

HOUSING AUTHORITY OF THE
CITY OF GARFIELD
Garfield, New Jersey

FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
FINANCIAL STATEMENTS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Housing Authority of the City of Garfield

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A- Financial Highlights

- 1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$10,827,926 (net position) as opposed to \$11,131,651 for the prior fiscal year.
- 2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$1,104,557.
- 3 – The Authority's cash and cash equivalent and investment balances at March 31, 2013 were \$600,112 (excluding tenant security deposits) representing an increase of \$330,767 from the prior fiscal year.
- 4 – The Authority's net operating revenues after expenses are gradually improving. Total operating revenues increased by \$5,810 to \$3,401,978 which was primarily attributed to tenant rental revenue increasing by \$84,133. Total Operating Expenses for the twelve month period ending March 31, 2013 and 2012 was \$3,969,756 and \$4,021,784 respectively. Decreases in expenses are mainly attributed to decreases in the general expenses and maintenance.
- 5 – The Authority's capital outlays for the fiscal year were \$215,899.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$1,272,222 for the fiscal year.

B – Using the Annual Report

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's Financial Statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

2 – Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows.

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

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g.; depreciation and earned but unused vacation leave).

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 9 through 11.

3 – Notes To Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found in this Report on pages 12 through 21.

4 – Supplemental Information

The schedule of expenditures of Federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The schedule of expenditures of Federal awards can be found on page 22 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

C – The Authority as a Whole

The Authority's Unrestricted Net Position decreased during the fiscal year by \$15,091 as detailed below.

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). During the current fiscal year, the Authority received \$215,899 in capital grants for modernization of its units.

D – Budgetary Highlights

For the year ended March 31, 2013 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

E – Capital Assets and Debt Administration

1 – Capital Assets

As of March 31, 2013, the Authority's investment in capital assets for its Proprietary Fund was \$9,723,369 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$215,899 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. These activities are funded by grants from HUD.

Additional informational on the Authority's capital assets can be found in Note 6 to the Financial Statements which is included in this Report

2 – Long Term Debt

The Authority does not have any long-term debt outstanding at this time.

F – 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 March 31, 2014.

1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.

2 – The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

F – Economic Factors and Next Year's Budgets and Rates

3 – The use of the Authority's Unrestricted Net Position of \$1,104,557 to fund any shortfalls rising from a possible economic downturn and reduced subsidies and grants. The Authority's Unrestricted Net Position appears sufficient to cover any shortfall.

G – Summary of significant changes from March 31, 2012 to March 31, 2013

FDS Line 312 – Accounts Payable_– The resulting increase in this account is attributed to the accrual of the pension contribution which was not paid until April 2013.

FDS Line 911 – Administrative Salaries increased by approximately five percent which represents normal employee cost of living increases.

FDS Line 70610 – Capital Grants decreased by \$145,622. The capital grants will fluctuate year to year based on the capital expenditures of the Authority. The Capital Fund Grant is a zero based grant meaning that revenues must be equal to expenditures.

FDS Line 96800 – Severance Expense decreased by \$122,665. During the fiscal year March 31, 2012, the Authority erroneously reported its OPEB expense as severance expense.

FDS line 94100 – Maintenance Labor decreased by \$63,071 due to one employee collecting disability benefits during the fiscal year ended March 31, 2013.

H – Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Garfield, 71 Daniel P. Conte Court, Garfield, New Jersey 07026, or call (973) 340-4170.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

| | <u>Year Ended</u> | |
|-------------------------------|-----------------------|-----------------------|
| | <u>March 31, 2013</u> | <u>March 31, 2012</u> |
| Cash and Other Current Assets | \$ 2,042,296 | \$ 1,714,843 |
| Capital Assets - Net | <u>9,723,369</u> | <u>10,012,003</u> |
| Total Assets | 11,765,665 | 11,726,846 |
| Less: Total Liabilities | <u>937,739</u> | <u>595,195</u> |
| Net Position | <u>\$ 10,827,926</u> | <u>\$ 11,131,651</u> |
| Invested in Capital Assets | 9,723,369 | 10,012,003 |
| Unrestricted Net Position | <u>1,104,557</u> | <u>1,119,648</u> |
| Total Net Position | <u>\$ 10,827,926</u> | <u>\$ 11,131,651</u> |

Computations of Changes in Net Position are as follows:

| | <u>Year Ended</u> | |
|---|-----------------------|-----------------------|
| | <u>March 31, 2013</u> | <u>March 31, 2012</u> |
| <u>Revenues</u> | | |
| Tenant Revenues | \$ 2,222,150 | \$ 2,138,017 |
| HUD Subsidies and Other Government Grants | 1,092,041 | 1,175,055 |
| Other Income | <u>87,787</u> | <u>83,096</u> |
| Total Operating Revenues | <u>3,401,978</u> | <u>3,396,168</u> |
| <u>Expenses</u> | | |
| Administration | 989,035 | 801,514 |
| Tenant Services | 87,127 | 85,897 |
| Utilities | 743,816 | 756,307 |
| Maintenance | 1,154,403 | 1,363,432 |
| Protective Services | 131,007 | 109,190 |
| General Expense | 326,748 | 420,588 |
| Depreciation Expense | <u>537,620</u> | <u>484,856</u> |
| Total Operating Expenses | <u>3,969,756</u> | <u>4,021,784</u> |
| Deficiency of Operating Revenues Over Expenses | (567,778) | (625,616) |
| <u>Non-Operating Revenues</u> | | |
| Interest on Investments | <u>15,067</u> | <u>19,476</u> |
| Deficiency of Revenues Over Expenses Before Capital Grants Received | (552,711) | (606,140) |
| <u>Capital Grants</u> | | |
| HUD Capital Grants | <u>215,899</u> | <u>361,521</u> |
| Excess Revenues/(Deficiency) | (336,812) | (244,619) |
| Net Position Prior | 11,131,651 | 11,326,987 |
| Prior Period Adjustment | <u>33,087</u> | <u>49,283</u> |
| Total Net Position | <u>\$ 10,827,926</u> | <u>\$ 11,131,651</u> |



CERTIFIED PUBLIC ACCOUNTANTS

2035 HAMBURG TURNPIKE, UNIT H

WAYNE, NEW JERSEY 07470

TELEPHONE: (973) 831-6969

FAX: (973) 831-6972

E-MAIL: POLCARICO@OPTONLINE.NET

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Garfield
Garfield, New Jersey

We have audited the accompanying Statement of Net Position of the Housing Authority of the City of Garfield, herein referred to as the Authority, as of and for the year ended March 31, 2013, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

INDEPENDENT AUDITORS' REPORT
(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Garfield. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated December 5, 2013 on our consideration of the Housing Authority of the City of Garfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
December 5, 2013

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
STATEMENT OF NET POSITION
At March 31, 2013

| | <u>March 31, 2013</u> |
|--|-----------------------|
| <u>ASSETS</u> | |
| <u>CURRENT ASSETS</u> | |
| Cash and Cash Equivalents - Unrestricted | \$ 600,112 |
| Cash - Tenant Security Deposits | 157,281 |
| Investments | 1,173,572 |
| Accounts Receivable - Tenants (Net of allowance of \$47,625) | 14,570 |
| Prepaid Expenses and Other Current Assets | 96,761 |
| Total Current Assets | <u>2,042,296</u> |
| <u>FIXED ASSETS</u> | |
| Land | 732,912 |
| Buildings and Improvements | 21,200,823 |
| Furniture, Equipment and Machinery | 1,196,877 |
| Construction in Progress | 327,110 |
| Total Fixed Assets | <u>23,457,722</u> |
| Less: Accumulated Depreciation | <u>(13,734,353)</u> |
| Net Fixed Assets | <u>9,723,369</u> |
| Total Assets | <u>\$ 11,765,665</u> |
| <u>LIABILITIES AND NET POSITION</u> | |
| <u>CURRENT LIABILITIES</u> | |
| Accounts Payable: | |
| Vendors and Contractors | \$ 176,591 |
| Accrued Payroll and Related Taxes | 34,447 |
| Accrued Liabilities - Other | 41,803 |
| Due to Tenants: | |
| Security Deposits | 157,281 |
| Accrued Liabilities: | |
| Compensated Absences - Current | 12,120 |
| Payment in Lieu of Taxes | 147,862 |
| Deferred Revenues | 13,213 |
| Total Current Liabilities | <u>583,317</u> |
| Compensated Absences - Noncurrent | 109,092 |
| Accrued Pension and OPEB Liability | 245,330 |
| Total Liabilities | <u>937,739</u> |
| <u>NET POSITION</u> | |
| Invested in Net Fixed Assets Net of Related Debt | 9,723,369 |
| Unrestricted Net Position | 1,104,557 |
| Total Net Position | <u>10,827,926</u> |
| Total Liabilities and Net Position | <u>\$ 11,765,665</u> |

See Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2013

| | <u>March 31, 2013</u> |
|--|--------------------------|
| <u>OPERATING REVENUES</u> | |
| Tenant Rental & Other Revenue | \$ 2,222,150 |
| HUD Grants - Operating | 1,056,323 |
| Other Government Grants | 35,718 |
| Other Income | <u>87,787</u> |
| Total Revenues | <u>3,401,978</u> |
| <u>OPERATING EXPENSES</u> | |
| Administration | 989,035 |
| Tenant Services | 87,127 |
| Utilities | 743,816 |
| Ordinary Maintenance & Operations | 1,154,403 |
| Protective Services | 131,007 |
| General Expense | 306,367 |
| Bad Debt -Other | 20,381 |
| Depreciation Expense | <u>537,620</u> |
| Total Operating Expenses | <u>3,969,756</u> |
| EXCESS OF OPERATING EXPENSES OVER REVENUES | (567,778) |
| Non Operating Revenues/(Expenses): | |
| Interest Income | <u>15,067</u> |
| Income / (Loss) Before Contributions and Transfers | (552,711) |
| Capital Grants | <u>215,899</u> |
| DECREASE IN NET POSITION | (336,812) |
| Beginning Net Position | 11,131,651 |
| Prior Period Adjustment | <u>33,087</u> |
| Ending Net Position | <u>\$ 10,827,926</u> |

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
STATEMENT OF CASH FLOWS
For The Year Ended March 31, 2013

| | <u>March 31, 2013</u> |
|---|-----------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Cash Received: | |
| From Tenants for Rental & Other Income | \$ 2,231,261 |
| From Government Agencies for Operating Grants | 1,092,041 |
| For Other Operating Revenues | 87,787 |
| Cash Paid: | |
| To Employees for Operations | (1,199,027) |
| To Suppliers for Operations | (1,882,669) |
| Net Cash Provided by Operating Activities | <u>329,393</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | |
| Capital Grants Received | 215,899 |
| Acquisition of Property and Equipment | <u>(215,899)</u> |
| Net Cash Provided/(Used) by Capital and Related Financing Activities | <u>-</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | |
| Purchase / (Sale of) Investments | (13,693) |
| Cash Received for Security Deposits | (4,027) |
| Investment Income | <u>15,067</u> |
| Net Cash Provided by Investing Activities | <u>(2,653)</u> |
| Net increase (decrease) in Cash and Cash Equivalents | 326,740 |
| Cash and Equivalents at Beginning of Period | <u>430,653</u> |
| Cash and Equivalents at End of Period | <u>\$ 757,393</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations | |
| Operating Income (Loss) | \$ (567,778) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Depreciation | 537,620 |
| Decrease (Increase) in Assets | |
| Accounts Receivable - Tenants | 4,005 |
| Prepaid Expenses and Other Current Assets | 8,975 |
| Increase(Decrease) in Liabilities | |
| Accounts Payable | 179,311 |
| Accrued Payroll and Related Taxes | 9,311 |
| Compensated Absences | 20,513 |
| Deferred Revenue | 5,106 |
| OPEB Liability | 122,665 |
| PILOT Payable | <u>9,665</u> |
| Net Cash Provided by Operating Activities | <u>\$ 329,393</u> |

See Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies:

1. **Organization and Activities** – The Housing Authority of The City of Garfield (the Authority) is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq., the "Housing Authority Act"). The Authority is governed by a board of seven members who serve five year terms. The governing board is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An executive director is appointed by the housing authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the City of Garfield, New Jersey. Operating and modernization subsidies are provided to the Authority by the federal government. The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The Authority has concluded that it is excluded from the City's reporting entity since the City does not designate management, does not influence operations, does not have responsibility for fiscal matters and does not have a funding relationship with the Authority. The combined financial statements include all accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The federally funded programs administered by the Authority are detailed on the Financial Data Schedule and the Schedule of Expenditures of Federal Awards, both of which are included as Supplemental Information.

2. Significant Accounting Policies

- a. **Basis of Accounting** – The financial statements of the Authority are prepared using the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net position, revenue and expenses are accounted for using a single enterprise fund for the primary government.

Revenue – The major sources of revenue are various subsidies and grants received from the United States Department of Housing and Urban Development, charges to tenants and other miscellaneous revenues discussed below.

Federal Grant Revenue – Operating subsidies, and Capital Fund Program revenue received from HUD are recorded under the accrual method of accounting and are recognized in the period earned in accordance with applicable HUD guidelines. The Authority is generally entitled to receive funds from HUD under an established payment schedule or as expenditures are made under the Capital Fund Program or Comprehensive Improvements Assistance Program.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013
(Continued)

NOTE 1 –Summary of Organization, Activities and Significant Accounting Policies
(Continued):

Tenant Charges – Rental charges to tenants are determined and billed monthly and are recognized as revenue when billed since they are measurable and collectible within the current period. Amounts not collected at year-end are included in the balance sheet as accounts receivable, and amounts paid by tenants for the subsequent fiscal year are recorded as deferred revenue.

Miscellaneous Income – Miscellaneous revenue consists primarily of miscellaneous service fees. The revenue is recorded as earned since it is measurable and available.

Report Presentation – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority also adopted the provisions of Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement NO. 38 "Certain Financial Statement Note Disclosures", which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that include a statement of net assets, a statement of activities and a statement of cash flows. It requires the classification of net assets into three components – Invested in Capital Assets, Net of Related Debt; Restricted Net Assets and Unrestricted Net Assets. Statement No. 63 requires the re-naming of the Statement of Net Assets to the Statement of Net Position. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt – This component consists of land, construction in progress and depreciable assets, net of accumulated depreciation and net of the related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of Invested in Capital Assets, Net of Related Debt. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

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

Unrestricted Net Position – This component consists of net assets that do not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt. The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 have no significant effect on the basic financial statements, except for the classification of net position in accordance with Statement No. 34.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013
(Continued)

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies
(Continued):

Significant accounting policies are as follows:

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis. Interest costs necessary to place a Capital Asset in its intended location and condition are capitalized.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

6 – Operating subsidies received from HUD are recorded as income when earned.

7 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

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

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower of first-in first-out, cost or market.

10 – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

11 – The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

12 – The Authority does not have any infrastructure assets for its Proprietary Fund.

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

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013
(Continued)

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies (Continued):

Accounting for Impairment or Disposal of Long Lived Assets

The Partnership has given consideration to the Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets* (SFAS 144) in its preparation of these financial statements. As of March 31, 2013, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering SFAS 144.

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

NOTE 2 – Cash and Cash Equivalents

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Deposit Protection Act of the state of New Jersey as required by state statute N.J.S.A 17: 9-41, which requires the institutions to pool collateral for all of governmental deposits and have the collateral held by an approved custodian but not in the Authority's name.

Cash and Cash Equivalents (including tenant security deposits) of \$757,393 at March 31, 2013, consisted of the following:

| | |
|----------------------------------|-------------------|
| | <u>3/31/2013</u> |
| Checking Accounts | \$ 600,112 |
| Tenant Security Deposit Accounts | <u>157,281</u> |
| Total Cash and Equivalents | <u>\$ 757,393</u> |

The carrying amount of the Authority's cash and cash equivalents as of March 31, 2013 was \$757,393 and the bank balances were \$792,331. Of the bank balances, \$250,000 was covered by FDIC insurance and \$542,331 was covered by a collateral pool maintained by the banks as required by New Jersey statutes. Cash equivalents, except petty cash are held in the Authority's name. The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above, \$542,331 of the authority's deposits exceeded FDIC insurance and were covered under New Jersey's Governmental Unit Deposit Protection Act (GUDPA) which collateralizes securities held by the pledging institutions trust department but are not in the Authority's name.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013
(Continued)

NOTE 3 – Investments

Investments of \$1,173,572 as of March 31, 2013, consist of certificates of deposit with maturities in excess of three months from the date of purchase. \$500,000 of these investments are covered by FDIC Insurance and the balance of \$673,572 is covered by the Governmental Unit Deposit Protection Act of the State of New Jersey, which requires the institutions to pool collateral for all of governmental deposits and have the collateral held by an approved custodian but not in the Authority's name.

NOTE 4 – Tenant Accounts Receivable

The Authority carries its tenant accounts receivable at cost less the allowance for uncollectable accounts. On a periodic basis the Authority reviews its receivable and establishes an allowance for uncollectable accounts based on previous history, collections and age of receivables. Accounts are written off when management determines that a sufficient period of time has elapsed without receiving payment. The accounts to be written off are present to the board for approval.

NOTE 6 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost, less accumulated depreciation. The following is a summary of the changes in general fixed assets for the fiscal year ended March 31, 2013:

| | Balance April 1, 2012 | Additions | Disposals | Transfers/ Other | Balance Mar. 31, 2013 |
|----------------------------|--------------------------|--------------|-----------|---------------------|--------------------------|
| Land | \$ 732,912 | \$ - | \$ - | \$ - | \$ 732,912 |
| Buildings and Improvements | 20,029,200 | - | - | 1,171,623 | 21,200,823 |
| Dwelling Equipment | 395,811 | - | - | 90,074 | 485,885 |
| Furniture and Equipment | 682,074 | - | - | 28,918 | 710,992 |
| Construction in Progress | 1,401,826 | 215,899 | - | (1,290,615) | 327,110 |
| Total Fixed Assets | 23,241,823 | 215,899 | - | - | 23,457,722 |
| Accumulated Depreciation | (13,196,733) | (537,620) | - | - | (13,734,353) |
| Net Fixed Assets | \$ 10,045,090 | \$ (321,721) | \$ - | \$ - | \$ 9,723,369 |

Depreciation expense for the fiscal year ended March 31, 2013 amounted to \$537,620.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013
(Continued)

NOTE 6 - Fixed Assets (Continued)

Expenditures are capitalized when they meet the Authority's Capitalization policy. Under that policy, assets purchased or constructed at a cost not exceeding \$2,000 are expensed when incurred.

Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

| | <u>Years</u> |
|---------------|--------------|
| Buildings and | 40 |
| Improvements | 15 |
| Furniture | 5 |
| Equipment | 5 |
| Vehicles | 5 |
| Computers | 3 |

NOTE 7 - Payment in Lieu of Taxes (PILOT)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City. Under the Cooperation Agreement, the Authority must pay the City the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended March 31, 2013, PILOT expense was accrued in the amount of \$147,862.

NOTE 8 - Accrued Compensated Absences

Accrued compensated absences of \$121,212 at March 31, 2013, represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. Employees may be compensated for accrued vacation leave earned in the event of retirement or termination of service. Employees may be compensated for accumulated sick leave in the event of retirement, at the rate of ½ of the employee's daily rate based on the average compensation received during the employee's final year of employment, exclusive of any overtime or special payments, subject to a maximum of \$15,000.

NOTE 9 - Pension Plan

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

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013
(Continued)

NOTE 9 – Pension Plan (Continued)

Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority. The Authority was required to make a contribution to the system during the audit period of \$140,024

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

NOTE 10 – Post Employment Retirement Benefits

The Authority also provides post employment health care benefits to all eligible retirees. Eligibility requires that employees have 25 years of service.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC") , an amount actuarially determined in accordance with parameters of GASB Statement No. 45 . The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

| | |
|--|------------|
| Annual Required Contribution | \$ 97,249 |
| Interest on net OPEB obligation | \$ 63,995 |
| Adjustment to annual required contribution | \$ 0 |
| Annual OPEB cost (expense) | \$161,244 |
| Contributions made | \$ 38,579 |
| Increase in net OPEB obligation | \$122,665 |
| Net OPEB Obligation – beginning of year | \$122,665 |
| Net OPEB Obligation – end of year | \$ 245,330 |

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013
(Continued)

NOTE 10– Other Post Employee Retirement Benefits (OPEB) - Continued

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| 3/31/2010 | N/A | N/A | N/A |
| 3/31/2012 | \$161,244 | 23.0% | \$122,665 |
| 3/31/2013 | \$161,244 | 23.0% | \$122,665 |

FUNDED STATUS AND FUNDING PROGRES

As of April 1, 2011, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$ 1,977,748, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 1,977,748.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013
(Continued)

NOTE 10– Other Post Employee Retirement Benefits (OPEB) - Continued

Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: 4.00% per annum

| <u>Year</u> | <u>Medical Including Prescription</u> |
|-------------|---------------------------------------|
| 2008 | Costs are Known |
| 2009 | Costs are Known |
| 2010 | Costs are Known |
| 2011 | Costs are Known |
| 2012 | 8.0% |
| 2013 | 7.0% |
| 2014 | 6.0% |
| 2015 | 5.0% |

Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
Remaining Amortization Period: 29 years at April 1, 2012

Reconciliation of Plan Participation (As of April 1, 2011)

| Active Employees | April 1,2013 | April 1,2012 |
|------------------------|--------------|--------------|
| A. Average Service | 10.1 | 9.1 |
| B. Average Current Age | 65.8 | 65.8 |

NOTE 10 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the year ended March 31, 2013, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

NOTE 11 – Construction Commitments

At March 31, 2013, the Authority's outstanding construction commitments pertaining to its Capital Fund Programs were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2013
(Continued)

NOTE 12 – Economic Dependency

For the year ended March 31, 2013, a substantial portion of the Authority's revenues were received from the United States Department of Housing and Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

Note 13- Prior Period Adjustments

During the fiscal year ended March 31, 2013, the Authority made certain adjustments which had a net effect of increasing equity by \$33,087. The adjustment corrects the Capital Fund 2011 to re-class costs previously accounted for as soft costs to hard costs.

Note 14 – Subsequent Events

The Authority has evaluated subsequent events through December 5, 2013, the date on which the financial statements were available to be issued.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2013

| | <u>Beginning Balance</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------------------|-------------------------|---------------------------|
| <u>LOW INCOME HOUSING PROGRAM</u> | | | | |
| Operating Subsidy (CFDA#14.850a) | \$ - | \$ 941,207 | \$ 941,207 | \$ - |
| Capital Fund Program (CFDA# 14.872) | <u>-</u> | <u>331,015</u> | <u>331,015</u> | <u>-</u> |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | <u>\$ -</u> | <u>\$ 1,272,222</u> | <u>\$ 1,272,222</u> | <u>\$ -</u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
2. There were no subrecipient activities during the audit period.

Garfield Housing Authority (NJ034)

GARFIELD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

| | Project Total | 2 State/Local | COC | Subtotal | ELIM | Total |
|--|---------------|---------------|-----------|--------------|------|--------------|
| 111 Cash - Unrestricted | \$580,881 | \$19,231 | | \$600,112 | | \$600,112 |
| 112 Cash - Restricted - Modernization and Development | | | | | | |
| 113 Cash - Other Restricted | | | | | | |
| 114 Cash - Tenant Security Deposits | \$157,281 | | | \$157,281 | | \$157,281 |
| 115 Cash - Restricted for Payment of Current Liabilities | | | | | | |
| 100 Total Cash | \$738,162 | \$19,231 | \$0 | \$757,393 | | \$757,393 |
| 121 Accounts Receivable - PHA Projects | | | | | | |
| 122 Accounts Receivable - HUD Other Projects | | | | | | |
| 124 Accounts Receivable - Other Government | | | | | | |
| 125 Accounts Receivable - Miscellaneous | | | | | | |
| 126 Accounts Receivable - Tenants | \$62,195 | | | \$62,195 | | \$62,195 |
| 126.1 Allowance for Doubtful Accounts - Tenants | -\$47,625 | | | -\$47,625 | | -\$47,625 |
| 126.2 Allowance for Doubtful Accounts - Other | | | | | | |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | | | |
| 128 Fraud Recovery | | | | | | |
| 128.1 Allowance for Doubtful Accounts - Fraud | | | | | | |
| 129 Accrued Interest Receivable | | | | | | |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$14,570 | \$0 | \$0 | \$14,570 | | \$14,570 |
| 131 Investments - Unrestricted | \$694,678 | | \$478,894 | \$1,173,572 | | \$1,173,572 |
| 132 Investments - Restricted | | | | | | |
| 135 Investments - Restricted for Payment of Current Liability | | | | | | |
| 142 Prepaid Expenses and Other Assets | \$91,761 | | \$5,000 | \$96,761 | | \$96,761 |
| 143 Inventories | | | | | | |
| 143.1 Allowance for Obsolete Inventories | | | | | | |
| 144 Inter Program Due From | | | | | | |
| 145 Assets Held for Sale | | | | | | |
| 150 Total Current Assets | \$1,539,171 | \$19,231 | \$463,894 | \$2,042,296 | | \$2,042,296 |
| 161 Land | \$536,476 | | \$196,436 | \$732,912 | | \$732,912 |
| 162 Buildings | \$21,077,848 | | \$122,975 | \$21,200,823 | | \$21,200,823 |
| 163 Furniture, Equipment & Machinery - Dwellings | \$485,885 | | | \$485,885 | | \$485,885 |
| 164 Furniture, Equipment & Machinery - Administration | \$710,992 | | | \$710,992 | | \$710,992 |

Garfield Housing Authority (NJ034)
GARFIELD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

| | Project Total | 2 State/Local | COCC | Subtotal | ELIM | Total |
|---|---------------|---------------|-----------|---------------|------|---------------|
| 165 Leasehold Improvements | | | | | | |
| 166 Accumulated Depreciation | -\$13,713,929 | | -\$20,424 | -\$13,734,353 | | -\$13,734,353 |
| 167 Construction in Progress | \$327,110 | | | \$327,110 | | \$327,110 |
| 168 Infrastructure | | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$9,424,362 | \$0 | \$298,987 | \$9,723,369 | | \$9,723,369 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | | | | | | |
| 172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due | | | | | | |
| 173 Grants Receivable - Non Current | | | | | | |
| 174 Other Assets | | | | | | |
| 176 Investments in Joint Ventures | | | | | | |
| 180 Total Non-Current Assets | \$9,424,362 | \$0 | \$298,987 | \$9,723,369 | | \$9,723,369 |
| 190 Total Assets | \$10,963,553 | \$19,231 | \$782,881 | \$11,765,665 | | \$11,765,665 |
| 311 Bank Overdraft | | | | | | |
| 312 Accounts Payable <= 90 Days | \$77,489 | | \$89,692 | \$167,181 | | \$167,181 |
| 313 Accounts Payable >90 Days Past Due | | \$9,410 | | \$9,410 | | \$9,410 |
| 321 Accrued Wage/Payroll Taxes Payable | \$27,044 | | \$7,403 | \$34,447 | | \$34,447 |
| 322 Accrued Compensated Absences - Current Portion | \$10,225 | | \$1,895 | \$12,120 | | \$12,120 |
| 324 Accrued Contingency Liability | | | | | | |
| 325 Accrued Interest Payable | | | | | | |
| 331 Accounts Payable - HUD PHA Programs | | | | | | |
| 332 Account Payable - PHA Projects | | | | | | |
| 333 Accounts Payable - Other Government | \$147,862 | | | \$147,862 | | \$147,862 |
| 341 Tenant Security Deposits | \$157,281 | | | \$157,281 | | \$157,281 |
| 342 Deferred Revenues | \$13,213 | | | \$13,213 | | \$13,213 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds | | | | | | |
| 344 Current Portion of Long-term Debt - Operating Borrowings | | | | | | |
| 345 Other Current Liabilities | | | | | | |
| 346 Accrued Liabilities - Other | \$41,803 | | | \$41,803 | | \$41,803 |
| 347 Inter Program - Due To | | | | | | |
| 348 Loan Liability - Current | | | | | | |
| 310 Total Current Liabilities | \$474,917 | \$9,410 | \$98,990 | \$583,317 | | \$583,317 |

Garfield Housing Authority (NJ034)

GARFIELD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

| | Project Total | 2 State/Local | COC | Subtotal | ELIM | Total |
|--|---------------|---------------|-----------|--------------|------|--------------|
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | | | | |
| 352 Long-term Debt, Net of Current - Operating Borrowings | | | | | | |
| 353 Non-current Liabilities - Other | | | | | | |
| 354 Accrued Compensated Absences - Non Current | \$92,024 | | \$17,068 | \$109,092 | | \$109,092 |
| 355 Loan Liability - Non Current | | | | | | |
| 356 FASB 5 Liabilities | | | | | | |
| 357 Accrued Pension and OPEB Liabilities | \$204,318 | | \$41,012 | \$245,330 | | \$245,330 |
| 350 Total Non-Current Liabilities | \$296,342 | \$0 | \$58,080 | \$354,422 | | \$354,422 |
| 300 Total Liabilities | \$771,259 | \$9,410 | \$157,070 | \$937,739 | | \$937,739 |
| 508.1 Invested In Capital Assets, Net of Related Debt | \$9,424,382 | | \$298,987 | \$9,723,369 | | \$9,723,369 |
| 511.1 Restricted Net Assets | | | | | | |
| 512.1 Unrestricted Net Assets | \$767,912 | \$9,821 | \$326,824 | \$1,104,557 | | \$1,104,557 |
| 513 Total Equity/Net Assets | \$10,192,294 | \$9,821 | \$625,811 | \$10,827,926 | | \$10,827,926 |
| 600 Total Liabilities and Equity/Net Assets | \$10,963,553 | \$19,231 | \$782,881 | \$11,765,665 | | \$11,765,665 |

Garfield Housing Authority (NJ034)

GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

| | Project Total | 2 State/Local | COC | Subtotal | ELIM | Total |
|---|---------------|---------------|-----------|-------------|------------|-------------|
| 70300 Net Tenant Rental Revenue | \$2,181,878 | | | \$2,181,878 | | \$2,181,878 |
| 70400 Tenant Revenue - Other | \$40,272 | | | \$40,272 | | \$40,272 |
| 70500 Total Tenant Revenue | \$2,222,150 | \$0 | \$0 | \$2,222,150 | \$0 | \$2,222,150 |
| 70600 HUD PHA Operating Grants | \$1,056,323 | | | \$1,056,323 | | \$1,056,323 |
| 70610 Capital Grants | \$215,899 | | | \$215,899 | | \$215,899 |
| 70710 Management Fee | | | \$420,127 | \$420,127 | -\$420,127 | \$0 |
| 70720 Asset Management Fee | | | \$58,630 | \$58,630 | -\$58,630 | \$0 |
| 70730 Book Keeping Fee | | | \$43,974 | \$43,974 | -\$43,974 | \$0 |
| 70740 Front Line Service Fee | | | | | | |
| 70750 Other Fees | | | | | | |
| 70700 Total Fee Revenue | | | \$522,731 | \$522,731 | -\$522,731 | \$0 |
| 70800 Other Government Grants | | \$35,718 | | \$35,718 | | \$35,718 |
| 71100 Investment Income - Unrestricted | \$3,600 | \$33 | \$11,434 | \$15,067 | | \$15,067 |
| 71200 Mortgage Interest Income | | | | | | |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | | |
| 71310 Cost of Sale of Assets | | | | | | |
| 71400 Fraud Recovery | | | | | | |
| 71500 Other Revenue | \$66,787 | \$9,272 | \$11,728 | \$87,787 | | \$87,787 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | | | |
| 72000 Investment Income - Restricted | | | | | | |
| 70000 Total Revenue | \$3,564,759 | \$45,023 | \$545,893 | \$4,155,675 | -\$522,731 | \$3,632,944 |
| 91100 Administrative Salaries | \$269,765 | | \$201,201 | \$470,966 | | \$470,966 |
| 91200 Auditing Fees | \$4,500 | | \$6,070 | \$10,570 | | \$10,570 |
| 91300 Management Fee | \$420,127 | | | \$420,127 | -\$420,127 | \$0 |
| 91310 Book-keeping Fee | \$43,974 | | | \$43,974 | -\$43,974 | \$0 |
| 91400 Advertising and Marketing | | | | | | |

Garfield Housing Authority (NJ034)

GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

| | Project Total | 2 State/Local | COCC | Subtotal | ELIM | Total |
|---|---------------|---------------|-----------|-------------|------------|-----------|
| 91500 Employee Benefit Contributions - Administrative | \$163,789 | | \$138,907 | \$302,696 | | \$302,696 |
| 91600 Office Expenses | \$99,565 | | \$73,151 | \$172,716 | | \$172,716 |
| 91700 Legal Expense | \$6,000 | | \$24,044 | \$30,044 | | \$30,044 |
| 91800 Travel | \$1,500 | | \$543 | \$2,043 | | \$2,043 |
| 91810 Allocated Overhead | | | | | | |
| 91900 Other | | | | | | |
| 91000 Total Operating - Administrative | \$1,009,220 | \$0 | \$443,916 | \$1,453,136 | -\$464,101 | \$989,035 |
| 92000 Asset Management Fee | \$58,630 | | | \$58,630 | -\$58,630 | \$0 |
| 92100 Tenant Services - Salaries | \$13,116 | \$38,057 | | \$51,173 | | \$51,173 |
| 92200 Relocation Costs | | | | | | |
| 92300 Employee Benefit Contributions - Tenant Services | \$6,156 | \$14,906 | | \$21,062 | | \$21,062 |
| 92400 Tenant Services - Other | \$14,723 | \$169 | | \$14,892 | | \$14,892 |
| 92500 Total Tenant Services | \$33,995 | \$53,132 | \$0 | \$87,127 | \$0 | \$87,127 |
| 93100 Water | \$56,182 | | \$132 | \$56,314 | | \$56,314 |
| 93200 Electricity | \$348,807 | | \$48 | \$348,855 | | \$348,855 |
| 93300 Gas | \$237,389 | | \$97 | \$237,486 | | \$237,486 |
| 93400 Fuel | | | | | | |
| 93500 Labor | \$67,066 | | | \$67,066 | | \$67,066 |
| 93600 Sewer | \$4,280 | | | \$4,280 | | \$4,280 |
| 93700 Employee Benefit Contributions - Utilities | \$29,815 | | | \$29,815 | | \$29,815 |
| 93800 Other Utilities Expense | | | | | | |
| 93000 Total Utilities | \$743,539 | \$0 | \$277 | \$743,816 | \$0 | \$743,816 |
| 94100 Ordinary Maintenance and Operations - Labor | \$542,626 | | | \$542,626 | | \$542,626 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$138,138 | | \$9,767 | \$147,905 | | \$147,905 |
| 94300 Ordinary Maintenance and Operations Contracts | \$147,064 | | \$13,388 | \$160,452 | | \$160,452 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$303,420 | | | \$303,420 | | \$303,420 |

Garfield Housing Authority (NJ034)

GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

| | Project Total | 2 State/Local | COCC | Subtotal | ELIM | Total |
|--|---------------|---------------|-----------|-------------|------------|-------------|
| 94000 Total Maintenance | \$1,131,248 | \$0 | \$23,155 | \$1,154,403 | \$0 | \$1,154,403 |
| 95100 Protective Services - Labor | \$76,507 | | | \$76,507 | | \$76,507 |
| 95200 Protective Services - Other Contract Costs | | | | | | |
| 95300 Protective Services - Other | \$13,214 | | \$4,760 | \$17,974 | | \$17,974 |
| 95500 Employee Benefit Contributions - Protective Services | \$36,526 | | | \$36,526 | | \$36,526 |
| 95000 Total Protective Services | \$126,247 | \$0 | \$4,760 | \$131,007 | \$0 | \$131,007 |
| 96110 Property Insurance | \$61,494 | | | \$61,494 | | \$61,494 |
| 96120 Liability Insurance | \$30,748 | | | \$30,748 | | \$30,748 |
| 96130 Workmen's Compensation | \$30,748 | | \$15,000 | \$45,748 | | \$45,748 |
| 96140 All Other Insurance | | | | | | |
| 96100 Total Insurance Premiums | \$122,990 | \$0 | \$15,000 | \$137,990 | \$0 | \$137,990 |
| 96200 Other General Expenses | | | | | | |
| 96210 Compensated Absences | \$17,275 | | \$3,240 | \$20,515 | | \$20,515 |
| 96300 Payments in Lieu of Taxes | \$147,862 | | | \$147,862 | | \$147,862 |
| 96400 Bad debt - Tenant Rents | \$20,381 | | | \$20,381 | | \$20,381 |
| 96500 Bad debt - Mortgages | | | | | | |
| 96600 Bad debt - Other | | | | | | |
| 96800 Severance Expense | | | | | | |
| 96000 Total Other General Expenses | \$185,518 | \$0 | \$3,240 | \$188,758 | \$0 | \$188,758 |
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96900 Total Operating Expenses | \$3,411,387 | \$53,132 | \$490,348 | \$3,954,867 | -\$522,731 | \$3,432,136 |

Garfield Housing Authority (NJ034)

GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

| | Project Total | 2 State/Local | COCC | Subtotal | ELIM | Total |
|--|---------------|---------------|-----------|-------------|------------|-------------|
| 97000 Excess of Operating Revenue over Operating Expenses | \$153,372 | -\$8,109 | \$55,545 | \$200,808 | \$0 | \$200,808 |
| 97100 Extraordinary Maintenance | | | | | | |
| 97200 Casualty Losses - Non-capitalized | | | | | | |
| 97300 Housing Assistance Payments | | | | | | |
| 97350 HAP Portability-In | | | | | | |
| 97400 Depreciation Expense | \$534,546 | | \$3,074 | \$537,620 | | \$537,620 |
| 97500 Fraud Losses | | | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | | | |
| 97800 Dwelling Units Rent Expense | | | | | | |
| 90000 Total Expenses | \$3,945,933 | \$53,132 | \$493,422 | \$4,492,487 | -\$522,731 | \$3,969,756 |
| 10010 Operating Transfer In | \$57,265 | | | \$57,265 | | \$57,265 |
| 10020 Operating transfer Out | -\$57,265 | | | -\$57,265 | | -\$57,265 |
| 10030 Operating Transfers from/to Primary Government | | | | | | |
| 10040 Operating Transfers from/to Component Unit | | | | | | |
| 10050 Proceeds from Notes, Loans and Bonds | | | | | | |
| 10060 Proceeds from Property Sales | | | | | | |
| 10070 Extraordinary Items, Net Gain/Loss | | | | | | |
| 10080 Special Items (Net Gain/Loss) | | | | | | |
| 10091 Inter Project Excess Cash Transfer In | | | | | | |
| 10092 Inter Project Excess Cash Transfer Out | | | | | | |
| 10093 Transfers between Program and Project - In | | | | | | |
| 10094 Transfers between Project and Program - Out | | | | | | |
| 10100 Total Other financing Sources (Uses) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -\$381,174 | -\$8,109 | \$52,471 | -\$336,812 | \$0 | -\$336,812 |

Garfield Housing Authority (NJ034)

GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

| | Project Total | 2 State/Local | COCC | Subtotal | ELIM | Total |
|---|---------------|---------------|-----------|--------------|------|--------------|
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 | | \$0 |
| 11030 Beginning Equity | \$10,540,381 | \$17,930 | \$573,340 | \$11,131,651 | | \$11,131,651 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | \$33,087 | | | \$33,087 | | \$33,087 |
| 11050 Changes in Compensated Absence Balance | | | | | | |
| 11060 Changes in Contingent Liability Balance | | | | | | |
| 11070 Changes in Unrecognized Pension Transition Liability | | | | | | |
| 11080 Changes in Special Term/Severance Benefits Liability | | | | | | |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents | | | | | | |
| 11100 Changes in Allowance for Doubtful Accounts - Other | | | | | | |
| 11170 Administrative Fee Equity | | | | | | |
| 11180 Housing Assistance Payments Equity | | | | | | |
| 11190 Unit Months Available | 5472 | 0 | 0 | 5472 | | 5472 |
| 11210 Number of Unit Months Leased | 5413 | 0 | 0 | 5413 | | 5413 |
| 11270 Excess Cash | \$701,547 | | | \$701,547 | | \$701,547 |
| 11610 Land Purchases | \$0 | | \$0 | \$0 | | \$0 |
| 11620 Building Purchases | \$229,743 | | \$0 | \$229,743 | | \$229,743 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$0 | | \$0 | \$0 | | \$0 |
| 11640 Furniture & Equipment - Administrative Purchases | \$0 | | \$0 | \$0 | | \$0 |
| 11650 Leasehold Improvements Purchases | \$0 | | \$0 | \$0 | | \$0 |
| 11660 Infrastructure Purchases | \$0 | | \$0 | \$0 | | \$0 |
| 13510 CFFP Debt Service Payments | \$0 | | \$0 | \$0 | | \$0 |
| 13901 Replacement Housing Factor Funds | \$0 | | \$0 | \$0 | | \$0 |



CERTIFIED PUBLIC ACCOUNTANTS

2035 HAMBURG TURNPIKE, UNIT H
WAYNE, NEW JERSEY 07470
TELEPHONE: (973) 831-6969
FAX: (973) 831-6972
E-MAIL: POLCARICO@OPTONLINE.NET

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND 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 Garfield
Garfield, New Jersey

We have audited the financial statements of the Garfield Housing Authority of as of and for the year ended March 31, 2013 and have issued our report thereon dated December 5, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Garfield Housing Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, 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.

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

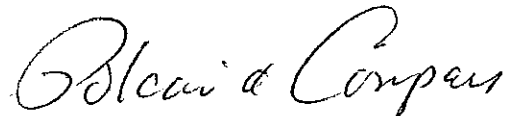
(Continued)

Compliance

As part of obtaining reasonable assurance about whether the Garfield Housing 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
December 5, 2013



CERTIFIED PUBLIC ACCOUNTANTS

2035 HAMBURG TURNPIKE, UNIT H
WAYNE, NEW JERSEY 07470
TELEPHONE: (973) 831-6969
FAX: (973) 831-6972
E-MAIL: POLCARICO@OPTONLINE.NET

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-13

Board of Commissioners
Housing Authority of the City of Garfield
Garfield, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Garfield's ("The Authority") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2013. The Housing Authority of the City of Garfield's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the housing authority's compliance for each of its major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget 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 housing authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Authority of the City of Garfield's compliance with those requirements.

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

(Continued)

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Garfield complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2013.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Polcari & Company

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
December 5, 2013

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
March 31, 2013

STATUS OF PRIOR AUDIT FINDINGS

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Significant Deficiencies identified?

_____ yes X no

Significant Deficiencies identified that are
considered to be material weakness(es)?

_____ yes X none reported

Noncompliance Material to Financial Statements Noted?

_____ yes X no

Federal Awards

Internal Control over Major Programs:

Significant Deficiencies identified?

_____ yes X no

Significant Deficiencies identified that are
considered to be material weakness(es)?

_____ yes X none reported

Type of audit report issued on compliance for
major programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133

_____ yes X no

Identification of Major Programs

CFDA

Number Name of Federal Program or Cluster

14.850a Low Income Public Housing

14.872 Public Housing Capital Fund Program

Dollar Threshold used to distinguish between type A
and type B Programs

\$300,000

Auditee qualified as low-risk?

_____ yes X no

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.