

**Report On Audit**

**THE HOUSING AUTHORITY  
OF THE CITY OF GARFIELD**

**For the Year Ended  
March 31, 2012**

# The Housing Authority of the City of Garfield

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# *Hymanson, Parnes & Giampaolo*

## *Certified Public Accountants*

tele: 732-842-4550  
fax: 732-842-4551

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

### **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
The Housing Authority of the City of Garfield  
71 Daniel P. Conte Court  
Garfield, New Jersey 07026-2404

We have audited the Statement of Net Assets of the Housing Authority of the City of Garfield, hereafter referred to as the Authority, for the year ended March 31, 2012, and 2011, and the related statement of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statement of the Housing Authority of the City of Garfield, as of March 31, 2011, was audited by other auditors whose report dated December 22, 2011 expressed an unqualified opinion on those statements.

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. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the Housing Authority of the City of Garfield, as of March 31, 2012, and 2011 and the changes in financial position and, cash flows for the periods 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 October 15, 2012, on our consideration of the Housing Authority of the City of Garfield internal control over financial reporting and our test 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 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 13 and page 38 be presented to supplement the financial statements. Such information, although not a part of the 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 accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The accompanying Schedule of Federal Awards is presented for the purpose of additional analysis as required by the 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. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hymanson, Parnes & Giampaolo*

Date: October 15, 2012

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AT MARCH 31, 2012**

As Management of The Housing Authority of the City of Garfield (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 14 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**FINANCIAL HIGHLIGHTS**

Assets of the Authority's enterprise fund were \$11,131,651 greater than the liabilities a decrease in the financial position of \$195,336 or 2% percent.

As noted above, the assets of the Authority exceeded its liabilities by \$11,131,651 as of March 31, 2012. Of this amount, the unrestricted net asset portion is \$1,119,648 representing a decrease of \$121,284 or 10% percent from the previous fiscal year. The investment in fixed assets decreased \$74,052 or 1% percent for an ending balance of \$10,012,003. Additional information on the Authority's unrestricted net assets can be found in Note 17 to the financial statements, which is included in this report.

The Authority's cash and cash equivalent at March 31, 2012 were \$430,653 representing a decrease of \$11,156 or 3% percent from the prior fiscal year. The full detail of this amount can be found in the Statement of Cash Flow on page 16 of this report.

The Authority's total assets are \$11,726,846 of which capital assets net book value is \$10,012,003, leaving total current assets at \$1,714,843. Total current assets decreased from the previous year by \$40,296 or 2% percent. Cash and cash equivalents decreased by \$11,156, investments increased by \$17,700, accounts receivables decreased by \$49,024, and prepaid expenses increased by \$2,184.

The Authority's total liabilities are reported at \$595,195, of which noncurrent liabilities are stated at \$213,294. Total liabilities increased during the fiscal year as compared to the prior fiscal year in the amount of \$80,988 or 16% percent. Total current liabilities decreased during the fiscal year by \$50,733, leaving noncurrent liabilities for an increase of \$131,721 as compared to the previous fiscal year.

Total current liabilities decreased from the previous fiscal year by \$50,733 or 12% percent. Accounts payables decreased by \$55,811, accrued liabilities increased by \$2,510, tenant security deposit payable increased by \$12,168, and deferred revenue decreased by \$9,600.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2012**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total noncurrent liabilities increased by \$131,721 or 161% percent. The increase was made up of two accounts, accrued compensated absences – long term with no offsetting assets, increased \$9,056 or 11% percent from the prior fiscal year for an ending balance of \$90,629, and other post employee benefits increased \$122,665 or 100% percent from the prior year. Additional information on the Authority's other post employee benefits (OPEB) liabilities at March 31, 2012 can be found in Note 16 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$3,396,168 as compared to \$2,145,822 from the prior fiscal year for an increase of \$67,702 or 2% percent. Total operating expenses of \$4,021,784 as compared to \$4,093,881 from the previous year for a decrease of \$72,097 or 2% percent, resulting in excess expenses from operations in the amount of \$625,616, which includes depreciation of \$484,856, for the current fiscal year as compared to excess of expenses of \$765,415, which includes depreciation of \$478,930, from the previous fiscal year for decrease in expenses over revenue of \$139,799 or 18% percent.

Total capital improvements contributions from HUD were in the amount of \$361,521 as compared to \$760,948 from the previous fiscal year for a decrease of \$399,427 or 52% percent.

The Authority's had capital outlays in the amount of \$410,804 for the fiscal year. These expenditures were funded by grants received from the U.S. Department of Housing and Urban Development in the amount of \$361,521 and from management's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$1,485,001 for the fiscal year 2012 as compared to \$1,879,222 for the previous fiscal year 2011 for a decrease of \$394,221 or 21% percent decrease.

**USING THIS ANNUAL REPORT**

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

1. Low Rent Public Housing
2. Public Housing Capital Fund Program

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

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2012**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

There are two major parts to the financial statements:

- 1) Enterprise fund financial statements and
- 2) The notes to the financial statements.

This report also contains other supplementary information in addition to the financial statements. The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types.

The Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets are two financial statements that report information about the Authority and its activities. The Statement of Cash Flow help to demonstrate how the Authority's cash position changed due to the current year's operating activities. Theses 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.

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

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

The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements and are an integral part of the statements. The Notes to Financial Statements can be found in this Report beginning on page 16 through 36.

The Authority 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 14 through 16.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AT MARCH 31, 2012**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED**

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 37 of this report.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 38.

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Assets between March 31, 2012 and March 31, 2011.

	<u>Year Ended</u>		Increase
	March-12	March-11	(Decrease)
Cash	\$ 430,653	\$ 441,809	\$ (11,156)
Investments	1,159,879	1,142,179	17,700
Other Current Assets	124,311	171,151	(46,840)
Capital Assets - Net	10,012,003	10,086,055	(74,052)
Total Assets	11,726,846	11,841,194	(114,348)
Less: Current Liabilities	(381,901)	(432,634)	50,733
Less: Non Current Liabilities	(213,294)	(81,573)	(131,721)
Net Assets	<u>\$ 11,131,651</u>	<u>\$ 11,326,987</u>	<u>\$ (195,336)</u>
Invested in Capital Assets	10,012,003	10,086,055	(74,052)
Unrestricted Net Assets	1,119,648	1,240,932	(121,284)
	<u>\$ 11,131,651</u>	<u>\$ 11,326,987</u>	<u>\$ (195,336)</u>

Cash decreased by \$11,156 or 3% percent. Net cash used by operating activities was \$144,653, net cash provided by related financing activities was \$131,721 and net cash provided by investing activities was \$1,776. The full detail of these amounts can be found in the Statement of Cash Flow on page 16 of this audit report.

The Authority's investments, which are in the form of certificates of deposits, increased \$17,700 in comparison to the prior year. Accounts receivables decreased \$49,024 mainly due to a decrease in tenants' receivables, and prepaid expenses increased by \$2,184.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AT MARCH 31, 2012**

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

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$74,052 or 1% percent. The major factor contributed for the decrease was the acquisition and construction of capital assets in the amount of \$410,804 made during the fiscal year offset by the recording of depreciation expense in the amount of \$484,856. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

The Authority's total liabilities are reported at \$595,195, of which noncurrent liabilities are stated at \$213,294. Total liabilities increased during the fiscal year as compared to the prior fiscal year in the amount of \$80,988 or 16% percent. Total current liabilities decreased during the fiscal year by \$50,733, leaving noncurrent liabilities for an increase of \$131,721 as compared to the previous fiscal year.

The increase was made up of two accounts, accrued compensated absences – long term with no offsetting assets, increased \$9,056 or 11% percent from the prior fiscal year for an ending balance of \$90,629, and other post benefits increased \$122,665 or 100% percent from the prior year. Additional information on the Authority's other post employee benefits (OPEB) liabilities at March 31, 2012 can be found in Note 16 to the financial statements, which is included in this report.

The Authority's reported net assets of \$11,131,651 which is made up of two categories. The investment in capital assets represents 90% percent of the total account balance. The investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

The Authority's unrestricted net assets represent the remaining 10% percent of the total balance. The unrestricted net asset at March 31, 2012 was \$1,119,648. The Housing Authority of the City of Garfield operating results for March 31, 2012 reported a decrease in Unrestricted Net Assets of \$121,284 or 10% percent for an ending balance of \$1,119,648. Additional information on the Authority's unrestricted net assets can be found in Note 17 to the financial statements, which is included in this report.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2012**

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

The following summarizes the changes in Net Assets between March 31, 2012 and March 31, 2011.

Computation of Changes in Net Assets are as follows:

	<u>Year Ended</u>		<u>Increase</u>
	<u>March-12</u>	<u>March-11</u>	<u>(Decrease)</u>
<u>Revenues</u>			
Tenant Revenues	\$ 2,138,017	\$ 2,145,822	\$ (7,805)
HUD Subsidies	1,123,480	1,118,274	5,206
Other Revenues	134,671	64,370	70,301
Total Operating Income	3,396,168	3,328,466	67,702
<u>Expenses</u>			
Operating Expenses	3,536,928	3,614,951	(78,023)
Depreciation Expense	484,856	478,930	5,926
Total Operating Expenses	4,021,784	4,093,881	(72,097)
Operating Income before Non Operating Income	(625,616)	(765,415)	139,799
Interest Income	19,476	29,978	(10,502)
HUD Capital Grants	361,521	760,948	(399,427)
Change in Net Assets	(244,619)	25,511	(270,130)
Net Assets Prior Year	11,326,987	11,301,476	25,511
Prior Period Adjustment	49,283	-	49,283
Net Assets Restated	11,376,270	11,301,476	74,794
Total Net Assets	\$ 11,131,651	\$ 11,326,987	\$ (244,619)

Approximately 33% percent of the Authority's total revenue was provided by HUD operating subsidy, while 63% percent resulted from tenant revenue. Charges for various services provided 4% percent of the total income. The Housing Authority of the City of Garfield received capital fund improvement grant money during the fiscal year in the amount of \$361,521 as compared to \$760,948 for the previous fiscal year.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2012**

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

The Authority's operating expenses cover a range of expenses. The largest expense was for maintenance expenses representing 34% percent of total operating expenses. Administrative expenses accounted for 20% percent, tenant services accounted for 2% percent, utilities expense accounted for 19% percent, protective and other operating expenses accounted for 13% percent, and depreciation accounted for the remaining 12% percent of the total operating expenses.

The Authority operating revenue did not exceed its operating expenses resulting in excess expenses in the amount of \$625,616 from operations as compared to excess expenses from operations of \$765,415 for the previous fiscal year. The key elements for the decrease in excess expenses over revenue in the amount of \$72,097 as compared to the prior fiscal year are as follows:

- The Authority experienced a decrease in utilities expenses in the amount of \$144,446 or 16% percent from the prior fiscal year. Administrative Expenses also decreased by \$3,202 and maintenance in the amount of \$81,115.
- The Authority experienced an increase in other operating expenses in the amount of \$120,320. This was mainly due to severance expense which resulted from the other post-employment benefits liability.

Total net cash used by operating activities during the year was \$144,653. A full detail of this amount can be found on the Statement of Cash Flow on page 16 of this report.

**BUDGETARY HIGHLIGHTS**

For the year ended March 31, 2012, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 38 of this report.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2012**

The following are financial highlights of significant items for a four year period of time ending on March 31, 2012.

	March-12	March-11	March-10	March-09
<b>Significant Income</b>				
Total Tenant Revenue	\$ 2,138,017	\$ 2,145,822	\$ 2,107,840	\$ 2,125,255
HUD Operating Grants	1,123,480	1,118,274	1,417,606	1,223,927
HUD Capital Grants	361,521	760,948	935,684	857,622
Investment Income	19,476	29,978	38,888	47,530
Other Income	134,671	64,370	191,221	173,388
<b>Total</b>	<b>\$ 3,777,165</b>	<b>\$ 4,119,392</b>	<b>\$ 4,691,239</b>	<b>\$ 4,427,722</b>

<b>Payroll Expense</b>				
Administrative Salaries	\$ 446,563	\$ 365,513	\$ 345,078	\$ 344,970
Tenant Services Salaries	49,260	54,877	156,689	116,396
Utilities Labor	75,486	126,500	-	95,880
Maintenance Labor	605,697	469,667	509,000	411,143
Protective Services Labor	56,480	53,485	53,949	35,081
Employee Benefits Expense	522,735	592,426	403,899	464,740
<b>Total Payroll Expense</b>	<b>\$ 1,756,221</b>	<b>\$ 1,662,468</b>	<b>\$ 1,468,615</b>	<b>\$ 1,468,210</b>

<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 169,659	\$ 186,777	\$ 178,463	\$ 145,209
Utilities Expense	654,477	717,307	733,849	796,247
Maintenance Supplies	196,968	222,515	216,126	145,668
Maintenance Contract Cost	301,467	493,165	307,217	246,943
Protective Services	20,765	24,455	18,222	40,922
Insurance Premiums	138,793	137,057	140,319	138,064
<b>Total</b>	<b>\$ 1,482,129</b>	<b>\$ 1,781,276</b>	<b>\$ 1,594,196</b>	<b>\$ 1,513,053</b>

<b>Total Operating Expenses</b>	<b>\$ 4,021,784</b>	<b>\$ 4,093,881</b>	<b>\$ 3,415,637</b>	<b>\$ 3,674,003</b>
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<b>Total of Federal Awards</b>	<b>\$ 1,485,001</b>	<b>\$ 1,879,222</b>	<b>\$ 2,353,290</b>	<b>\$ 2,081,549</b>
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**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2012**

**THE AUTHORITY AS A WHOLE**

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

The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

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

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD PROGRAMS**

Public Housing Program:

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

Capital Fund Program:

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

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2012**

**NEW INITIATIVES**

The current administration of the Authority is determined to improve the financial results of the Authority's operations. Additionally, it is the Authority's goal to provide better communication with the community, commissioners, and tenants. Also, it is important to preserve the Authority assets by enhanced procurement activities and performing major capital projects where needed.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's investment in capital assets as of March 31, 2012 is \$10,012,003 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the fiscal year in the Authority's investment in capital assets, net of related debt, for the current fiscal year was \$74,052 or 1% percent. Major capital expenditures of \$410,804 were made during the year. Major capital assets events during the fiscal year included the following:

- Floor Covering
- Laundry Room Upgrades
- Emergency Roof Repair
- New Windows
- Cabinets/ Countertops
- New Truck
- New Appliances and Equipment
- New Sidewalks

	March-12	March-11	Increase (Decrease)
Land and Improvements	\$ 732,912	\$ 732,912	\$ -
Buildings & Improvements	20,029,200	18,665,018	1,364,182
Furniture & Equipment - Dwelling	395,811	395,811	-
Furniture & Equipment - Administration	682,074	682,074	-
Construction in Progress	1,368,739	2,322,117	(953,378)
Totals	23,208,736	22,797,932	410,804
Accumulated Depreciation	(13,196,733)	(12,711,877)	(484,856)
Net Book Value	\$ 10,012,003	\$ 10,086,055	\$ (74,052)

Additional information on the Authority's capital assets can be found in Note 9 to the financial statements, which is included in this report.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT MARCH 31, 2012**

**CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED**

2-Debt Administration

The Low Rent Public Housing Program does not have any long-term debt at this time. Additional information on the Authority's long term debt can be found in Note 15 to the financial statements, which is included in this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

The capital budgets for the 2012 fiscal year have already been submitted to HUD and approved with no major changes. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization. The following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2013.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- HUD's forthcoming project based budgeting, accounting, and reporting requirements.
- Inflationary pressure on utility rates, supplies and other cost.
- The Authority's Unrestricted Net Assets does not appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

**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 Martin P. Geisler, Executive Director, The Housing Authority of the City of Garfield, 71 Daniel P Conte Court, Garfield, New Jersey 07026-2404 or call (973) 340,4170.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**STATEMENT OF NET ASSETS**  
**AS OF MARCH 31, 2012 AND 2011**

	MARCH 31,	
	2012	2011
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 430,653	\$ 441,809
Investments	1,159,879	1,142,179
Accounts Receivables, Net of Allowances	18,575	67,599
Prepaid Expenses	105,736	103,552
Total Current Assets	<u>1,714,843</u>	<u>1,755,139</u>
<b>Noncurrent Assets</b>		
Capital Assets		
Land	732,912	732,912
Building	20,029,200	18,665,018
Furniture, Equipment - Dwelling	395,811	395,811
Furniture, Equipment - Administration	682,074	682,074
Construction in Process	1,368,739	2,322,117
Total Capital Assets	<u>23,208,736</u>	<u>22,797,932</u>
Less: Accumulated Depreciation	<u>(13,196,733)</u>	<u>(12,711,877)</u>
Net Book Value	<u>10,012,003</u>	<u>10,086,055</u>
 Total Assets	 <u>\$ 11,726,846</u>	 <u>\$ 11,841,194</u>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 176,286	\$ 232,097
Accrued Liabilities	36,200	33,690
Tenant Security Deposit Payable	161,308	149,140
Deferred Revenue	8,107	17,707
Total Current Liabilities	<u>381,901</u>	<u>432,634</u>
<b>Noncurrent Liabilities</b>		
Accrued Compensated Absences - Long-Term	90,629	81,573
Accrued Pension and OPEB Liabilities	122,665	-
Total Noncurrent Liabilities	<u>213,294</u>	<u>81,573</u>
 Total Liabilities	 <u>595,195</u>	 <u>514,207</u>
<b>Net Assets:</b>		
Investment in Capital Assets, Net of Related Debt	10,012,003	10,086,055
Unrestricted Net Assets	<u>1,119,648</u>	<u>1,240,932</u>
 Total Net Assets	 <u>11,131,651</u>	 <u>11,326,987</u>
 Total of Liabilities and Net Assets	 <u>\$ 11,726,846</u>	 <u>\$ 11,841,194</u>

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2012 AND 2011**

	MARCH 31,	
	2012	2011
<b>Revenue:</b>		
Tenant Rental Revenue	\$ 2,138,017	\$ 2,145,822
HUD PHA Operating Grants	1,123,480	1,118,274
Other Government Grants	51,575	-
Other Revenue	83,096	64,370
Total Revenue	<u>3,396,168</u>	<u>3,328,466</u>
<b>Operating Expenses:</b>		
Administrative Expense	801,514	804,716
Tenant Services	85,897	73,258
Utilities Expense	756,307	900,753
Maintenance Expense	1,363,432	1,444,547
Protective Services	109,190	91,409
Other Operating Expenses	420,588	300,268
Depreciations Expense	484,856	478,930
Total Operating Expenses	<u>4,021,784</u>	<u>4,093,881</u>
Excess Expenses Over Revenue From Operations	<u>(625,616)</u>	<u>(765,415)</u>
<b>Non Operating Income and (Expenses):</b>		
Investment Income - Unrestricted	19,476	29,978
Total Non Operating Income and (Expenses)	<u>19,476</u>	<u>29,978</u>
Capital Grants	<u>361,521</u>	<u>760,948</u>
<b>Change in Net Assets</b>	<u>(244,619)</u>	<u>25,511</u>
Beginning Net Assets	11,326,987	11,301,476
Prior Period Adjustments	49,283	-
Beginning Net Assets, Restated	<u>11,376,270</u>	<u>11,301,476</u>
Ending Net Assets	<u>\$ 11,131,651</u>	<u>\$ 11,326,987</u>

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**STATEMENT OF CASH FLOW**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2012 AND 2011**

	MARCH 31,	
	2012	2011
<b>Cash Flow From Operating Activities</b>		
Receipts from Tenants	\$ 2,191,205	\$ 2,119,615
Receipts from Federal Grants	1,126,037	1,120,831
Receipts from Other Government Grants	51,575	-
Receipts from Misc. Sources	83,097	64,370
Payments to Vendors and Suppliers	(1,185,869)	(1,430,060)
Payments to Employees	(1,233,486)	(1,070,042)
Payment of Employee Benefits	(522,735)	(592,426)
Payments for Utilities	(654,477)	(717,307)
Net Cash (Used) by Operating Activities	<u>(144,653)</u>	<u>(505,019)</u>
<b>Cash Flow From Capital and Related Financing Activities</b>		
Receipts from Capital Grants	361,521	760,948
Acquisitions and Construction of Capital Assets	(410,804)	(760,947)
Increase in Accrued Compensated Absences	9,056	6,654
Accrued Pension and OPEB	122,665	-
Prior Period Adjustment	49,283	-
Net Cash Provided by and Related Financing Activities	<u>131,721</u>	<u>6,655</u>
<b>Cash Flow From Investing Activities</b>		
Interest Income	19,476	29,978
Purchase of Investments	(17,700)	(25,346)
Net Cash Provided by Investing Activities	<u>1,776</u>	<u>4,632</u>
Net (Decrease) in Cash and Cash Equivalents	(11,156)	(493,732)
<b>Beginning Cash</b>	<u>441,809</u>	<u>935,541</u>
<b>Ending Cash</b>	<u>\$ 430,653</u>	<u>\$ 441,809</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
Provided by Operating Activities		
Excess of Expenses Over Revenue	\$ (625,616)	\$ (765,415)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	484,856	478,930
(Increase) Decrease in:		
Accounts Receivables	49,024	(3,260)
Prepaid Expenses	(2,184)	(1,009)
Increase (Decrease) in:		
Accounts Payable	(55,811)	(199,787)
Accrued Liabilities	2,510	(22,919)
Tenant Security Deposit Payable	12,168	6,886
Deferred Revenue	(9,600)	1,555
Other Current Liabilities	-	-
Net Cash (Used) by Operating Activities	<u>\$ (144,653)</u>	<u>\$ (505,019)</u>

See accompanying notes to the financial statements.

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

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

**1. Organization** - The Authority is a non-profit corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Garfield in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority.

Operating and modernization subsidies are provided to the Authority by the federal government.

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

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The primary government holds the corporate powers of the organization.
- C. The primary government appoints a voting majority of the organization's board.
- D. The primary government is able to impose its will on the organization.
- E. There is calendar dependency by the organization on the primary government.
- F. The organization has potential to impose a financial benefit or burden on the primary government.

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **2. Significant Accounting Policies**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" addresses the applicability of the various FASB's, and allows several options in the use of the FASB's. The Authority has elected to use Alternative 2 of GASB-20 which states that "a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements". Also, the Authority has elected to not follow FASB-106, FASB-112, and FASB-132, which all deal with pension reporting. Instead, the Authority follows GASB-45-"Accounting for Pensions by State and Local Governmental Employers."

#### **A. Basis of Accounting -**

The financial statements of the Authority are prepared under 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 and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net assets, revenue, and expenses are accounting for through a single enterprise fund for the primary government.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program of the Authority is entitled to receive advances as expenditures are incurred.

# **THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**

## Notes to Financial Statements March 31, 2012

### **2. A – Basis of Accounting - Continued**

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

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

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by March 31, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

Other revenue is income composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non exchange transactions or ancillary activities.

### **B. 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. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" and Statement No.38 "Certain Financial Statement Note Disclosures" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements

March 31, 2012

### **2. B. Report Presentation - Continued**

GASB Statement No. 34 requires the classification of net assets into three components, Investment in Capital Assets, Net of Related Debt Restricted Net Assets, and Unrestricted Net Assets.

#### Net Assets Invested in Capital Assets Net of Related Debt.

The net assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

#### Restricted Net Assets.

The net assets less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed, or when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

#### Unrestricted Net Assets.

The net assets consist of net assets that do not meet the definition of Restricted Net Assets or Invested in Capital Assets, Net of Related Debt.

The adoptions of Statement No. 34, Statement No. 37, and Statement No. 38 have no significant effect on the financial statements except, for the classification of net assets in accordance with Statement No. 34.

The Enterprise Fund is used for activities which are financed and operated in a manner similar to a private business enterprise where the intent is that the costs (expenses, including depreciation) of providing goods or services to its clients on a continuing basis be financed or recovered primarily through user charges or operating subsidies.

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

### **Other accounting policies are as follows**

1 – Cash and cash equivalents are stated at cost, which approximates market. 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.

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **Other accounting policies are as follows - continued**

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.

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

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

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

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

8 - 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.

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

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

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **Other accounting policies are as follows - continued**

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

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

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

### **C. Budgetary and Policy Control –**

The 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.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 38.

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

**3. Activities** - The only programs or activities administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
Public Housing			
Low Rent Housing	14.850	NJ-034	456
Capital Fund	14.872		

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

**5. Grants** - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

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

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

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 2 – ESTIMATES**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

### **NOTE 3 - PENSION PLAN**

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. It is a cost sharing, multiple-employer defined benefit pension plan. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 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.

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.

#### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2012 and 2011 amounted to \$133,171 and \$136,771.

#### Post Employment Retirement Benefits

The Authority also provides post employment health care benefits and life insurance to all eligible retirees. Eligibility requires that employees be 55 years or older with at least 25 years of service.

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 4 – CASH, CASH EQUIVALENTS**

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

The New Jersey Government Code requires New Jersey banks and savings and loan associations to be covered by the Governmental Unit Deposit Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. The market value of the pledged securities must equal at least 110% of the Authority's deposits.

The bank balances at March 31, 2012 and 2011 were \$430,653 with investments of \$1,159,879 totaling \$1,590,532 for 2012 and \$441,809 with investments of \$1,142,179 totaling \$1,583,988 for 2011 which were either insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below:

	March-12	March-11
Spencer Savings Banks	\$ 1,121,741	\$ 1,120,332
Community Bank	468,591	463,456
Petty Cash	200	200
Total	<u>\$ 1,590,532</u>	<u>\$ 1,583,988</u>

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED**

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

<u>Depository Accounts</u>	<u>Bank Balances</u>	
	<u>March-12</u>	<u>March-11</u>
Insured	\$ 500,000	\$ 500,000
Collateralized held by pledging bank's trust department in the Authority's name	1,090,532	1,083,988
Total	<u>\$ 1,590,532</u>	<u>\$ 1,583,988</u>

### **NOTE 5 - TENANT SECURITY DEPOSITS**

The Authority has restricted cash at March 31, 2012 and 2011 in the amount of \$161,308 and \$149,140, respectively, and was accounted for in cash and cash equivalents in Note 4. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at Spencer Savings Bank. Based on custodial credit risk in Note 4, all of the Authority's security deposits are classified as insured.

### **NOTE 6 - ACCOUNTS RECEIVABLE**

Accounts Receivable at March 31, 2012 and 2011 consisted of the following:

	<u>March-12</u>	<u>March-11</u>
Tenants Accounts Receivable	\$ 39,744	\$ 92,932
Less Allowance for Doubtful Accounts	(21,169)	(27,890)
Net Tenants Accounts Receivable	18,575	65,042
Accounts Receivable- HUD	-	2,557
Accounts Receivable - Net of Allowances	<u>\$ 18,575</u>	<u>\$ 67,599</u>

The Housing Authority of the City of Garfield carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations.

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 7 – PREPAID EXPENSES**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Prepaid expenses at March 31, 2012 and 2011 consisted of prepaid insurance premiums in the amount of \$105,736 and \$103,552 respectively.

### **NOTE 8 – INTERFUND ACTIVITY**

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at March 31, 2012 are detailed on the Financial Data Schedule included in this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

### **NOTE 9 - FIXED ASSETS**

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated at cost as determined by an appraisal.

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$2,000 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The Housing Authority of the City of Garfield has given consideration to the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS No. 144) in the preparation of these financial statements.

The carrying value of long-live assets in accordance with SFAS No. 144, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 9 - FIXED ASSETS - CONTINUED**

from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at March 31, 2012.

Below are the schedules of changes in fixed assets for the twelve months ending March 31, 2012 and 2011:

	Balance March-11	Additions	Transfer	Balance March-12
Land and Improvements	\$ 732,912	\$ -	\$ -	\$ 732,912
Buildings & Improvements	18,665,018		1,364,182	20,029,200
Furniture & Equipment - Dwelling	395,811	-	-	395,811
Furniture & Equipment - Administration	682,074	-	-	682,074
Construction in Progress	2,322,117	410,804	(1,364,182)	1,368,739
Totals	22,797,932	410,804	-	23,208,736
Accumulated Depreciation	(12,711,877)	(484,856)	-	(13,196,733)
Net Book Value	\$ 10,086,055	\$ (74,052)	\$ -	\$ 10,012,003

	Balance March-10	Additions	Transfer	Balance March-11
Land and Improvements	\$ 732,912	\$ -	\$ -	\$ 732,912
Buildings & Improvements	18,124,176	-	540,842	18,665,018
Furniture & Equipment - Dwelling	372,936	-	22,875	395,811
Furniture & Equipment - Administration	682,074	-	-	682,074
Construction in Progress	2,124,887	760,947	(563,717)	2,322,117
Totals	22,036,985	760,947	-	22,797,932
Accumulated Depreciation	(12,232,947)	(478,930)	-	(12,711,877)
Net Book Value	\$ 9,804,038	\$ 282,017	\$ -	\$ 10,086,055

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 10 – ACCOUNTS PAYABLE**

The Authority reported accounts payable on its balance sheet as of March 31, 2012 and 2011. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at March 31, 2012 and 2011 consist of the following:

	March-12	March-11
Accounts Payable Vendors	\$ 38,089	\$ 107,377
Accounts Payable - Other Government	138,197	124,720
Total Accounts Payable	<u>\$ 176,286</u>	<u>\$ 232,097</u>

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

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of Garfield. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. The total amount of PILOT payable at March 31, 2012 is \$138,197 and \$124,720 for 2011, consisting of unpaid PILOT expense:

	March-12	March-11
P.I.L.O.T. March 31, 2011	\$ 124,720	\$ 124,720
P.I.L.O.T. March 31, 2012	138,197	-
Less: Payments	(124,720)	-
Total P.I.L.O.T. Payable	<u>\$ 138,197</u>	<u>\$ 124,720</u>

### **NOTE 12 – ACCRUED EXPENSES**

The Authority reported accrued expenses on its balance sheet. Accrued expenses are liabilities covering expenses incurred on or before March 31, and are payable at some future date. Accrued liabilities at March 31, 2012 and 2011 consist of the following:

	March-12	March-11
Accrued Wages	\$ 25,136	\$ 24,629
Compensated Absences - Current Portion	10,070	9,061
Accrued Liabilities - Utilities	994	-
Total Accrued Liabilities	<u>\$ 36,200</u>	<u>\$ 33,690</u>

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements

March 31, 2012

### **NOTE 13 – ACCRUED COMPENSATED ABSENCES**

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

Unused sick leave may be carried to future periods with out limitations and used in the event of extended illness. In the event of retirement, or termination, an employee is compensated for one-half of his unused sick days, or six month salary whichever is less. In no event, shall the maximum cash-out of sick time exceed \$15,000. Unused personal days will be forfeited at the end of each calendar year. Generally, unused vacation may be carried over to the next year and then must be used. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

The Authority has determined that the potential liability for accumulated vacation and sick time is as follows:

	March-12	March-11
Accumulated Sick Time	\$ 81,689	\$ 72,252
Accumulated Vacation Time	11,569	10,142
Accrued Payroll Taxes	7,441	8,240
Total	100,699	90,634
Compensated Absences - Current Portion	(10,070)	(9,061)
Total Compensated Absences - Noncurrent	\$ 90,629	\$ 81,573

### **NOTE 14 – DEFERRED REVENUE**

The Authority reported deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized. The deferred revenue for March 31, 2012 and 2011 is \$8,107 and \$17,707 and consists of:

	March-12	March-11
LIH Operating Subsidy	\$ -	\$ 13,675
Prepaid Rents	8,107	4,032
Total Deferred Revenue	\$ 8,107	\$ 17,707

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 15 – LONG TERM DEBT**

At March 31, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off.

GASB Interpretation No. 2, "Disclosure of Conduit Debt Obligations," provided guidance as to the proper GAAP treatment of this HUD-guaranteed debt. The debt transactions between the Authority and HUD are similar to conduit debt obligations, which are "certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by the state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer" financial reporting entity.

The transaction between the Authority and HUD is similar to HUD giving funds to the Authority to operate and the funds are a capital contribution. HUD has essentially made an investment in the Authority. Therefore, the liability was reclassified as a capital contribution. Since HUD is paying the obligations directly, the outstanding Long Term Debt balance at March 31, 2012 could not be readily determined.

### **NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

In September 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The basic premise of the statement is that Other Postemployment Benefits (OPEB) is earned by employees and should be recognized by the employer as the employee provides services. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. All of the Authority's retirees continue their life insurance and continue to receive health insurance benefits at various percentages of the Authority's cost. In prior years, the Authority financed OPEB on a pay-as-you-go basis with expenditures recorded in the General Fund. Accounting for OPEB under GASB No. 45 will result in the Authorities reporting a significant actuarially-based liability for benefits.

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 HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED**

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:

	March-12
Annual Required Contribution	\$ 97,249
Amortization of Initial Unfunded Accrued Liability	63,995
Annual OPEB cost (expense)	161,244
Contributions made	(38,579)
Increase in net OPEB obligation	122,665
Net OPEB Obligation – beginning of year	-
Net OPEB Obligation – end of year	<u>\$ 122,665</u>

### FUNDED STATUS AND FUNDING PROGRESS

As of March 31, 2012, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$1,846,010, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,846,010.

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.

### EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event of that discount trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would decrease to \$1,570,178 or by 14.9% and the corresponding Normal Cost would decrease to \$76,288 or by 21.5%. If such healthcare trend rates were 1% more than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would increase to \$2,168,895 or by 17.5% and the corresponding Normal Cost would decrease to \$27,752 or 28.5%.

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION – CONTINUED** **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.

- Actuarial Cost Method
  - Investment Rate of Return
  - Healthcare Trend Rates:
- Projected Unit Credit  
4% per annum

Premium Increases		
Trends	Year	Rate
Initial Trends	2013	10.00%
Ultimate Trend	2018 & Later	5.00%
Grading Per Year		1.00%

- General Inflation Assumption:
  - Annual Compensation Increases
  - Actuarial Value of Assets:
  - Amortization of UAAL:
  - Remaining Amortization Period:
- 1% per annum  
N/A  
Market Value  
Amortized as level dollar amount  
30 years at April 1, 2011

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

	March-12
Number of Active Employees	17
Number of Retirees	5
Average Years of Service - Active	48.3
Average Age - Active	65.8
Average Expected Future Work Time	12.8

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 17 – UNRESTRICTED NET ASSETS**

The Authority Unrestricted Net Assets account balance at March 31, 2012 is \$1,119,648. The detail of the account balance is as follows:

	LIH Program Reserves	MHSC Reserves	COCC	Total
Balance March 31, 2010	\$ 1,337,656	\$ 19,283	\$ 140,499	\$ 1,497,438
Increase During the Year	-	-	96,341	96,341
Transfer from Restricted Net Assets	(351,635)	(1,212)	-	(352,847)
Balance March 31, 2011	986,021	18,071	236,840	1,240,932
Increase During the Year	-	-	34,439	34,439
Decrease During the Year	(155,582)	(141)	-	(155,723)
Balance March 31, 2012	\$ 830,439	\$ 17,930	\$ 271,279	\$ 1,119,648

### **NOTE 18 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended March 31, 2011, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of all its buildings for the purpose of determining potential liability issues.

During the year ended March 31, 2012, the Authority did not reduce insurance coverage's from coverage levels in place as of March 31, 2011. No settlements have exceeded coverage levels in place during 2010, 2011, and 2012.

The Authority participates in the New Jersey Public housing Authority Joint Insurance Fund (NJPHA-JIF), which was established in 1996 by several Housing Authority's as a means of reducing the cost of general liability insurance. The NJPHA-JIF is a public entity risk pool currently operating as a common risk management and insurance program for the member Authority's. The main purpose of the Consortium is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit. Coverage includes all property and \$25,000,000 for liability.

# **THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**

## Notes to Financial Statements March 31, 2012

### **NOTE 18 - RISK MANAGEMENT - CONTINUED**

No settlement has exceeded coverage since establishment of the Consortium. In 2000 NJPHA –JIF added statutory worker's compensation coverage. For the fiscal year ended March 31, 2012 the Authority paid \$140,981 to NJPHA–JIF for property, general liability, public employee bond, public officials bond, auto coverage, excess liability, commercial package, and worker's compensation protection. Since the Consortium requests initial payments to cover substantially any losses to be incurred for that policy year, the Authority anticipates no future liabilities for incurred losses.

### **NOTE 19 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended March 31, 2012 and 2011 were \$-0-.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended March 31, 2012 and 2011 were \$1,016,054 and \$962,715, respectively.

### **NOTE 20 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

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

Total financial support by HUD for the year ending March 31, 2012 and 2011 was \$1,485,001 and \$1,879,222, respectively.

# THE HOUSING AUTHORITY OF THE CITY OF GARFIELD

## Notes to Financial Statements March 31, 2012

### **NOTE 21 - CONTINGENCIES**

Litigation – At March 31, 2012, the Authority was not involved in any threatened litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material

### **NOTE 22- PRIOR PERIOD ADJUSTMENTS**

For year ending March 31, 2012

The Authority's Housing Central Office Cost Center Program had a prior period adjustment in the amount of \$49,283 to reallocate income from capital fund programs.

### **NOTE 23 – SUBSEQUENT EVENTS**

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru October 15, 2012; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2012**

Programs funded by the U.S. Department of Housing  
and Urban Development: Subject to Annual Contribution Contract

	<u>CFDA#</u>	<u>Expenditures</u>
<u>PHA Owned Housing</u>		
Low Rent Public Housing	14.850	\$ 1,016,054
Public Housing Capital Fund Program	14.872	<u>468,947</u>
 Total Awards		 <u><u>\$ 1,485,001</u></u>

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The Housing Authority of the City of Garfield. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2. Loans Outstanding:**

The Housing Authority of the City of Garfield had no loans outstanding at March 31, 2012.

**Note 3. Sub recipients:**

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

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**BUDGETARY COMPARISON SCHEDULE**  
**LOW INCOME HOUSING PROGRAM**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2012**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 2,138,017	\$ 2,147,320	\$ (9,303)
HUD PHA Operating Grants	1,123,480	976,678	146,802
Other Revenue	73,361	125,000	(51,639)
Total Revenue	3,334,858	3,248,998	85,860
<b>Operating Expenses:</b>			
<b>Administration:</b>			
Administrative Salaries	249,194	403,780	154,586
Audit Fee's	4,500	10,800	6,300
Employee Benefit Contributions	76,690	227,989	151,299
Asset Management Fee	54,450	37,700	(16,750)
Management Fee	414,831	-	(414,831)
Bookkeeping Fee	40,838	40,838	-
Other Operating Administrative Expenses	64,042	129,822	65,780
Total Administrative Expenses	904,545	850,929	(53,616)
<b>Tenant Services:</b>			
Tenant Services Salaries	4,293	-	(4,293)
Employee Benefit Contributions	3,727	-	(3,727)
Tenant Services Other	16,783	5,700	(11,083)
Total Tenant Services	24,803	5,700	(19,103)
<b>Utilities:</b>			
Water	57,403	54,430	(2,973)
Electricity	354,706	251,590	(103,116)
Gas	242,124	326,090	83,966
Labor	75,486	101,830	26,344
Employee Benefit Contributions	26,344	57,497	31,153
Other Utilities Expense	-	109,500	109,500
Total Utilities	756,063	900,937	144,874
<b>Maintenance:</b>			
Maintenance Labor	605,697	487,880	(117,817)
Materials	184,232	180,000	(4,232)
Maintenance Contract Cost	286,830	231,000	(55,830)
Employee Benefit Contributions	259,300	275,475	16,175
Total Maintenance	1,336,059	1,174,355	(161,704)
<b>Protective Services:</b>			
Protective Service Cost	103,228	20,630	(82,598)
Total Protective Services	103,228	20,630	(82,598)
<b>Other Operating Expenses:</b>			
Insurance	123,793	142,000	18,207
Payment in Lieu of Taxes	138,197	130,390	(7,807)
Compensated Absences and Severance	109,930	-	(109,930)
Bad Debt	8,856	25,000	16,144
Total Other Operating Expenses	380,776	297,390	(83,386)
<b>Total Operating Expenses</b>	<b>3,505,474</b>	<b>3,249,940</b>	<b>(255,534)</b>
<b>Excess Revenue Over Expenses From Operations</b>	<b>(170,616)</b>	<b>(942)</b>	<b>(169,674)</b>
<b>Other Income and (Expenses):</b>			
Investment Income - Unrestricted	14,460	24,790	(10,330)
Replacement of Equipment	(49,283)	(28,000)	(21,283)
Transfer in - CFP	49,857	-	49,857
Total Other Income and (Expenses)	15,034	(3,210)	18,244
<b>Excess Revenue over Expenses</b>	<b>\$ (155,582)</b>	<b>\$ (4,152)</b>	<b>\$ (151,430)</b>

See accompanying notes to the financial statements.

## Garfield Housing Authority (NJ034)

GARFIELD, NJ

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$251,415	\$17,930		\$269,345		\$269,345
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted						
114 Cash - Tenant Security Deposits	\$161,308			\$161,308		\$161,308
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$412,723	\$17,930	\$0	\$430,653	\$0	\$430,653
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$39,744			\$39,744		\$39,744
126.1 Allowance for Doubtful Accounts - Tenants	-\$21,169			-\$21,169		-\$21,169
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	\$18,575	\$0	\$0	\$18,575	\$0	\$18,575
131 Investments - Unrestricted	\$870,757		\$289,122	\$1,159,879		\$1,159,879
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$105,736			\$105,736		\$105,736
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From			\$54,450	\$54,450	-\$54,450	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$1,407,791	\$17,930	\$343,572	\$1,769,293	-\$54,450	\$1,714,843
161 Land	\$536,476		\$196,436	\$732,912		\$732,912
162 Buildings	\$19,906,225		\$122,975	\$20,029,200		\$20,029,200
163 Furniture, Equipment & Machinery - Dwellings	\$395,811			\$395,811		\$395,811
164 Furniture, Equipment & Machinery - Administration	\$662,074			\$662,074		\$662,074
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$13,179,383		-\$17,350	-\$13,196,733		-\$13,196,733
167 Construction in Progress	\$1,368,739			\$1,368,739		\$1,368,739
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,709,942	\$0	\$302,061	\$10,012,003	\$0	\$10,012,003
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	\$9,709,942	\$0	\$302,061	\$10,012,003	\$0	\$10,012,003
190 Total Assets	\$11,117,733	\$17,930	\$645,633	\$11,781,296	-\$54,450	\$11,726,846
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$36,844		\$1,245	\$38,089		\$38,089
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$17,945		\$7,191	\$25,136		\$25,136
322 Accrued Compensated Absences - Current Portion	\$5,735		\$4,335	\$10,070		\$10,070
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$138,197			\$138,197		\$138,197
341 Tenant Security Deposits	\$161,308			\$161,308		\$161,308

See accompanying notes to the financial statements

## Garfield Housing Authority (NJ034)

GARFIELD, NJ

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
342 Deferred Revenues	\$8,107			\$8,107		\$8,107
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	\$994			\$994		\$994
347 Inter Program - Due To	\$54,450			\$54,450	-\$54,450	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$423,580	\$0	\$12,771	\$436,351	-\$54,450	\$381,901
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	\$51,613		\$39,016	\$90,629		\$90,629
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$102,159		\$20,506	\$122,665		\$122,665
350 Total Non-Current Liabilities	\$153,772	\$0	\$59,522	\$213,294	\$0	\$213,294
300 Total Liabilities	\$577,352	\$0	\$72,293	\$649,645	-\$54,450	\$595,195
508.1 Invested In Capital Assets, Net of Related Debt	\$9,709,942		\$302,061	\$10,012,003		\$10,012,003
509.2 Fund Balance Reserved						
511.2 Unreserved, Designated Fund Balance						
511.1 Restricted Net Assets						
512.1 Unrestricted Net Assets	\$830,439	\$17,930	\$271,279	\$1,119,648		\$1,119,648
512.2 Unreserved, Undesignated Fund Balance						
513 Total Equity/Net Assets	\$10,540,381	\$17,930	\$573,340	\$11,131,651	\$0	\$11,131,651
600 Total Liabilities and Equity/Net Assets	\$11,117,733	\$17,930	\$645,633	\$11,781,296	-\$54,450	\$11,726,846

See accompanying notes to the financial statements

Garfield Housing Authority (NJ034)  
GARFIELD, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	2 State/Local	COC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,106,851			\$2,106,851		\$2,106,851
70400 Tenant Revenue - Other	\$31,166			\$31,166		\$31,166
70500 Total Tenant Revenue	\$2,138,017	\$0	\$0	\$2,138,017	\$0	\$2,138,017
70600 HUD PHA Operating Grants	\$1,123,480			\$1,123,480		\$1,123,480
70610 Capital Grants	\$361,521			\$361,521		\$361,521
70710 Management Fee			\$414,830	\$414,830	-\$414,830	\$0
70720 Asset Management Fee			\$54,460	\$54,460	-\$54,460	\$0
70730 Book Keeping Fee			\$40,838	\$40,838	-\$40,838	\$0
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue			\$510,118	\$510,118	-\$510,118	\$0
70800 Other Government Grants		\$51,675		\$51,675		\$51,675
71100 Investment Income - Unrestricted	\$14,460	\$16	\$5,000	\$19,476		\$19,476
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	\$73,361	\$9,736		\$83,097		\$83,097
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted						
70000 Total Revenue	\$3,710,839	\$61,327	\$515,118	\$4,287,284	-\$510,118	\$3,777,166
91100 Administrative Salaries	\$249,194		\$197,369	\$446,563		\$446,563
91200 Auditing Fees	\$4,500		\$6,340	\$10,840		\$10,840
91300 Management Fee	\$414,831			\$414,831	-\$414,831	\$0
91310 Book-keeping Fee	\$40,838			\$40,838	-\$40,838	\$0
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$78,690		\$106,602	\$185,292		\$185,292
91600 Office Expenses	\$58,968	\$374	\$71,434	\$128,776		\$128,776
91700 Legal Expense	\$4,500		\$25,506	\$30,006		\$30,006
91800 Travel			\$37	\$37		\$37
91810 Allocated Overhead						
91900 Other						
91000 Total Operating - Administrative	\$849,521	\$374	\$407,286	\$1,257,183	-\$455,669	\$801,514
92000 Asset Management Fee	\$54,450			\$54,450	-\$54,450	\$0
92100 Tenant Services - Salaries	\$4,293	\$44,967		\$49,260		\$49,260
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services	\$3,727	\$16,127		\$19,854		\$19,854
92400 Tenant Services - Other	\$16,783			\$16,783		\$16,783
92500 Total Tenant Services	\$24,803	\$61,094	\$0	\$85,897	\$0	\$85,897
93100 Water	\$57,403		\$99	\$57,502		\$57,502
93200 Electricity	\$354,706		\$145	\$354,851		\$354,851
93300 Gas	\$242,124			\$242,124		\$242,124
93400 Fuel						
93500 Labor	\$75,486			\$75,486		\$75,486
93600 Sewer						
93700 Employee Benefit Contributions - Utilities	\$26,344			\$26,344		\$26,344
93800 Other Utilities Expense						
93000 Total Utilities	\$756,063	\$0	\$244	\$756,307	\$0	\$756,307
94100 Ordinary Maintenance and Operations - Labor	\$605,697			\$605,697		\$605,697
94200 Ordinary Maintenance and Operations - Materials and Other	\$184,232		\$12,736	\$196,968		\$196,968
94300 Ordinary Maintenance and Operations Contracts	\$286,830		\$14,837	\$301,667		\$301,667
94500 Employee Benefit Contributions - Ordinary Maintenance	\$259,300			\$259,300		\$259,300
94000 Total Maintenance	\$1,336,059	\$0	\$27,373	\$1,363,432	\$0	\$1,363,432

See accompanying notes to the financial statements

Garfield Housing Authority (NJ034)  
GARFIELD, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	2 State/Local	COC	Subtotal	ELIM	Total
95100 Protective Services - Labor	\$55,164		\$1,316	\$56,480		\$56,480
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other	\$17,195		\$3,570	\$20,765		\$20,765
95500 Employee Benefit Contributions - Protective Services	\$30,889		\$1,076	\$31,945		\$31,945
95000 Total Protective Services	\$103,228	\$0	\$5,962	\$109,190	\$0	\$109,190
96110 Property Insurance	\$61,897			\$61,897		\$61,897
96120 Liability Insurance	\$30,948			\$30,948		\$30,948
96130 Workmen's Compensation	\$30,948		\$15,000	\$45,948		\$45,948
96140 All Other Insurance						
96100 Total Insurance Premiums	\$123,793	\$0	\$15,000	\$138,793	\$0	\$138,793
96200 Other General Expenses						
96210 Compensated Absences	\$7,771		\$4,306	\$12,077		\$12,077
96300 Payments in Lieu of Taxes	\$138,197			\$138,197		\$138,197
96400 Bad debt - Tenant Rents	\$8,856			\$8,856		\$8,856
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense	\$102,169		\$20,506	\$122,665		\$122,665
96000 Total Other General Expenses	\$256,983	\$0	\$24,812	\$281,795	\$0	\$281,795
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	\$3,504,900	\$61,468	\$480,679	\$4,047,047	-\$510,119	\$3,536,928
97000 Excess of Operating Revenue over Operating Expenses	\$205,939	-\$141	\$34,439	\$240,237	\$1	\$240,238
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments						
97350 HAP Portability-In						
97400 Depreciation Expense	\$481,782		\$3,074	\$484,856		\$484,856
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$3,986,682	\$61,468	\$483,753	\$4,531,903	-\$510,119	\$4,021,784
10010 Operating Transfer In	\$49,857			\$49,857		\$49,857
10020 Operating transfer Out	-\$49,857			-\$49,857		-\$49,857
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	-\$275,843	-\$141	\$31,365	-\$244,619	\$1	-\$244,618
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$10,818,224	\$18,071	\$492,692	\$11,326,987	\$0	\$11,326,987
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$49,283	\$49,283		\$49,283

See accompanying notes to the financial statements

Garfield Housing Authority (NJ034)  
GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	2 State/Local	COC	Subtotal	ELIM	Total
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	5472	0	5472
11210 Number of Unit Months Leased	5445		0	5445	0	5445
11270 Excess Cash	\$599,713			\$599,713		\$599,713
11610 Land Purchases	\$0		\$0	\$0		\$0
11620 Building Purchases	\$361,521		\$0	\$361,521		\$361,521
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

See accompanying notes to the financial statements

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**STATEMENT AND CERTIFICATION OF**  
**ACTUAL CAPITAL FUND GRANT COST**  
**AS OF MARCH 31, 2012**

	NJ39PO34501-10		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 68,000	\$ 68,000	\$ -
Management Improvements	45,000	45,000	-
Administration	66,018	66,018	-
Fees and Cost	17,200	17,200	-
Site Improvements	41,800	41,800	-
Dwelling Structures	400,000	400,000	-
Dwelling Equipment	20,000	20,000	-
Non-dwelling Equipment	20,000	20,000	-
Total	<u>\$ 678,018</u>	<u>\$ 678,018</u>	<u>\$ -</u>
Funds Advanced	\$ 678,018		
Funds Expended	678,018		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-10 was completed on June 12, 2012.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**  
**STATEMENT AND CERTIFICATION OF**  
**ACTUAL FORMULA CAPITAL FUND STIMULUS GRANT COSTS**  
**AS OF MARCH 31, 2012**

	NJ39S080501-09		
	Budget	Actual Cost	Overrun
Administration	\$ 74,037	\$ 74,037	-
Fees and Costs	\$ 23,620	\$ 23,620	-
Site Improvements	\$ 149,711	\$ 149,711	-
Dwelling Structures	\$ 580,674	\$ 580,674	-
Non-dwelling Equipment	\$ 37,611	\$ 37,611	-
Total	\$ 865,653	\$ 865,653	\$ -
Funds Advanced	\$ 865,653		
Funds Expended	865,653		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Formula Capital Fund Stimulus Grant Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Formula Capital Fund Stimulus Grant costs have been paid and all related liabilities have been discharged through payment.
3. The Formula Capital Fund Stimulus Grant 501-09 was completed on December 15, 2010.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.



# *Hymanson, Parnes & Giampaolo*

## *Certified Public Accountants*

tele: 732-842-4550  
fax: 732-842-4551

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENTAL AUDITING STANDARDS**

**(No Reportable Instances of Noncompliance and No Material Weaknesses)**

Board of Commissioners  
The Housing Authority of the City of Garfield  
71 Daniel P. Conte Court  
Garfield, New Jersey 07026-2404

We have audited the financial statements of the Housing Authority of the City of Garfield as of and for the year ended March 31, 2012 and have issued our report thereon dated October 15, 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority of the City of Garfield internal control over financial reporting as a basis for designing our auditing 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 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 Housing Authority of the City of Garfield'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 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.

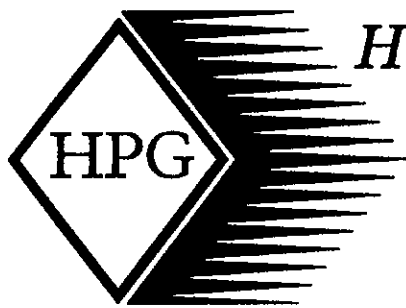
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Garfield 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*.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Hymanson, Parnes & Giampaolo**

Date: October 15, 2012



# *Hymanson, Parnes & Giampaolo*

## *Certified Public Accountants*

tele: 732-842-4550  
fax: 732-842-4551

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

**INDEPENDENT AUDITORS 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**

**(Unqualified Opinion on Compliance, No Material Weaknesses or Significant  
Deficiencies in Internal Control Over Compliance Identified)**

Board of Commissioners  
The Housing Authority of the City of Garfield  
71 Daniel P. Conte Court  
Garfield, New Jersey 07026-2404

### **Compliance**

We have audited the compliance of the Housing Authority of the City of Garfield with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of The Housing Authority of the City of Garfield major federal programs for the year ended March 31, 2012. The Housing Authority of the City of Garfield's major federal programs are identified in the summary of the auditors result 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 Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and the U.S. Office of Management and Budgets Circular A-133. Those standards and OMB Circular A-133 required 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 major federal program occurred. An audit includes examining, on a test basis, evidence about The Housing Authority of the City of Garfield's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Housing Authority of the City of Garfield complied, in all material respects, with the compliance requirements referred to the above that could have a direct and material effect on each of its major federal program identified in the accompanying schedule of findings and questioned cost for the fiscal year ended March 31, 2012.

## **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 compliance requirements referred to above. In planning and performing our audit, we considered The Housing Authority of the City of Garfield's internal control over compliance with 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.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Hymanson, Parnes & Giampaolo**

Date: October 15, 2012

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**

Schedule of Findings and Questioned Cost

Year Ended March 31, 2012

**Prior Audit Findings**

Finding #2011-1 Compliance with New Jersey Administrative Code 5:34-8.2 (Advertising for public bidding).

This finding has been cleared during the current fiscal year.

**THE HOUSING AUTHORITY OF THE CITY OF GARFIELD**

Schedule of Findings and Questioned Cost

Year Ended March 31, 2012

**Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the financial statement of the Housing Authority of the City of Garfield.
2. No significant deficiencies relating to the audit of the financial statements are reported in the REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the City of Garfield were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the 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.
5. The auditor's report on compliance for the Low Rent Public Housing Program expresses an Unqualified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program tested as major program were:
  - a. Low Rent Public Housing Program, CFDA#14.850 with expenditures of \$1,016,054
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Housing Authority of the City of Garfield did not qualify as a low risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported

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

None reported



# *Hymanson, Parnes & Giampaolo*

## *Certified Public Accountants*

tele: 732-842-4550  
fax: 732-842-4551

467 Middletown-Lincroft Rd.  
Lincroft, NJ 07738

### **Independent Accountant's Report on Agreed-Upon Procedures**

Board of Commissioners  
The Housing Authority of the City of Garfield  
71 Daniel P. Conte Court  
Garfield, New Jersey 07026-2404

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of Garfield and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. This agree-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Housing Authority as of and for the fiscal year ended March 31, 2012, and have issued our report thereon dated October 15, 2012. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule (FDS) dated March 31, 2012, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Housing Authority of the City of Garfield and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

*Hymanson, Parnes & Giampaolo*  
Date: October 15, 2012

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>

Firm Name **Hymanson Parnes & Giampaolo**

Employer Identification Number **22-3554220**

Date **October 15, 2012**

UII# **#66170**

Contact First Name **Anthony**

Contact Middle Initial **J.**

Contact Last Name **Giampaolo, C.P.A**

Street Address Line 1 **467 Middletown-Lincroft Rd.**

Street Address Line 2

County **Lincroft**

State **New Jersey**

Zip Code **07738**

Telephone **732-842-4550**