, net	21,818,115	21,516,951	21,834,762
TOTAL ASSETS	28,423,463	28,667,832	29,110,941
Current Liabilities	897,322	1,052,832	1,136,219
Noncurrent Liabilities	3,748,424	4,685,661	4,475,123
TOTAL LIABILITIES	4,645,746	5,738,493	5,611,342
Invested in Capital Assets, Net of Debt	18,018,115	17,531,951	17,669,762
Restricted Net Assets	554,423	510,117	485,560
Unrestricted Net Assets	5,205,179	4,887,271	5,344,277
TOTAL NET ASSETS	\$ 23,777,717	\$ 22,929,339	\$ 23,499,599

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

	2011	2010	2009
REVENUES:			
Federal grant awards	\$ 5,800,288	\$ 5,517,001	\$ 5,881,698
State and local grant awards	69,228	73,729	87,307
Tenant charges	2,407,621	2,385,711	2,209,881
Management contract fees	341,082	236,011	197,114
Investment income	49,436	52,097	79,806
Other income	1,054,613	272,092	203,295
TOTAL REVENUES	9,722,268	8,536,641	8,659,101
EXPENSES:			
Administrative	1,731,358	2,036,725	2,182,187
Tenant services	168,222	198,944	245,857
Utilities	1,136,314	1,128,018	1,192,755
Housing assistance payments	2,317,433	2,383,765	2,365,818
Ordinary maintenance and operation	1,374,215	1,335,049	1,525,635
Protective services	95,257	69,629	66,992
General expenses	212,329	219,252	170,163
Depreciation expense	1,488,827	1,377,208	1,507,449
Insurance	179,810	182,072	196,256
Interest	170,125	176,239	181,744
TOTAL EXPENSES	8,873,890	9,106,901	9,634,856
DECREASE IN NET ASSETS	848,378	(570,260)	(975,755)
NET ASSETS, BEGINNING	22,929,339	23,499,599	24,475,354
NET ASSETS, ENDING	\$ 23,777,717	\$ 22,929,339	\$ 23,499,599

Housing Authority of the City of Vineland

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

September 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The following table summarizes the changes in capital assets between September 30, 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 3,597,705	\$ 3,597,705	\$ 3,597,705
Building	43,309,691	41,377,139	40,558,857
Leasehold Improvements	-	-	-
Equipment	1,903,095	2,830,196	2,791,095
Construction-in-progress	258,239	438,173	241,773
Total	49,068,730	48,243,213	47,189,430
Accumulated Depreciation	27,250,615	26,726,262	25,354,668
Net Capital Assets	<u>\$ 21,818,115</u>	<u>\$ 21,516,951</u>	<u>\$ 21,834,762</u>

Significant capital asset events in the current year are related to capital fund improvements at the Authority sites based on the Authority spending the proceeds from the capital leveraging program revenue bonds Series 2004A.

Debt:

As of September 30, 2011, the Authority had \$3,800,000 in outstanding bond debt from the capital leveraging program.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2011.

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

CONTRACTING 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 information should be addressed to the Executive Director, Vineland Housing Authority, 191 W. Chestnut Avenue, Vineland, NJ 08360-5499, 856-691-4099.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Statements of Net Assets
September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,498,941	\$ 5,745,724
Accounts receivable, net of allowance for doubtful accounts of \$20,729 in 2011 and \$13,399 in 2010	20,729	16,208
Due from HUD	146,077	336,391
Due from other governments	66,326	83,501
Due from Vineland Housing Solutions LLC, net of allowance of \$61,383 in 2011 and \$0 in 2010	61,383	97,313
Other receivables	16,046	75,888
Prepaid expenses	54,953	106,125
Inventory	2,864	3,039
Total current assets	<u>5,867,319</u>	<u>6,464,189</u>
Restricted assets		
Cash and cash equivalents	<u>738,029</u>	<u>686,692</u>
Property and equipment, net		
	<u>21,818,115</u>	<u>21,516,951</u>
	<u>\$ 28,423,463</u>	<u>\$ 28,667,832</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 258,526	\$ 422,886
Current portion of liability for compensated absences	46,141	51,311
Tenant funds on deposit	183,607	176,575
Due to other governments	126,926	125,499
Deferred revenue	22,150	18,947
Current portion of long-term debt	190,000	185,000
Accrued interest payable	69,972	72,614
Total current liabilities	<u>897,322</u>	<u>1,052,832</u>
Long-term liabilities		
Long-term debt, net of current portion	3,610,000	3,800,000
Liability for compensated absences, net of current portion	138,424	152,951
Other post-retirement benefits		732,710
Total long-term liabilities	<u>3,748,424</u>	<u>4,685,661</u>
Total liabilities	<u>4,645,746</u>	<u>5,738,493</u>
Net assets		
Invested in capital assets, net of related debt	18,018,115	17,531,951
Restricted	554,423	510,117
Unrestricted	5,205,179	4,887,271
Total net assets	<u>23,777,717</u>	<u>22,929,339</u>
	<u>\$ 28,423,463</u>	<u>\$ 28,667,832</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Statements of Revenue, Expenses, and Changes in Net Assets
For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue		
Federal grant awards	\$ 4,945,296	\$ 4,588,825
State and local grant awards	69,228	73,729
Tenant charges	2,407,621	2,385,711
Management contract fees	341,082	236,011
Other income	101,780	171,216
	<u>7,865,007</u>	<u>7,455,492</u>
Total operating revenue		
Operating expenses		
Administration	1,719,902	2,036,725
Tenant services	167,416	198,944
Utilities	1,136,314	1,128,018
Housing assistance payments	2,317,433	2,383,765
Ordinary maintenance and operation	1,374,215	1,335,049
Protective services	95,257	69,629
General expenses	224,591	219,252
Depreciation expense	1,488,827	1,377,208
Insurance	179,810	182,072
	<u>8,703,765</u>	<u>8,930,662</u>
Total operating expenses		
Operating loss	<u>(838,758)</u>	<u>(1,475,170)</u>
Non-operating revenue (expenses):		
Capital grants	854,992	928,176
Gain on change in OPEB plan	732,710	
Insurance recovery on capital assets, net of impairment loss	113,430	
Investment income	49,436	52,097
Interest expense	(170,125)	(176,239)
Tower rental income	106,693	100,876
	<u>1,687,136</u>	<u>904,910</u>
Net non-operating revenue		
Increase (decrease) in net assets	<u>848,378</u>	<u>(570,260)</u>
Net assets at the beginning of the year	<u>22,929,339</u>	<u>23,499,599</u>
Net assets at the end of the year	<u>\$ 23,777,717</u>	<u>\$ 22,929,339</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Statements of Cash Flows
For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Cash received from federal and state assistance programs	\$ 5,214,296	\$ 4,928,613
Cash received from tenants	2,413,335	2,392,022
Cash received from management contracts	348,798	208,429
Other operating cash receipts	101,780	171,216
Payments for goods and services	(3,521,372)	(3,873,859)
Payments to employees and for benefits	(1,411,643)	(1,152,103)
Payments to landlords for rent	<u>(2,317,433)</u>	<u>(2,383,765)</u>
Net cash provided by operating activities	<u>827,761</u>	<u>290,553</u>
Cash flows from non-capital financing activities		
Tower rental income	<u>106,693</u>	<u>100,876</u>
Net cash provided by non-capital financing activities	<u>106,693</u>	<u>100,876</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,676,561)	(1,059,397)
Capital grants received	854,992	928,176
Principal payments on long-term debt	(185,000)	(180,000)
Interest payments on long-term debt	<u>(172,767)</u>	<u>(178,639)</u>
Net cash used in capital and related financing activities	<u>(1,179,336)</u>	<u>(489,860)</u>
Cash flows from investing activities		
Interest income received	<u>49,436</u>	<u>52,097</u>
Net cash provided by investing activities	<u>49,436</u>	<u>52,097</u>
Decrease in cash and cash equivalents	(195,446)	(46,334)
Cash and cash equivalents, beginning of year	<u>6,432,416</u>	<u>6,478,750</u>
Cash and cash equivalents, end of year	<u>\$ 6,236,970</u>	<u>\$ 6,432,416</u>

HOUSING AUTHORITY OF THE CITY OF VINELAND
Statements of Cash Flows (continued)
For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (838,758)	\$ (1,475,170)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	1,488,827	1,377,208
Gain on change in OPEB plan	732,710	
(Increase) decrease in assets		
Accounts receivable, net of allowance for doubtful accounts	(4,521)	(2,530)
Due from HUD	190,314	280,890
Due from other governments	17,175	(42,413)
Due from Vineland Housing Solutions LLC, net of allowance	35,930	(97,313)
Other receivables	59,842	(44,727)
Prepaid expenses	51,172	(43,680)
Inventory	175	28,737
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(164,360)	(128,155)
Deferred revenue	3,203	1,451
Due to other governments	1,427	23,536
Other post-retirement benefits	(732,710)	366,355
Liability for compensated absences	(19,697)	38,974
Tenant funds on deposit	7,032	7,390
	<u>\$ 827,761</u>	<u>\$ 290,553</u>
Net cash provided by operating activities		
	<u>\$ 827,761</u>	<u>\$ 290,553</u>
Reconciliation of cash and cash equivalents to the statement of net assets		
Cash and cash equivalents - unrestricted	\$ 5,498,941	\$ 5,745,724
Cash and cash equivalents - restricted	738,029	686,692
	<u>\$ 6,236,970</u>	<u>\$ 6,432,416</u>
	<u>\$ 6,236,970</u>	<u>\$ 6,432,416</u>

Noncash capital and related financing activities:

Vineland Housing Authority obtained capital assets related to fire restoration totaling \$222,095 which was directly reimbursed to the contractor by the insurance company for the year ended September 30, 2011.

Vineland Housing Authority obtained capital assets and other noncash benefits from Gateway Community Action Partnership totaling \$394,258 which was funded by the Weatherization grant for the year ended September 30, 2011.

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements

Note 1: **ORGANIZATION AND ACTIVITY**

The Housing Authority of the City of Vineland (the "Authority") was created through a resolution of the Council of the City of Vineland in 1965. Organized as a public housing authority ("PHA") as defined by state statute (N.J.S.A. 40A:12A-1, et seq., the "Housing Authority Act") the Authority functions under the supervision of the U.S. Department of Housing and Urban Development and the New Jersey State Department of Community Affairs. The Board of Commissioners of the Authority is a seven-member board with five members appointed by the Council of the City of Vineland, one member appointed by the Mayor of the City of Vineland, and one member appointed by the Commissioner of the New Jersey State Department of Community Affairs.

Based upon the criteria described in GASB No. 14, as amended by GASB No. 39, the Authority considers Vineland Housing Development Corporation (VHDC) to be a component unit. VHDC is a separate entity from the Housing Authority of the City of Vineland but is related by common management. VHDC is a blended component unit which is included in the financial statements of the Authority. VHDC is a nonprofit entity incorporated June 8, 1999 and works in conjunction with the Housing Authority of the City of Vineland and the City of Vineland in an effort to create and increase affordable housing units within the city limits of Vineland, New Jersey. VHDC has a management agreement with the Housing Authority of the City of Vineland to manage the construction of several homeownership units. The component unit's fiscal year covers the period June 30, 2011 and 2010. The financial statements of the individual component unit may be obtained by writing to the Authority's Executive Director at 191 W. Chestnut Avenue, Vineland, NJ 08360-5499. The purpose of VHDC is to provide affordable housing to the needy and for other charitable purposes permitted by N.J.S.A. 15A:2-(1) and the Internal Revenue Code Section 501 (c)(3).

As of September 30, 2011, the activities of the Authority included the ownership and/or management or oversight management of the following housing projects in Vineland, New Jersey:

The Housing Assistance Payments Programs includes the Housing Choice Voucher program. This program provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing for extremely low and very low income families as defined by the Housing Act of 1998, at rents that they can afford. The U.S. Department of Housing and Urban Development ("HUD") provides assistance for approximately 347 housing units to the Authority.

The Public Housing Program consists of 600 rental units constructed or purchased and operated by the Authority. The purpose of this program is to provide decent, safe, and sanitary housing to eligible low-income families and the elderly at rents they can afford. HUD provides assistance to the Authority in the form of operating subsidies.

The Congregate Services Program is a federal and state-funded program that provides nutrition, housekeeping, and certain other services to tenants residing in the Authority's owned or managed housing projects for the elderly and disabled.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Housing Authority of the City of Vineland have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority and its component unit apply authoritative U.S. accounting and reporting standards for nongovernmental entities issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently. The more significant of the Authority's accounting policies are described below.

Reporting entity

As required by generally accepted accounting principles, the financial statements present the Authority (the primary government) and its component unit. The primary government includes the accounts of all Authority operations. The component unit is included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority.

The Authority is a component unit of the City of Vineland. The Council of the City of Vineland appoints six out of seven commissioners.

Basis of accounting

The financial statements of the Authority have been prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Revenue is recognized when earned and expenses are recognized when a liability is incurred. The activities of the Authority are accounted for in an enterprise fund, used to account for governmental operations that are financed and operated in a manner similar to provide business enterprises. Enterprise fund accounting is used when the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate.

Revenue

The major sources of revenue are various subsidies from the U.S. Department of Housing and Urban Development, federal awards, management contract revenue, charges to tenants, and other miscellaneous revenue as discussed below.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Federal and state grant revenue - Operating subsidies, Section 8 housing assistance payments, and Capital Fund program revenue received from the U.S. Department of Housing and Urban Development are susceptible to accrual and are recognized during the fiscal year earned in accordance with applicable HUD program guidelines. The Authority is generally entitled to receive monies under an established payment schedule or, for the Capital Fund program, as expenditures are made. Advance payments received for the subsequent fiscal year are recorded as deferred revenue.

State financial assistance applicable to the Congregate Services Program is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Management contract fees - The Authority provides property management and administrative services to certain outside parties providing affordable housing. Management fees for these services are determined as prescribed in the individual management contracts. Revenue from these contracts is recognized on an accrual basis.

Tenant charges - Tenant charges consist of rental income and fees for nutrition, housekeeping, and certain other services. Charges are determined and billed monthly and are recognized as revenues when assessed because they are measurable and are collectible within the current period. Amounts not received by year-end are considered to be accounts receivable, and amounts paid for the subsequent fiscal year are recorded as deferred revenue.

Other income - Miscellaneous income is composed primarily of miscellaneous service fees. This revenue is recorded as earned since it is measurable and available.

Budgets and budgetary control

The Authority prepares an annual budget as required by N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The Authority's budget includes all operations of the Authority, exclusive of its component unit. Planned Capital Fund expenditures are included in a capital budget, which is part of the annual budget. The original budget and budget amendments must be approved by Board resolution. Budget amendments during the years ended September 30, 2011 and 2010 were not significant.

Annual budgets are prepared on the modified accrual basis of accounting. This basis differs in certain respects from the full accrual basis of accounting that the Authority utilizes for financial reporting.

Non-appropriated capital budgets are prepared for the Capital Fund Program. Expenditures for these funds are controlled on the basis of applicable separate annual grant awards from HUD and are carried forward each year until the projects are completed or the grant award has been expended.

The Authority's annual budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by function and nature. The total amount of appropriations constitutes the legal level of control. Expenditures may not exceed appropriations at this level without approval of the State of New Jersey Department of Community Affairs.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and cash equivalents and investments

Cash and cash equivalents include petty cash, cash in banks, and all highly liquid investments with an original maturity of three months or less at time of purchase.

Cash and cash equivalents are reported at fair value, which approximates cost. Investments are generally reported at fair value, which is determined using selected bases.

HUD authorizes public housing authorities to invest in U.S. obligations, U.S. agencies, money market funds limited to U.S. obligations, certificates of deposit, savings accounts, and repurchase agreements fully collateralized by U.S. obligations (with certain restrictions).

New Jersey local units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 40A:5-15.1 provides a list of permissible investments that may be purchased which include, but are not limited to bonds or other obligations of, or guaranteed by, the United States of America, government market mutual funds, bonds or other obligations of the local unit, and deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281.

The Authority has adopted a cash management plan that requires it to deposit public 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 and requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the N.J.S.A. 17:9-41 et seq.

Public depositories include banks (both state and national banks), and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Restricted assets

Certain cash of the Authority is restricted by HUD for use to fund future housing assistance payment, for tenant security deposits, Family Self-Sufficiency deposits, Housing Assistance Payments, Homeownership Funds, or for other specified purposes.

Property and equipment

Land, buildings, and furniture and equipment, and leasehold improvements are carried substantially at cost. All additions and betterments are charged to the property and equipment accounts. The Authority has no infrastructure fixed assets.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Interest has been capitalized during the construction period on buildings and equipment.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property and equipment (continued)

Assets capitalized generally have an original cost of \$1,000 or more and a useful life in excess of three years. Depreciation has been provided on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Building improvements	15 years
Furniture and equipment	3 to 7 years

Compensated absences

Employees earn vacation and sick leave in varying amounts based upon length of service. Vacation may be accrued up to an amount equal to two years annual vacation. This amount will be fully reimbursed upon retirement. Sick leave may be accrued up to an unlimited amount; however, upon retirement, the employee will be reimbursed a half day's pay for each full day of accrued sick leave up to a maximum dollar amount of \$17,500. Employees having a balance of at least 30 sick days have the option to convert the sick days to a contribution to a Section 457(b) deferred compensation plan established for the employee.

Amounts accrued are charged to expense with a corresponding liability. The component unit has no employees and therefore no liability for compensated absences.

Net assets

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 assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation, and unamortized debt acquisition costs, 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 invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.

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

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definitions of "restricted" or "invested in capital assets, net of related debt."

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

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

Use of Estimates

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets, liabilities and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results may differ from those estimates.

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended September 30, 2010 to conform to the presentation of the current year.

Note 3: **CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's formal policy regarding custodial credit risk is the same as described in Note 1, N.J.S.A. 17:9-41 et seq. and included in its cash management plan. The Authority shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of September 30, 2011, the bank balances of \$6,299,957 and \$1,779 of the Authority and the component unit, respectively, were insured or collateralized as follows:

	<u>Authority</u>	<u>Component Unit</u>
Insured	\$ 824,003	\$ 1,779
Collateralized under GUDPA	5,475,954	-
Uninsured or uncollateralized	-	-
	<u>\$ 6,299,957</u>	<u>\$ 1,779</u>

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 3: **CASH AND CASH EQUIVALENTS (continued)**

Investments

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All investments are held in the Authority's name.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Authority does have investment policies that are governed by HUD and N.J.S.A.40A which limits the risks associated with investing as listed above. See note 2 for detail of these policies.

Concentration of credit risk – Concentration of credit risk is the risk that there is no limit on the amount that may be invested in any one issuer. There were no investments as of September 30, 2011 and 2010.

Note 4: **RESTRICTED ASSETS**

The Authority established restricted cash accounts as required by HUD to report the associated cash associated with unused Housing Assistance Payments and to hold tenant security deposits.

The Authority's restricted cash is as follows:

	<u>September 30,</u>	
	2011	2010
Housing Assistance Payments	\$ 553,886	\$ 502,965
Tenant security deposits	183,607	176,575
Capital leveraging	536	7,152
	\$ 738,029	\$ 686,692

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 5: PROPERTY AND EQUIPMENT

The Authority's property and equipment activity for the years ended September 30, 2011 and 2010 was as follows:

	Balance September 30, 2010	Additions	Reductions	Balance September 30, 2011
Land	\$ 3,597,705			\$ 3,597,705
Buildings	41,377,138	\$ 1,944,131	\$ 11,578	43,309,691
Furniture, equipment & machinery – dwelling	1,051,585	11,975	567,620	495,940
Furniture, equipment & machinery - administration	1,778,611	13,820	385,276	1,407,155
Construction in progress	438,174	16,360	196,295	258,239
	48,243,213	1,986,286	1,160,769	49,068,730
Less accumulated depreciation	26,726,262	1,488,827	964,474	27,250,615
Net property and equipment	<u>\$ 21,516,951</u>	<u>\$ 497,459</u>	<u>\$ 196,295</u>	<u>\$ 21,818,115</u>
	Balance September 30, 2009	Additions	Reductions	Balance September 30, 2010
Land	\$ 3,597,705			\$ 3,597,705
Buildings	40,558,857	\$ 818,281		41,377,138
Furniture, equipment & machinery - dwelling	1,034,538	17,047		1,051,585
Furniture, equipment & machinery – administration	1,756,557	27,668	\$ 5,614	1,778,611
Construction in progress	241,773	799,653	603,252	438,174
	47,189,430	1,662,649	608,866	48,243,213
Less accumulated depreciation	25,354,668	1,377,344	5,750	26,726,262
Net property and equipment	<u>\$ 21,834,762</u>	<u>\$ 285,305</u>	<u>\$ 603,116</u>	<u>\$ 21,516,951</u>

During 2011, the Authority removed from its general ledger certain fully depreciated capital assets. Some of these assets were removed because they were no longer in use, and some were below the Authority's current capitalization threshold.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 6: **PENSION PLAN**

Public Employees' Retirement System

The Authority contributes to the State of New Jersey Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the New Jersey Division of Pensions and Benefits. PERS provides retirement, death, disability and medical benefits to certain qualified plan members and beneficiaries. PERS was established in January 1955 under the provisions of N.J.S.A 43:15A. Membership in PERS is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. The Board of Trustees of PERS is primarily responsible for the administration of PERS.

According to the State of New Jersey administrative code, all obligations of PERS will be assumed by the State of New Jersey should PERS terminate.

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members enrolled in the Public Employees' Retirement System are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability. Public Law 2009, c. 19 (S-21) was enacted on March 17, 2009 and allowed the Division of Pension and Benefits to provide non-state government pensions system employers the option of paying the full amount, or an amount that reflect a 50 percent reduction of the normal and accrued liability component of the PERS obligations. The Authority elected to pay the full amount of the employer normal and accrued liability portion of the PERS obligation. The Authority's total contributions to the plan, equal to the required contribution for each year were \$144,601, \$117,693, and \$100,166 for the years ended September 30, 2011, 2010, and 2009, respectively.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 7: **OTHER POST-RETIREMENT BENEFITS**

State Health Benefits Program

Plan Description - The Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2010, the Authority authorized participation in the SHBP's post-retirement benefit program through resolution number 2010-82. Eligibility to participate in the SHBP's post-retirement benefit program begins after 25 years of credited service with the Authority or if the employee retires on disability pensions based on fewer years of services credited in the retirement system. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

The SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/gasb-43-sept2009.pdf>

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. Payments made by plan members or beneficiaries receiving benefits at September 30, 2011 totaled \$8,430.

The Authority began contributions for post-retirement health benefits to the SHBP in the year ended September 30, 2011. The Authority contributions to the SHBP for post-retirement benefits for the year ended September 30, 2011 was \$104,421 which equaled the required contributions for that year. There were approximately 20 retired participants eligible at September 30, 2011.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 7: **OTHER POST-RETIREMENT BENEFITS (continued)**

Prior Post-Employment Health Plan

Prior to January 1, 2011, the Authority administered a single-employer defined benefit healthcare benefits plan for its eligible employees. This plan was accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, on a prospective basis beginning during the fiscal year which ended September 30, 2009. The Plan's annual required contribution was \$487,791 each year for 2009 and 2010, and annual contributions of approximately \$121,436 for each year were made resulting in a cumulative net obligation for other post-employment benefits (OPEB) of \$732,710 as of September 30, 2010.

As described above, effective January 1, 2011, the single-employer plan was terminated and all current employees and retirees became participants in the State Health Benefits Plan. The cumulative (OPEB) liability was reversed during the fiscal year ending September 30, 2011 and is reflected in the accompanying financial statements as gain on OPEB plan.

Note 8: **LONG-TERM DEBT**

The following summarizes compensated absences at year end:

	September 30,	
	2011	2010
	Compensated Absences	Compensated Absences
Beginning balance	\$ 204,262	\$ 165,288
Increase	115,779	162,237
Decrease	(135,476)	(123,263)
Ending balance	<u>184,565</u>	<u>204,262</u>
Current portion	<u>\$ 46,141</u>	<u>\$ 51,311</u>

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 8: LONG-TERM DEBT (continued)

On December 12, 2004, the Authority issued Capital Fund Program Revenue Bonds, Series 2004A in the amount of \$4,760,000. These bonds bear interest at 4.466 percent and require semi-annual payments of principal and interest on May 1 and November 1 through November 1, 2025.

The following is a summary of bonds payable for the year ended September 30, 2011 and 2010:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts due within the year
9/30/2011	\$ 3,985,000	\$ -	\$ (185,000)	\$ 3,800,000	\$ 190,000
9/30/2010	\$ 4,165,000	\$ -	\$ (180,000)	\$ 3,985,000	\$ 185,000

As of September 30, future principal and interest payments are as follows:

Year Ending September 30,	Principal	Interest	Total
2012	\$ 190,000	\$ 166,247	\$ 356,247
2013	200,000	159,244	359,244
2014	210,000	151,649	361,649
2015	215,000	143,564	358,564
2016	225,000	134,298	359,298
2017-2021	1,300,000	511,024	1,811,024
2022-2026	1,460,000	177,425	1,637,425
	<u>\$ 3,800,000</u>	<u>\$ 1,443,451</u>	<u>\$ 5,243,451</u>

Note 9: COMMITMENTS

As of September 30, 2011, the Authority had commitments to expend approximately \$594,887 for various capital improvements and related costs for the 2011, 2010, 2009 Capital Fund grants as well as the Capital Fund Stimulus Formula grant funded by the Capital Fund Stimulus Recovery Act.

Note 10: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through a joint insurance pool as described below. Settled claims from these risks have not exceeded coverage for the past several years.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 10: **RISK MANAGEMENT (continued)**

The Authority is a member of the New Jersey Public Housing Authority Joint Insurance Fund. The Fund provides its members with the following coverage:

Property and Physical Damage
General and Automobile Liability
Workers' Compensation
Public Official Liability/Employment Practices Liability

Contributions to the Fund are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment to the Fund's obligation.

The Fund publishes its own financial report which can be obtained from:

New Jersey Public Housing Authorities Joint Insurance Fund
250 Phele Avenue, Suite 701
Saddle Brook, New Jersey 07663

Note 11: **OTHER MATTERS**

Certain claims have been filed against the organizations. In the opinion of management, all matters are adequately covered by insurance or are without merit.

On January 5, 2011, a fire caused damage to several rental units of Parkview Apartments. Tenants were relocated to other accommodations and returned to their apartments by the end of the fiscal year. The insurance carrier is paying the costs of required physical restoration of the property directly to the contractor. Restoration work completed during 2011 totaled \$222,095, and this amount was paid by the insurance carrier during 2011. An impairment loss of \$108,665 has been recognized in accordance with relevant accounting standards and has been offset against the gain from the insurance recovery for a net gain in the amount of \$113,430.

Other receivables on the Statement of Net Assets include amounts for accrued losses due to a fire at Kidston Towers in March 2009 in the amount of \$31,161 for the year ended September 30, 2010. The cumulative amount accrued at September 30, 2010 was recovered in full in February 2011.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 12: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Housing Authority of the City of Vineland has an outstanding loan due from Vineland Housing Development Corporation dated August 1, 2000. The purpose of the loan is to enable Vineland Housing Development Corporation to purchase and/or construct single family residences within the City of Vineland for sale to qualified buyers. This loan was refinanced and included in the loan described below in 2005.

Housing Authority of the City of Vineland entered into a loan agreement with Vineland Housing Development Corporation dated June 1, 2005, in the amount of \$379,660 which was intended to refinance the remaining balance of the original note described above plus the remaining amount of additional funds at the time that the new note was formalized in writing. Although this new note was prepared, no formal board resolution was ever passed refinancing the balance on the remaining balance on the original note. The purpose of this new note is to enable Vineland Housing Development Corporation to purchase land located on Chestnut Avenue in Vineland, New Jersey in order to construct single family residential homes for sale to qualified buyers. Despite the agreement's provision to charge a six percent interest on the unpaid principal balance, no interest has been accrued or paid on the loan. The note provides for payment on demand and is included as a current liability in the accompanying Statement of Net Assets. The balance outstanding of the note, including the amount of the original note and additional funds advanced, at both September 30, 2011 and 2010 is \$374,167. As of the date of the preparation of the financial statements, no payments were made to the Authority on this loan.

In addition to the loans described above, the Housing Authority of the City of Vineland has advanced amounts to Vineland Housing Development Corporation for operating purposes, without interest. In April 2008, the Board of the Housing Authority of the City of Vineland passed a resolution authorizing cash advances of up to \$50,000 with no set payment terms. During the years ending September 30, 2011 and 2010, the Housing Authority of the City of Vineland advanced Vineland Housing Development Corporation \$20,000 and \$10,000, respectively. Additionally, from time to time the Authority has paid expenses attributable to the Corporation. The amount of outstanding advances and payments made for expenditures on behalf of the Corporation by the Housing Authority of the City of Vineland at September 30, 2011 and 2010 totaled \$47,806 and \$26,974, respectively. As of the date of the preparation of the financial statements, no payments were made to the Authority on these amounts due.

The following schedule reports receivables and payables at fiscal year-end. Receivables and payables within the Authority have been eliminated in the aggregation of financial data in the accompanying financial statements.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Financial Statements (continued)

Note 12: **RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY (continued)**

<u>Within the Authority</u>		
<u>Due to Other Programs</u>	<u>Due from Other Programs</u>	
Housing Choice Voucher	PHA Owned Housing Program	\$ 344,509
Homeownership	PHA Owned Housing Program	52,242
Congregate	PHA Owned Housing Program	19,233
ROSS Program	PHA Owned Housing Program	22,500
Homeownership	Housing Choice Voucher	44,629
FSS Program	Housing Choice Voucher	13,644
		<u>\$ 496,757</u>

<u>Between the Authority and Component Units</u>		
<u>Due to (from)</u> <u>Authority</u>	<u>Due to (from)</u> <u>Component Units</u>	
Homeownership Program	VHDC	\$ (394,167)
PHA Owned Housing Program	VHDC	<u>(27,806)</u>
		<u>\$ (421,973)</u>

The balances above resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

HOUSING AUTHORITY OF THE CITY OF VINELAND

SUPPLEMENTARY INFORMATION

**(AS REQUIRED BY U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT)**

SEPTEMBER 30, 2011

37900										
VINELAND HOUSING AUTHORITY										
Financial Data Schedule										
Program Financials										
Year Ended September 30, 2011										
									2009	2009
									CF Recovery	FORMULA
									Comp. Grant	ARRA
			TOTAL	STATE	SEC 8	NEWHOP	VHDC	FEMA	FSS & ROSS	
111	Cash-Unrestricted		4,398,830	-	336,686	4,060,365	1,779			
112	Cash-Restricted-Modernization and Development		-							
113	Cash-Other Restricted		554,423	537	553,886					
114	Cash-Tenant Security Deposits		-							
115	Cash-Restricted for Payment of Current Liabilities		-							
100	Total Cash		4,953,253	537	890,572	4,060,365	1,779	-		-
121	A/R-PHA Projects		-							
122	A/R-HUD Other Projects		36,144						36,144	
124	A/R-Other Government		17,413	16,882	531					
125	A/R-Miscellaneous		5,000		-	5,000				
126	A/R-Tenants		585		585					
126.1	Allowance for Doubtful Accounts-Tenants		(292)		(292)					
126.2	Allowance for Doubtful Accounts-Other		-							
127	Notes, Loans & Mortgages Receivable-Current		394,167			394,167				
128	Fraud Recovery		-		-					
128.1	Allowance for Doubtful Accounts-Fraud		-		-					
129	Accrued Interest Receivable		-							
120	Total Receivables, Net of Allowances		453,017	16,882	824	399,167	-	-		-
131	Investments-Unrestricted		-	-						
132	Investments-Restricted		-							
135	Investments-Restricted for Payment of Current Liability		-							
142	Prepaid Expenses and Other Assets		-							
143	Inventories		-							
143.1	Allowance for Obsolete Inventories		-							
144	Inter Program Due From		85,420		58,273	27,147				
145	Assets Held for Sale		-							
150	Total Current Assets		5,491,690	17,419	949,669	4,486,679	1,779	-		-
161	Land		251,748				251,748			
162	Buildings		-							
163	Furniture, Equip & Mach-Dwelling		-							
164	Furniture, Equip & Mach-Admin		71,829		71,829					
165	Leasehold Improvements		-							
166	Accumulated Depreciation		(67,494)		(67,494)					
167	Construction in Progress		258,239				258,239			
168	Infrastructure		-							
160	Total Capital Assets, Net of Accumulated Depreciation		514,322	-	4,335	-	509,987	-		-
171	Notes, Loans and Mortgages Receivable-Non-current		-			-				
172	Notes, Loans and Mort. Rec.-Non-current-Past Due		-							
173	Grants Receivable-Non Current		-							
174	Other Assets		-							
176	Investments in Joint Ventures		-							
180	Total Non-Current Assets		-	-	-	-	-	-		-
190	Total Assets		6,006,012	17,419	954,004	4,486,679	511,766	-		-
311	Bank Overdraft		-							
312	Accounts Payable<=90 Days		3,816	1,614	1,829	-	373	-		
313	Accounts Payable>90 Days Past Due		-							
321	Accrued Wages/Payroll Taxes Payable		3,976	1,332	2,644					
322	Accrued Compensation Absences-current portion		4,479	414	4,065					
324	Accrued Contingency Liability		-							
325	Accrued Interest Payable		-							
331	Accounts Payable-HUD PHA Programs		-							
332	Accounts Payable-PHA Projects		-							
333	Accounts Payable-Other Government		-							
341	Tenant Security Deposits		-							

37900										
VINELAND HOUSING AUTHORITY										
Financial Data Schedule										
Program Financials										
Year Ended September 30, 2011										
									2009	2009
									CF Recovery	FORMULA
									Comp. Grant	ARRA
		TOTAL	STATE	SEC 8	NEWHOP	VHDC	FEMA	FSS & ROSS		
342	Deferred Revenues	5		5						
343	Current Portion of LT-Capital Projects/Mtg Rev. Bonds	-								
344	Current Portion of LT-Operating Borrowings	374,167				374,167				
345	Other Current Liabilities	47,806		-		47,806				
346	Accrued Liabilities-Other	-								
347	Inter Program -Due To	455,457	19,233	276,062	124,018			36,144		
348	Loan Liability-Current	-								
310	Total Current Liabilities	889,706	22,593	284,605	124,018	422,346	-	36,144		-
351	LT Debt, Net of Current -Capital Projects/Mtg Rev.	-	-							
352	LT Debt, Net of Current -Operating Borrowings	-	-							
353	Non-current Liabilities-Other	-								
354	Accrued Compensated Absences-Non current	13,436	1,242	12,194						
355	Loan Liability - Non current	-								
356	FASB 5 Liabilities	-								
357	Accrued Pension and OPEB Liabilities	-	-	-						
350	Total Non-Current Liabilities	13,436	1,242	12,194	-	-	-	-		-
300	Total Liabilities	903,142	23,835	296,799	124,018	422,346	-	36,144		-
508.1	Invested in Capital Assets, Net of Related Debt	514,322	-	4,335	-	509,987				-
509.2	Fund Balance Reserved	-								
511.2	Unreserved, Designated Fund Balance	-								
511.1	Restricted Net Assets	554,423	537	553,886	-					
512.1	Unrestricted Net Assets	4,034,125	(6,953)	98,984	4,362,661	(420,567)				-
512.2	Unreserved, Undesignated Fund Balance	-								
513	Total Equity/Net Assets	5,102,870	(6,416)	657,205	4,362,661	89,420	-	-		-
600	Total Liabilities and Equity/Net Assets	6,006,012	17,419	954,004	4,486,679	511,766	-	36,144	-	-
		-	-	-	-	-				-
70300	Net Tenant Rental Revenue	-								
70400	Tenant Revenue-Other	21,953	21,553	400						
70500	Total Tenant Revenue	21,953	21,553	400	-	-	-	-	-	-
70600	HUD PHA Operating Grants	2,556,764		2,520,620				36,144		
70610	Capital Grants	709,423							459,705	249,718
70710	Management Fee	-								
70720	Asset Management Fee	-								
70730	Bookkeeping Fee	-								
70740	Front Line Service Fee	-								
70750	Other Fees	-								
70700	Total Fee Revenue	3,266,187	-	2,520,620	-	-	-	36,144	459,705	249,718
70800	Other Government Grants	82,695	69,228				13,467			
71100	Investment Income-Unrestricted	45,732	-	794	44,938					
71200	Mortgage Interest Income	-								
71300	Proceeds from Disposition of Assets Held for Sales	-								
71310	Cost of Sale of Assets	-								
71400	Fraud Recovery	300		300						
71500	Other Revenue	86,555	-	86,555						
71600	Gain or Loss on Sale of Capital Assets	-								
72000	Investment Income-Restricted	1	1	-						
70000	Total Revenue	3,503,423	90,782	2,608,669	44,938	-	13,467	36,144	459,705	249,718
91100	Administrative Salaries	126,623		102,711				23,912		
91200	Auditing Fees	13,984		13,984		-				
91300	Management Fees	88,335		40,512	44,938			2,885		
91310	Bookkeeping Fees	25,320		25,320						
91400	Advertising and Marketing	-		-						
91500	Employee Benefits-Admin.	57,023		47,676				9,347		

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VINELAND HOUSING AUTHORITY											
Financial Data Schedule											
Program Financials											
Year Ended September 30, 2011											
									2009	2009	
									CF Recovery	FORMULA	
			TOTAL	STATE	SEC 8	NEWHOP	VHDC	FEMA	FSS & ROSS	Comp. Grant	ARRA
91600	Office Expense		172		172						
91700	Legal Expense		10,572		10,572		-				
91800	Travel		422		422						
91810	Allocated Overhead		-								
91900	Other		9,163	1,274	5,403	-	2,486				
91000	Total Operating-Admin		331,614	1,274	246,772	44,938	2,486	-	36,144	-	-
92000	Asset Management Fee		-								
92100	Tenant Services-Salaries		52,697	52,697							
92200	Relocation Costs		-								
92300	Employee Benefits		3,614	3,614							
92400	Tenant Services-Other		19,757	19,757							
92500	Total Tenant Services		76,068	76,068	-	-	-	-	-	-	-
93100	Water		-								
93200	Electricity		-								
93300	Gas		-								
93400	Fuel		-								
93500	Labor		-								
93600	Sewer		-								
93700	Employee Benefits		-								
93800	Other Utilities		-								
93000	Total Utilities		-	-	-	-	-	-	-	-	-
94100	Ordinary Maint & Operations-Labor		-								
94200	Ordinary Maint. & Operations-Materials		3,330	2,350	980						
94300	Ordinary Maint. & Operations Contracts		16,007	316	549		1,675	13,467			
94500	Employee Benefits		-								
94000	Total Maintenance		19,337	2,666	1,529	-	1,675	13,467	-	-	-
95100	Protective Services-Labor		-								
95200	Protective Services-Other Contract Costs		-								
95300	Protective Services-Other		-								
95500	Employee Benefits		-								
95000	Total Protective Services		-	-	-	-	-	-	-	-	-
96110	Property Insurance		-								
96120	Liability Insurance		-								
96130	Workmen's Compensation		-								
96140	All Other Insurance		-								
96100	Total Insurance Premiums		-	-	-	-	-	-	-	-	-
96200	Other General Expenses		30				30				
96210	Compensated Absences		-	-	-						
96300	Payments in Lieu of Taxes		-								
96400	Bad debts-Tenant Rents		292		292						
96500	Bad debts-Mortgages		-								
96600	Bad debts-Other		-								
96800	Severance Expense		-								
96000	Total Other General Expenses		322	-	292	-	30	-	-	-	-
96710	Interest of Mortgage (or Bonds) Payable		-								
96720	Interest on Notes Payable (Short and Long Term)		-								
96730	Amortization of Bond Issue Costs		-								
96700	Total Interest Expense and Amortization Cost		-	-	-	-	-	-	-	-	-
96900	Total Operating Expenses		427,341	80,008	248,593	44,938	4,191	13,467	36,144	-	-
97000	Excess of Operating Revenue over Operating Expenses		3,076,082	10,774	2,360,076	-	(4,191)	-	-	459,705	249,718

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VINELAND HOUSING AUTHORITY											
Financial Data Schedule											
Program Financials											
Year Ended September 30, 2011											
									2009	2009	
									CF Recovery	FORMULA	
			TOTAL	STATE	SEC 8	NEWHOP	VHDC	FEMA	FSS & ROSS	Comp. Grant	ARRA
97100	Extraordinary Maintenance		-								
97200	Casualty Losses		-								
97300	Housing Assistance Payments		2,235,446		2,235,446						
97350	HAP Portability-In		81,987		81,987						
97400	Depreciation Expense		3,060		3,060						
97500	Fraud Losses		-								
97600	Capital Outlays-Governmental Funds		-								
97700	Debt Principal Payment-Governmental Funds		-								
97800	Dwelling Units Rent Expense		-								
90000	Total Expenses		2,747,834	80,008	2,569,086	44,938	4,191	13,467	36,144	-	-
10010	Operating Transfer In		-								
10020	Operating Transfer Out		-		-	-					
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)		131,810	42,938	88,872						
10091	Inter Project Excess Cash Transfer In		-								
10092	Inter Project Excess Cash Transfer Out		-			-					
10093	Transfers between Program and Project-In		-								
10094	Transfers between Program and Project-Out		(404,164)		-	(404,164)					
10100	Total Other financing Sources (Uses)		(272,354)	42,938	88,872	(404,164)	-	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (under)										
	Total Expenses		483,235	53,712	128,455	(404,164)	(4,191)	-	-	459,705	249,718
11020	Required Annual Debt Principal Payments		-								
11030	Beginning Equity		5,519,414	(60,128)	719,106	4,766,825	93,611	-	-	-	-
11040	Prior Period Adj., Equity Transfers and Correction of Error		(899,779)		(190,356)	-	-	-	-	(459,705)	(249,718)
11190	Unit Months Available		4,164		4,164						
11210	Number of Unit Months Leased		3,382		3,382						
11270	Excess Cash		-								
11610	Land Purchases		-								
11620	Building Purchases		-							-	-
11630	Furniture & Equipment-Dwelling Purchases		-								
11640	Furniture & Equipment-Admin. Purchases		-								
11650	Leasehold Improvements Purchases		-								
11660	Infrastructure Purchases		-								
13510	Replacement Housing Factor Funds		-								
13901	Replacement Housing Factor Funds		-								
	Beginning Equity		5,519,414	(60,128)	719,106	4,766,825	93,611	-	-	-	-
	Profit (Loss)		483,235	53,712	128,455	(404,164)	(4,191)	-	-	459,705	249,718
	Prior Period Adj. and Equity Transfers		(899,779)		(190,356)	-	-	-	-	(459,705)	(249,718)
	Total		5,102,870	(6,416)	657,205	4,362,661	89,420	-	-	-	-
	Equity (line 513)		5,102,870	(6,416)	657,205	4,362,661	89,420	-	-	-	-
	Difference		-	-	-	-	-	-	-	-	-

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VINELAND HOUSING AUTHORITY
PHA'S Statement and Certification of Actual Capital
Fund Program Costs

There were no Modernization Cost Certificates filed by the Housing Authority in 2011.

HOUSING AUTHORITY OF THE CITY OF VINELAND

PART II - SINGLE AUDIT SECTION

SEPTEMBER 30, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Housing Authority of the City of Vineland

Compliance

We have audited the compliance of the Housing Authority of the City of Vineland, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* could have a direct and material effect on its major federal programs for the year ended September 30, 2011. The Authority's federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Housing Authority of the City of Vineland's compliance based on our audit.

The Authority's blended component unit, Vineland Housing Development Corporation is not subject to Single Audit requirements and is not covered by this report.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding No. 2011-2

Internal Control Over Compliance


Management of the Housing Authority of the City of Vineland is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The Housing Authority of the City of Vineland's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Authority of the City of Vineland's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee and management of the Housing Authority of the City of Vineland, New Jersey; the U.S. Department of Housing and Urban Development; the Local Finance Board, Department of Community Affairs, State of New Jersey, and other governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.


BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
June 25, 2012

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HOUSING AUTHORITY OF THE CITY OF VINELAND
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Direct Programs		
Section 8 Housing Choice Voucher Program	14.871	\$ <u>2,520,620</u>
Public and Indian Housing Program	14.850a	<u>1,415,845</u>
Resident Opportunity and Supportive Services - Service Coordinators	14.870	<u>22,500</u>
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	14.877	<u>13,644</u>
Capital Fund Program Cluster		
Public Housing - Capital Fund Program	14.872	710,531
ARRA - Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	249,718
ARRA - Public Housing Capital Fund Stimulus (Competitive) Recovery Act Funded	14.884	<u>459,705</u>
Subtotal Capital Fund Program Cluster		<u>1,419,954</u>
Total U.S. Department of Housing and Urban Development		5,392,563
U.S. Department of Homeland Security, Passed through New Jersey Department of Law and Public Safety, Office of Emergency Management		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>13,467</u>
Total expenditures of federal awards		<u>\$ 5,406,030</u>

See accompanying notes to schedule of expenditures of federal awards.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Notes to Schedule of Expenditures of Federal Awards

Note 1: **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal programs of the Vineland Housing Authority. The Authority's component unit, Vineland Housing Development Corporation, is not subject to a Single Audit.

Note 2: **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

Note 3: **RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's financial statements, except as explained in Note 5.

Note 4: **RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Included in the amount reported as Federal expenditures in the accompanying schedule for CFDA number 14.871 are settlements prior year's administrative fees received from the United States Department of Housing and Urban Development (HUD) in the amounts of \$723, \$391, and \$208 for fiscal year 2010, and additional Housing Assistance Payments amounts received attributed to calendar year 2010 due to adjustments by HUD to the annual proration factor and to the Authority's net restricted assets in the amount of \$14,442. All other amounts in the accompanying schedule agree with, in all material respects, the amounts reported in the related federal financial reports. Additionally, there were expenditures of \$69,228 under the State of New Jersey, Department of Community Affairs Congregate Housing Services Program, which is not subject to a State Single Audit.

Note 5: **NONCASH BENEFITS**

The Authority received noncash benefits from Gateway Community Action Partnership funded by the Federal grant, CFDA number 81.042 in the amount of \$394,258. This benefit was received during the fiscal year at the Tarklin Apartments for various building improvements, appliances, and certain noncapital items. The Authority was the recipient of the benefit of this award, but had no control over its administration or compliance with the requirements of the award. Therefore, this is not included on the Schedule of Expenditures of Federal Awards.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2011

Section 1 – Summary of Auditor’s Results

Financial Statement Section

A. Type of auditors' report issued:	Unqualified
B. Internal control over financial reporting:	
1. Material weaknesses	None noted
2. Other significant control deficiencies	Yes
C. Noncompliance material to financial statements:	None noted

Federal Awards Section

D. Dollar threshold used to determine Type A programs:	\$ 300,000
E. Auditee qualifies as low-risk auditee?	No
F. Type of auditors' report on compliance for major programs:	Unqualified
G. Internal control over compliance:	
1. Material weaknesses	None noted
2. Other significant control deficiencies	None noted
H. Audit findings required to be reported in accordance with OMB Circular A-133 (Section .510(a)):	Yes
I. Identification of major federal programs:	

CFDA Numbers	Name of Federal Program
<u>Capital Fund Cluster:</u>	
14.872	Public Housing – Capital Fund Program
14.884	ARRA – Public Housing Capital Fund Stimulus (Competitive) Recovery Act Funded
14.885	ARRA – Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded
<u>Other Programs:</u>	
14.850a	Public and Indian Housing Program
14.871	Section 8 Housing Choice Voucher Program

HOUSING AUTHORITY OF THE CITY OF VINELAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2011

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding No. 2011-1

Condition

Significant audit adjustments were required to certain general ledger accounts to achieve proper presentation in the financial statements. Additionally, certain financial statement reclassifications were required.

Criteria

In order to ensure adequate control over the preparation of financial statements including related footnotes, all general ledger accounts should be properly supported and consideration should be given to correct classifications of amounts in financial statements.

Effect

The Authority's unaudited general ledger did not facilitate the preparation of financial statements, particularly in the areas of restricted and unrestricted cash, post-retirement benefits, capital assets, debt, and inventory valuation.

Cause

The addition of new sources of revenues and unusual transactions added complexities which detracted from the fee accountant's ability to correctly process all information provided by Authority staff.

Recommendation

It is recommended that proper support of all significant general ledger accounts be prepared on a periodic basis, and that comparisons be made to recorded balances with adjustments recorded as necessary. Additionally, the Authority should take steps to ensure that the controls over the preparation of financial statements and related footnotes are emphasized in the future.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

HOUSING AUTHORITY OF THE CITY OF VINELAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2011

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

Finding No. 2011-2

Information on the Federal Program

Public Housing Capital Fund Stimulus (Competitive) Recovery Act Funded (CFDA No. 14.884)

Criteria or Specific Requirement

In accordance with the grant agreement and reporting requirement, ARRA 1512 (c) reports are required to be filed quarterly.

Condition

Amount of expenditures reported on the second and third quarter fiscal year 2011 reports were not supported by the Authority's accounting records.

Questioned Costs

Not applicable.

Context

Not applicable.

Effect

Weakening of internal controls over the reporting requirements that are required by the grant agreement.

Cause

Client oversight.

Recommendation

All grant reporting should be based on the Authority's current accounting records.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**HOUSING AUTHORITY OF THE CITY OF VINELAND
Summary Schedule of Prior Year Audit Findings
And Questioned Costs as Prepared by Management**

This section identifies the status of prior year findings related to the financial statements and Federal Awards that are required to be reported in accordance with Government Auditing Standards, and OMB Circular A-133.

FINANCIAL STATEMENT FINDINGS

No Prior Year Findings.

FEDERAL AWARDS

No Prior Year Findings.

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APPRECIATION

We express our appreciation for the courtesies extended and assistance rendered to us during the course of this audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bowman & Company LLP".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants