

HOUSING AUTHORITY OF THE
CITY OF GARFIELD
Garfield, New Jersey

COMPARATIVE FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Housing Authority of the City of Garfield

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A- Financial Highlights

- 1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$7,574,503 (net position) as opposed to \$10,331,063 for the prior fiscal year.
- 2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$(2,008,513).
- 3 – The Authority's cash and cash equivalent balances at March 31, 2016 were \$267,616 (excluding tenant security deposits) representing an increase of \$45,932 from the prior fiscal year.
- 4 –Total operating revenues increased by \$241,006 to \$3,698,339, which was primarily attributed to an increase in Tenant Revenues. Total Operating Expenses for the twelve month period ending March 31, 2016 were \$4,471,223. Increases in expenses are mainly attributed to increases in general expenses and maintenance costs.
- 5 – The Authority's capital outlays for the fiscal year were \$545,555. Of that amount \$467,708 was used from capital fund grants and \$77,847 purchased from operations.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$1,612,766 for the fiscal year.

B – Using the Annual Report

1 – Management's Discussion and Analysis

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

2 – Financial Statements

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

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

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

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 8 through 10.

3 – Notes To Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found in this Report on pages 11 through 25.

4 – Supplemental Information

The schedule of expenditures of Federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Uniform Guidance, Audits of States, Local Governments, and Non-profit Organizations. The schedule of expenditures of Federal awards can be found on page 26 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

C – The Authority as a Whole

The Authority's Unrestricted Net Position decreased during the fiscal year by \$2,736,343 primarily due to the adoption of GASB 68. Operating revenues are primarily pre-determined subsidies received from HUD. Operating revenues for the year were \$3,698,339 and operating expenses excluding depreciation expense of \$565,772 were \$3,905,451.

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). During the current fiscal year, the Authority received \$467,708 in capital grants for modernization of its units.

D – Budgetary Highlights

For the year ended March 31, 2016 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

E – Capital Assets and Debt Administration

1 – Capital Assets

As of March 31, 2016, the Authority's investment in capital assets for its Proprietary Fund was \$9,583,016 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$467,708 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. These activities are funded by grants from HUD.

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

2 – Long Term Debt

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

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

The following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2016.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

G – Summary of significant changes from March 31, 2015 to March 31, 2016

FDS Line 167 – Construction in Progress will vary from year to year depending on the Capital Projects accomplished during that current fiscal year.

FDS Line 357 – Pension and OPEB Liabilities increased due to the adoption of GASB 68 Accounting and Reporting for Pensions and amortization of OPEB liabilities.

FDS Line 94500 – Employee Benefit Contributions – Employee Benefit Contributions increased as a result of the adoption of GASB 68.

FDS Line 93300 – Gas prices and consumption decreased during the current fiscal year.

H – Contacting the Authority's Financial Management

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	<u>Year Ended</u>	
	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Cash and Other Current Assets	\$ 1,801,908	\$ 1,794,934
Capital Assets - Net	9,625,182	9,603,233
Deferred Outflows	543,419	-
Total Assets	11,970,509	11,398,167
Less: Total Liabilities	4,304,777	1,067,104
Deferred Inflows	49,063	-
Net Position	\$ 7,616,669	\$ 10,331,063
Invested in Capital Assets	9,583,016	9,603,233
Unrestricted Net Position	(2,008,513)	727,830
Total Net Position	\$ 7,574,503	\$ 10,331,063

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>	
	<u>March 31, 2016</u>	<u>March 31, 2015</u>
<u>Revenues</u>		
Tenant Revenues	\$ 2,427,542	\$ 2,280,654
HUD Subsidies and Other Government Grants	1,145,058	1,054,639
Other Income	125,739	79,874
Total Operating Revenues	3,698,339	3,415,167
<u>Expenses</u>		
Administration	1,070,645	858,388
Tenant Services	92,779	152,988
Utilities	674,150	902,744
Maintenance	1,617,091	1,352,722
Protective Services	62,388	64,734
General Expense	388,398	280,756
Depreciation Expense	565,772	565,803
Total Operating Expenses	4,471,223	4,178,135
Deficiency of Operating Revenues Over Expenses	(772,884)	(762,968)
<u>Non-Operating Revenues</u>		
Interest on Investments	16,582	7,696
Deficiency of Revenues Over Expenses Before Capital Grants Received	(756,302)	(755,272)
<u>Capital Grants</u>		
HUD Capital Grants	467,708	552,616
Excess Revenues/(Deficiency)	(288,594)	(202,656)
Net Position Prior Year	10,331,063	10,533,719
Prior Period Adjustment	(2,467,966)	-
Total Net Position	\$ 7,574,503	\$ 10,331,063



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

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WAYNE, NEW JERSEY 07470
TELEPHONE: (973) 831-8969
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We have audited the accompanying financial statements of the Housing Authority of the City of Garfield, which comprise of the Comparative Statements of Net Position as of March 31, 2016 and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Garfield, as of March 31, 2016, and the changes in net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, in 2016, the Authority adopted new accounting guidance; GASB Statement No. 68 Accounting for Pensions. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITORS' REPORT
(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Supplemental Schedules pertaining to the Public Employees Retirement System presented on pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Garfield. The Financial Data Schedule and the Statement and Certification of Completed Modernization Grants is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated December 8, 2016 on our consideration of the Housing Authority of the City of Garfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
December 8, 2016

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
STATEMENT OF NET POSITION
At March 31, 2016

	<u>March 31, 2016</u>
<u>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents - Unrestricted	\$ 267,616
Cash - Tenant Security Deposits	166,620
Investments	1,202,168
Accounts Receivable - Tenants (Net of allowance of \$42,389 and \$21,667)	34,721
Other Accounts Receivable (Net of Allowance of \$0)	19,440
Account Receivable - HUD	16,510
Prepaid Expenses and Other Current Assets	94,833
Total Current Assets	<u>1,801,908</u>
<u>FIXED ASSETS</u>	
Land	732,912
Buildings and Improvements	21,509,481
Furniture, Equipment and Machinery	1,364,937
Construction in Progress	1,422,516
Total Fixed Assets	25,029,846
Less: Accumulated Depreciation	<u>(15,446,830)</u>
Net Fixed Assets	<u>9,583,016</u>
Deferred Outflow of Resources	<u>543,419</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 11,928,343</u>
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable:	
Vendors and Contractors	\$ 22,216
Accrued Payroll and Related Taxes	16,132
Accrued Liabilities - Other	50,920
Due to Tenants:	
Security Deposits	166,620
Other Current Liabilities	
Due to HUD	
Accrued Liabilities:	
Compensated Absences - Current	13,649
Payment in Lieu of Taxes	175,513
Unearned Revenues	10,575
Total Current Liabilities	455,625
Compensated Absences - Noncurrent	122,836
Accrued Pension and OPEB Liability	3,726,316
Total Liabilities	<u>4,304,777</u>
<u>DEFERRED INFLOW OF RESOURCES</u>	<u>49,063</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	9,583,016
Unrestricted Net Position	<u>(2,008,513)</u>
Total Net Position	<u>\$ 7,574,503</u>

See Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2016

	<u>March 31, 2016</u>
<u>OPERATING REVENUES</u>	
Tenant Rental & Other Revenue	\$ 2,427,542
HUD Grants - Operating	1,145,058
Other Government Grants	35,191
Other Income	<u>90,548</u>
Total Revenues	<u>3,698,339</u>
<u>OPERATING EXPENSES</u>	
Administration	1,070,645
Tenant Services	92,779
Utilities	674,150
Ordinary Maintenance & Operations	1,617,091
Protective Services	62,388
General Expense	329,868
Bad Debt -Other	58,530
Depreciation Expense	<u>565,772</u>
Total Operating Expenses	<u>4,471,223</u>
EXCESS OF OPERATING EXPENSES OVER REVENUES	(772,884)
Non Operating Revenues/(Expenses):	
Interest Income	<u>16,582</u>
Income / (Loss) Before Contributions and Transfers	(756,302)
Capital Grants	<u>467,708</u>
DECREASE IN NET POSITION	(288,594)
Beginning Net Position	10,331,063
Prior Period Adjustment	<u>(2,467,966)</u>
Ending Net Position	\$ 7,574,503

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
COMPARATIVE STATEMENTS OF CASH FLOWS
For The Years Ended March 31, 2016 and 2015

	<u>March 31, 2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received:	
From Tenants for Rental & Other Income	\$ 2,438,873
From Government Agencies for Operating Grants	1,230,368
For Other Operating Revenues	90,548
Cash Paid:	
To Employees for Operations	(1,214,862)
To Suppliers for Operations	(2,424,196)
Net Cash Provided by Operating Activities	<u>120,731</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital Grants Received	467,708
Acquisition of Property and Equipment	<u>(545,555)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(77,847)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase / (Sale of) Investments	(13,534)
Cash Received for Security Deposits	7,012
Investment Income	<u>16,582</u>
Net Cash Provided by Investing Activities	<u>10,060</u>
Net increase (decrease) in Cash and Cash Equivalents	52,944
Cash and Equivalents at Beginning of Period	<u>381,292</u>
Cash and Equivalents at End of Period	<u>\$ 434,236</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations	
Operating Income (Loss)	\$ (772,884)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	565,772
Deferred Outflow of Resources	(543,419)
Deferred Inflow of Resources	49,063
Decrease (Increase) in Assets	
Accounts Receivable - Tenants	12,234
Accounts Receivable - HUD	50,119
Prepaid Expenses and Other Current Assets	(2,849)
Increase(Decrease) in Liabilities	
Accounts Payable	(28,381)
Accrued Payroll and Related Taxes	(337)
Security Deposits	-
Compensated Absences	15,558
Due to HUD	-
Deferred Revenue	(903)
OPEB Liability	741,141
PILOT Payable	<u>35,617</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 120,731</u>

See Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

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

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

2. Significant Accounting Policies

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

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

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

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS

March 31, 2016
(Continued)

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

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

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

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

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

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

Unrestricted Net Position – This component consists of net assets that do not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt.

The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 have no significant effect on the basic financial statements, except for the classification of net position in accordance with Statement No. 34.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2015
(Continued)

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

Significant accounting policies are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

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

Accounting for Impairment or Disposal of Long Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of March 31, 2016, the Authority has not recognized any reduction in the carrying value of its fixed assets.

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

New Accounting Pronouncements

During the current fiscal year, the Authority was required to adopt GASB Statement 68, *Accounting and Financial Reporting for Pensions* which requires employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. Additional information regarding the adoption of GASB 68 can be found in Note 8 to these financial statements.

NOTE 2 – Cash and Cash Equivalents

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

Cash and Cash Equivalents (including tenant security deposits) of \$434,236 at March 31, 2016, consisted of the following:

	<u>3/31/2016</u>
Checking Accounts	\$ 267,616
Tenant Security Deposit Accounts	<u>166,620</u>
Total Cash and Equivalents	<u>\$ 434,236</u>

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE 2 – Cash and Cash Equivalents - Continued

The carrying amount of the Authority's cash and cash equivalents excluding tenant security deposits as of March 31, 2016 was \$268,983 and the bank balances were \$287,156. Of the bank balances, \$250,000 was covered by FDIC insurance and \$37,156 was covered by a third party collateral pool maintained by the banks as required by New Jersey statutes and New Jersey's Governmental Unit Deposit Protection Act (GUDPA) which collateralizes securities held by the pledging institutions trust department but are not in the Authority's name.

Cash equivalents, except petty cash are held in the Authority's name. The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority.

NOTE 3 – Investments

Investments of \$1,202,168 at March 31, 2016 consist of eight certificates of deposit.

The certificates of deposit have varying maturity dates greater than three months from the date of purchase and are stated at fair value in the Statement of Net Position, with all gains and losses included in the Statement of Activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest income is recorded on the accrual basis.

Interest rates on the certificates varied from 1% to 2.15% during the current fiscal year.

Investments are measured at fair value. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are adjusted quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 inputs provide the most realizable measure of fair value as of the measurement date.

Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 inputs are significant unobservable inputs for the asset or liability.

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

All of the Authority's investments at March 31, 2016 are included in Level 1 of the hierarchy

\$500,000 of the Certificates of Deposit were covered by FDIC Insurance and the remainder is covered by third party collateral agreements and GUDPA as required by NJ statute and HUD.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE 4 – Tenant Accounts Receivable

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

NOTE 6 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost, less accumulated depreciation. The following is a summary of the changes in general fixed assets for the fiscal year ended March 31, 2016:

	Balance April 1, 2015	Additions	Disposals	Transfers/ Other	Balance Mar. 31, 2016
Land	\$ 732,912	\$ -	\$ -	\$ -	\$ 732,912
Buildings and Improvements	21,200,823	-	-	308,658	21,509,481
Dwelling Equipment	485,885	38,546	-	50,591	575,022
Furniture and Equipment	749,810	39,300	-	805	789,915
Construction in Progress	1,314,861	467,709	-	(360,054)	1,422,516
Total Fixed Assets	24,484,291	545,555	-	-	25,029,846
Accumulated Depreciation	(14,881,058)	(565,772)	-	-	(15,446,830)
Net Fixed Assets	\$ 9,603,233	\$ (20,217)	\$ -	\$ -	\$ 9,583,016

Depreciation expense for the fiscal year ended March 31, 2016 was \$565,772.

NOTE 6 - Fixed Assets (Continued)

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

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

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

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE 7 – Payment in Lieu of Taxes (PILOT)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City. Under the Cooperation Agreement, the Authority must pay the City the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended March 31, 2016, PILOT expense was accrued in the amount of \$175,513.

NOTE 8 – Accrued Compensated Absences

Accrued compensated absences of \$136,485 at March 31, 2016 represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. Employees may be compensated for accrued vacation leave earned in the event of retirement or termination of service. Employees may be compensated for accumulated sick leave in the event of retirement, at the rate of $\frac{1}{2}$ of the employee's daily rate based on the average compensation received during the employee's final year of employment, exclusive of any overtime or special payments, subject to a maximum of \$15,000.

NOTE 9 – Pension Plan

Plan Description - The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at the following website: www.state.nj.us/terasury/pensions/annrpts.shtml.

Benefits Provided - The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits which vest after 25 years of service or under the disability provisions of PERS

The following represents the membership tiers for PERS:

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

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE 9 – Pension Plan

Service retirement benefits of $1/55^{\text{th}}$ of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and to tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by state of New Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. The employee rate was increased from 6.5% to 7.0% of base salary effective July 1, 2012 plus an additional 1% phased in over 7 years beginning in fiscal year 2013. The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The actuarially determined contribution includes funding for cost of living adjustments and a noncontributory death benefit. The employer contribution rate was 6.78% - 6.92% and 6.64% - 6.78% in fiscal years 2015 and 2014, respectively. Chapter 9, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in 2009. Such employers will be credited with the full payment and

any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the measurement date, the Authority reported \$3,051,582 for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentage as of June 30, 2015 was 0.0131382%.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE 9 – Pension Plan

The components of the Authority's net pension liability as of June 30, 2015, the most recent evaluation date is as follows:

Total Pension Liability	\$ 5,860,319
Plan Fiduciary Net Position	<u>2,808,737</u>
Net Pension Liability	<u>\$ 3,051,582</u>

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Actuarial Assumptions - The Authority's net pension liability for the fiscal year ended September 30, 2015 was determined at a measurement date of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial evaluation as of July 1, 2014, which was rolled forward to June 30, 2015. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation Rate	3.04%
Salary Increases	2.15%-4.40%
2012-2021	based on age
Thereafter	3.15%-5.40%
	based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements. In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer after consultation with the Director of the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target allocation as of June 30, 2015 are summarized in the following table:

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE 9 – Pension Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	3.02%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	0.01%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining total pension liability.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE 9 – Pension Plan

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate;

	1% Decrease (3.9%)	Current Assumption (4.9%)	1% Increase (5.9%)
2015	3,792,743	3,051,582	2,430,198

For the year ended March 31, 2016, the Authority recognized pension expense of \$89,262. At March 31, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 327,716	\$ -
Differences between expected and actual experience	72,800	-
Net differences between projected and actual earnings on plan investments	-	49,063
Changes in proportion	26,031	-
Authority's contributions subsequent to the measurement date	<u>116,872</u>	<u>-</u>
	<u>\$ 543,419</u>	<u>\$ 49,063</u>

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE 10 – Post Employment Retirement Benefits

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

Annual Required Contribution	\$ 190,132
Interest on net OPEB obligation	\$ 20,688
Adjustment to annual required contribution	\$ 76,200
Annual OPEB cost (expense)	\$ 287,020
Contributions made	\$ 129,495
Increase in net OPEB obligation	\$ 157,525
Net OPEB Obligation – beginning of year	\$ 517,209
Net OPEB Obligation – end of year	\$ 674,734

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

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

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2015	\$ 149,154	85%	\$ 517,209
3/31/2016	\$ 157,525	82%	\$ 674,734

FUNDED STATUS AND FUNDING PROGRES

As of April 1, 2015, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$ 3,193,094, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 3,193,094.

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

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

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

<u>Year</u>	<u>Medical Including Prescription</u>
2012	Costs are Known
2013	Costs are Known
2014	Costs are Known
2015	Costs are Known
2016	8.0%

Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
Remaining Amortization Period: 25 years at April 1, 2015

Reconciliation of Plan Participation (As of April 1, 2014)

<u>Active Employees</u>	<u>April 1,2016</u>	<u>April 1,2015</u>
A. Average Service	9.7	8.7
B. Average Current Age	45.2	44.2

NOTE 10 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the year ended March 31, 2016, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

NOTE 11 – Construction Commitments

At March 31, 2016, the Authority's outstanding construction commitments pertaining to its Capital Fund Programs were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE 12 – Economic Dependency

For the year ended March 31, 2016, a substantial portion of the Authority's revenues were received from the United States Department of Housing and Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

NOTE 13- Prior Period Adjustment

During the current fiscal year, the Authority made certain adjustments which reduced beginning equity by \$2,467,966. The adjustment was the result of the adoption of GASB 68 Accounting and Financial Reporting for Pension Liabilities. Additional information can be found in Note 9 to the financial statements.

Note 14 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through December 8, 2016, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2016

	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Ending Balance</u>
<u>LOW INCOME HOUSING PROGRAM</u>				
Operating Subsidy (CFDA#14.850a)	\$ -	\$ 862,401	\$ 862,401	\$ -
Capital Fund Program (CFDA# 14.872)	<u>-</u>	<u>750,365</u>	<u>750,365</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE	<u>\$ -</u>	<u>\$ 1,612,766</u>	<u>\$ 1,612,766</u>	<u>\$ -</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with Generally Accepted Accounting Principles and is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparations of the general purpose financial statements
2. There were no sub-recipient activities during the audit period.
3. The Authority has elected not to use the 10% de minimis cost rate.

**Garfield Housing Authority (NJ034)
GARFIELD, NJ**

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$265,410	\$2,208		\$267,618		\$267,618
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted						
114 Cash - Tenant Security Deposits	\$168,820			\$168,820		\$168,820
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$432,030	\$2,208	\$0	\$434,238		\$434,238
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects	\$7,844	\$8,868	\$0	\$16,510		\$16,510
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$77,110			\$77,110		\$77,110
126.1 Allowance for Doubtful Accounts - Tenants	-\$42,389			-\$42,389		-\$42,389
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery	\$65,235			\$65,235		\$65,235
128.1 Allowance for Doubtful Accounts - Fraud	-\$45,785			-\$45,785		-\$45,785
128 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$61,805	\$8,868	\$0	\$70,671		\$70,671
131 Investments - Unrestricted	\$1,038,040		\$164,128	\$1,202,168		\$1,202,168
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$84,333		\$10,500	\$94,833		\$94,833
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From						
145 Assets Held for Sale						

Garfield Housing Authority (NJ034)
GARFIELD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
150 Total Current Assets	\$1,616,208	\$11,072	\$174,628	\$1,801,908		\$1,801,908
161 Land	\$538,476		\$186,436	\$732,912		\$732,912
162 Buildings	\$21,398,506		\$122,875	\$21,509,481		\$21,509,481
163 Furniture, Equipment & Machinery - Dwellings	\$575,022			\$575,022		\$575,022
164 Furniture, Equipment & Machinery - Administration	\$789,915			\$789,915		\$789,915
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$15,417,184		-\$29,846	-\$15,446,830		-\$15,446,830
167 Construction In Progress	\$1,422,516			\$1,422,516		\$1,422,516
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,283,251	\$0	\$289,765	\$9,583,016		\$9,583,016
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	\$9,283,251	\$0	\$289,765	\$9,583,016		\$9,583,016
200 Deferred Outflow of Resources	\$370,055		\$173,384	\$543,419		\$543,419
280 Total Assets and Deferred Outflow of Resources	\$11,278,514	\$11,072	\$637,757	\$11,928,343		\$11,928,343
311 Bank Overdraft						
312 Accounts Payable <= 60 Days	\$20,163		\$2,053	\$22,216		\$22,216
313 Accounts Payable >60 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$9,063		\$7,069	\$16,132		\$16,132
322 Accrued Compensated Absences - Current Portion	\$9,497		\$4,152	\$13,649		\$13,649

Garfield Housing Authority (NJ034)

GARFIELD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$175,513			\$175,513		\$175,513
341 Tenant Security Deposits	\$168,620			\$168,620		\$168,620
342 Unearned Revenue	\$10,575			\$10,575		\$10,575
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$50,820			\$50,820		\$50,820
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$442,351	\$0	\$13,274	\$455,625		\$455,625
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	\$85,470		\$37,368	\$122,838		\$122,838
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$2,666,528		\$1,059,787	\$3,726,316		\$3,726,316
350 Total Non-Current Liabilities	\$2,751,899	\$0	\$1,097,153	\$3,849,152		\$3,849,152
300 Total Liabilities	\$3,194,350	\$0	\$1,110,427	\$4,304,777		\$4,304,777
400 Deferred Inflow of Resources	\$37,372		\$11,891	\$49,063		\$49,063

Garfield Housing Authority (NJ034)
GARFIELD, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
508.4 Net Investment in Capital Assets	\$9,283,251		\$289,765	\$9,583,016		\$9,583,016
511.4 Restricted Net Position						
512.4 Unrestricted Net Position	-\$1,245,459	\$11,072	-\$774,126	-\$2,008,513		-\$2,008,513
513 Total Equity - Net Assets / Position	\$8,047,792	\$11,072	-\$484,361	\$7,574,503		\$7,574,503
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$11,279,514	\$11,072	\$637,757	\$11,928,343		\$11,928,343

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

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,377,445			\$2,377,445		\$2,377,445
70400 Tenant Revenue - Other	\$50,097			\$50,097		\$50,097
70500 Total Tenant Revenue	\$2,427,542	\$0	\$0	\$2,427,542	\$0	\$2,427,542
70800 HUD PHA Operating Grants	\$1,145,058			\$1,145,058		\$1,145,058
70810 Capital Grants	\$467,708			\$467,708		\$467,708
70710 Management Fee			\$467,034	\$467,034	-\$467,034	\$0
70720 Asset Management Fee			\$54,720	\$54,720	-\$54,720	\$0
70730 Book Keeping Fee			\$40,681	\$40,681	-\$40,681	\$0
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue			\$562,435	\$562,435	-\$562,435	\$0
70800 Other Government Grants		\$35,191		\$35,191		\$35,191
71100 Investment Income - Unrestricted	\$11,582		\$5,000	\$16,582		\$16,582
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71600 Other Revenue	\$81,798	\$8,527	\$2,225	\$90,548		\$90,548
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted						
70000 Total Revenue	\$4,133,686	\$41,718	\$569,660	\$4,745,064	-\$562,435	\$4,182,629
91100 Administrative Salaries	\$143,072		\$343,483	\$486,555		\$486,555
91200 Auditing Fees	\$4,730		\$3,500	\$8,230		\$8,230
91300 Management Fee	\$467,034			\$467,034	-\$467,034	\$0
91310 Book-keeping Fee	\$40,681			\$40,681	-\$40,681	\$0

Garfield Housing Authority (NJ034)

GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
91400 Advertising and Marketing						
91500 Employee Benefit Contributions - Administrative	\$161,682		\$250,789	\$412,471		\$412,471
91600 Office Expenses	\$52,460		\$79,811	\$132,271		\$132,271
91700 Legal Expense	\$7,500		\$22,723	\$30,223		\$30,223
91800 Travel	\$395		\$500	\$895		\$895
91810 Allocated Overhead						
91900 Other						
91000 Total Operating - Administrative	\$877,554	\$0	\$700,806	\$1,578,360	-\$507,715	\$1,070,645
92000 Asset Management Fee	\$54,720			\$54,720	-\$54,720	\$0
92100 Tenant Services - Salaries	\$14,500	\$37,094		\$51,594		\$51,594
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services	\$13,506	\$5,123		\$18,629		\$18,629
92400 Tenant Services - Other	\$22,556			\$22,556		\$22,556
92500 Total Tenant Services	\$50,582	\$42,217	\$0	\$92,779	\$0	\$92,779
93100 Water	\$75,809		\$1,158	\$76,967		\$76,967
93200 Electricity	\$326,751		\$458	\$327,209		\$327,209
93300 Gas	\$176,713		\$119	\$176,832		\$176,832
93400 Fuel						
93500 Labor	\$48,220			\$48,220		\$48,220
93600 Sewer						
93700 Employee Benefit Contributions - Utilities	\$44,922			\$44,922		\$44,922
93800 Other Utilities Expense						
93000 Total Utilities	\$672,415	\$0	\$1,735	\$674,150	\$0	\$674,150
94100 Ordinary Maintenance and Operations - Labor	\$559,388			\$559,388		\$559,388
94200 Ordinary Maintenance and Operations - Materials and Other	\$240,988		\$6,112	\$247,080		\$247,080

Garfield Housing Authority (NJ034)
GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
94300 Ordinary Maintenance and Operations Contracts	\$289,927		\$20,406	\$280,333		\$280,333
94500 Employee Benefit Contributions - Ordinary Maintenance	\$620,310			\$620,310		\$620,310
94000 Total Maintenance	\$1,590,573	\$0	\$26,518	\$1,617,091	\$0	\$1,617,091
95100 Protective Services - Labor	\$32,046			\$32,046		\$32,046
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services	\$30,342			\$30,342		\$30,342
95000 Total Protective Services	\$62,388	\$0	\$0	\$62,388	\$0	\$62,388
96110 Property Insurance	\$37,286			\$37,286		\$37,286
96120 Liability Insurance	\$40,541			\$40,541		\$40,541
96130 Workmen's Compensation	\$29,592		\$15,000	\$44,592		\$44,592
96140 All Other Insurance	\$10,949			\$10,949		\$10,949
96100 Total Insurance Premiums	\$118,368	\$0	\$15,000	\$133,368	\$0	\$133,368
96200 Other General Expenses	\$225		\$75	\$300		\$300
96210 Compensated Absences	\$19,644		\$1,043	\$20,687		\$20,687
96300 Payments in Lieu of Taxes	\$175,513			\$175,513		\$175,513
96400 Bad debt - Tenant Rents	\$58,530			\$58,530		\$58,530
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$253,912	\$0	\$1,118	\$255,030	\$0	\$255,030
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						

Garfield Housing Authority (NJ034)
GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
98700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
98800 Total Operating Expenses	\$3,680,492	\$42,217	\$745,177	\$4,467,886	-\$582,435	\$3,905,451
97000 Excess of Operating Revenue over Operating Expenses	\$453,194	-\$489	-\$175,517	\$277,178	\$0	\$277,178
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments						
97350 HAP Portability-In						
97400 Depreciation Expense	\$562,698		\$3,074	\$565,772		\$565,772
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$4,243,190	\$42,217	\$748,251	\$5,033,658	-\$582,435	\$4,471,223
10010 Operating Transfer In	\$138,547			\$138,547		\$138,547
10020 Operating transfer Out	-\$138,547			-\$138,547		-\$138,547
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						

Garfield Housing Authority (NJ034)
GARFIELD, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	COCC	Subtotal	ELIM	Total
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	-\$109,504	-\$499	-\$178,591	-\$288,594	\$0	-\$288,594
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$9,884,484	\$11,571	\$434,998	\$10,331,053	\$0	\$10,331,053
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,727,198		-\$740,768	-\$2,467,966		-\$2,467,966
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity						
11180 Housing Assistance Payments Equity						
11190 Unit Months Available	5472	0	0	5472	0	5472
11210 Number of Unit Months Leased	5424	0	0	5424	0	5424
11270 Excess Cash	\$785,408			\$785,408		\$785,408
11610 Land Purchases	\$0		\$0	\$0		\$0
11620 Building Purchases	\$467,108		\$0	\$467,108		\$467,108
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

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS
As of March 31, 2016

**NJ39P034501-13
CFP 2013 GRANT**

Funds Approved	\$ 496,798
Funds Expended	<u>496,798</u>
Excess/(Deficiency) Approved	<u>\$ -</u>
Funds Advanced	\$ 496,798
Funds Expended	<u>496,798</u>
Excess/(Deficiency) of Advances	<u>\$ -</u>

1. The distribution of cost by project and account classification accompanying the Financial Status Reports and Actual Modernization Cost Certificate submitted to HUD for approval were in agreement with the Authority's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.

GARFIELD HOUSING AUTHORITY
Garfield , New Jersey
SCHEDULE OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.0135940068%	1.34444371%
Authority's proportionate share of the net pension liability	3,051,582	2,517,166
Authority's covered employees payroll	1,116,699	1,032,331
Authority's share of the net pension liability as a percentage of its covered payroll	273%	244%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

GARFIELD HOUSING AUTHORITY
Garfield , New Jersey
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS TO THE
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 116,872	\$ 110,834
Contribution in relation to the contractually required contribution	<u>(116,872)</u>	<u>(110,834)</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	1,116,699	1,032,331
Contribution as a percentage of covered employee payroll	10.47%	10.74%



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

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

We have audited, 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, the financial statements of the Housing Authority of the City of Garfield's ("the Program") as of and for the year ended March 31, 2016 and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Garfield basic financial statements and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wayne, New Jersey
December 8, 2016


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Garfield's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Garfield's major federal programs for the year ended March 31, 2016. The Housing Authority of the City of Garfield's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Garfield's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Garfield's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of Garfield's compliance.

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Garfield complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2016.

Report on Internal Control Over Compliance

The management of the Housing Authority of the City of Garfield is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Garfield's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Housing Authority of the City of Garfield'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
December 8, 2016

HOUSING AUTHORITY OF THE CITY OF GARFIELD
Garfield, New Jersey
March 31, 2016

STATUS OF PRIOR AUDIT FINDINGS

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness(es) Identified?

_____ yes X no

Significant Deficiencies identified that are
not considered to be material weakness(es)?

_____ yes X none reported

Noncompliance Material to Financial Statements Noted?

_____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness(es) Identified?

_____ yes X no

Significant Deficiencies identified that are
not considered to be material weakness(es)?

_____ yes X none reported

Type of audit report issued on compliance for
major programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with section 2 CFR 200.516(a)
of the Uniform Guidance.

_____ yes X no

Identification of Major Programs

CFDA

Number Name of Federal Program or Cluster

14.872	Public Housing Capital Fund Program
--------	-------------------------------------

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

\$750,000

Auditee qualified as low-risk?

X yes _____ no

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.