

HOUSING AUTHORITY OF THE  
BOROUGH OF CLIFFSIDE PARK  
Cliffside Park, New Jersey

COMPARATIVE FINANCIAL STATEMENTS  
For the Two Years Ended March 31, 2013 and 2012

HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
Cliffside Park, New Jersey  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
Housing Authority of the Borough of Cliffside Park  
March 31, 2013

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

A Financial Highlights

1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$13,550,460 (net position) as opposed to \$13,742,196 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 \$2,918,649 and \$286,199 of Restricted Net Position.

3 – The Authority's cash and cash equivalent balance at March 31, 2013 was \$1,265,336 representing a decrease of \$100,978 from the prior fiscal year.

4 – The Authority's Investments were \$2,535,905 at March 31 representing a decrease of \$1,426,529 from the prior fiscal year

5 – The Authority had Total Operating Revenues of \$5,991,920 and Total Operating Expenses of \$7,172,269 (including depreciation of \$469,352) for the year ended March 31, 2013.

6 – The Authority's capital outlays for the fiscal year were \$1,972,028.

7 – The Authority's Expenditures of Federal Awards amounted to \$5,171,565 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 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.

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 Comparative Statements of Net Position, the Comparative Statements of Revenues, Expenses, and Changes in Net Position, and the Comparative Statements of Cash Flows.

The Comparative Statements of Net Position present 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

### B Using the Annual Report (Continued)

#### 2 – Financial Statements (Continued)

The Comparative Statement of Revenues, Expenses and Changes in Net position present 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 after the financial statements.

#### 4 – Supplemental Information

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

### C The Authority as a Whole

The Authority's Net Position increased during the fiscal year as detailed below. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were sufficient to cover all expenses, excluding depreciation during the fiscal year.

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). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

### D Budgetary Highlights

For the year ended March 31, 2013 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. (Also, the Authority adopted a comprehensive annual budget for the General Fund.) The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.



## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

### D Budgetary Highlights (Continued)

As indicated by the excess of revenues over expenses, when adjusted by depreciation expense, the Authority's Net Position increased during the fiscal year. The increase is indicative of the Authority operating within its budgetary limitations in total, for all its programs.

### E Capital Assets and Debt Administration

#### 1 – Capital Assets

As of March 31, 2013, the Authority's investment in capital assets for its Proprietary Fund was \$10,345,612 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$949,651 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 information 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 – Significant Changes from Fiscal Year Ended March 31, 2012 to March 31, 2013

Operating subsidy decreased to zero this year in accordance with HUD's policy to force authority's to utilize operating reserves.

Prepaid insurance increased due to the overall cost of insurance increases.

Investments decreased by \$1,426,529. These investments were used to fund a shortfall in operations due to a reduction in HUD Operating Subsidy and contributed to the financing of construction costs for the Authority's new Senior Activity Center expansion.

## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

### G Planned Housing Authority Activities

The Authority has substantially completed the expansion of the existing community and office space. The Authority was formed in 1969 to initially administer a Section 23 Leased Housing Program. Since that time two elderly\handicapped housing complexes totaling 354 units have been built and additional Housing Choice Voucher allocations have been obtained totaling 347 units. The Authority's administrative offices are outdated and inefficient as to the flow and accessibility of tenants requiring increased space and efficiencies in flow and privacy.

The Authority's elderly population has become less mobile increasing the utilization of existing community areas and services offered. The community spaces that are principally for public housing tenants have become outdated and inefficient in providing the population with the services needed.

The Authority has previously provided HUD with planned sources of funding and costs for the updating of administrative offices and increasing the community areas. The funding and proposed office and community area has also been described in the Authority's annual plans, which HUD has approved the use of replacement reserve funds for the stated purposes.

The funding sources for the project are replacement reserves, capital funds and operating funds totaling \$ 2,700,000, the approximate cost of the improvements.

The Authority awarded a contract for the construction of the center as of March 31, 2012 and construction was substantially completed during the current fiscal year.

### H Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2014.

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

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

3 – The use of the Authority's Unrestricted Net Position of \$2,918,649 and Restricted Net Position of \$286,199 to fund any shortfalls rising from a possible economic turndown and reduced subsidies and grants. The Authority's Unrestricted Net Position appears sufficient to cover any shortfall.

### I 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 Borough of Cliffside Park, 500 Gorge Road, Cliffside Park, New Jersey 07010, or call (201) 941-0655.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Composition of Net Assets is as follows:

	<u>Year Ended</u>	
	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Cash and Other Current Assets	\$ 3,936,143	\$ 5,466,560
Capital Assets - Net	<u>10,345,612</u>	<u>8,842,936</u>
Total Assets	14,281,755	14,309,496
Less: Total Liabilities	<u>(731,295)</u>	<u>(567,300)</u>
Net Assets	<u>\$ 13,550,460</u>	<u>\$ 13,742,196</u>
Net Assets		
Invested in Capital Assets	10,345,612	8,842,936
Unrestricted Net Assets	2,918,649	736,616
Restricted Net Assets	<u>286,199</u>	<u>4,162,644</u>
Total Net Assets	<u>\$ 13,550,460</u>	<u>\$ 13,742,196</u>

Computations of Changes in Net Assets are as follows:

	<u>Year Ended</u>	
	<u>March 31, 2013</u>	<u>March 31, 2012</u>
<u>Revenues</u>		
Tenant Revenues	\$ 1,360,636	\$ 1,326,595
HUD Subsidies	4,221,914	4,620,329
Other Income	<u>409,370</u>	<u>475,038</u>
Total Operating Revenues	<u>5,991,920</u>	<u>6,421,962</u>
<u>Expenses</u>		
Operating Expenses excluding depreciation	6,702,917	6,588,422
Depreciation Expense	<u>469,352</u>	<u>431,729</u>
Total Operating Expenses	<u>7,172,269</u>	<u>7,020,151</u>
Deficiency of Operating Revenues Over Expenses	(1,180,349)	(598,189)
<u>Non-Operating Revenues</u>		
Interest on Investments	<u>38,962</u>	<u>56,074</u>
Deficiency of Revenues Over Expenses Before Capital Grants Received	(1,141,387)	(542,115)
<u>Capital Grants</u>		
HUD Capital Grants	<u>949,651</u>	<u>405,368</u>
Excess Revenues/(Deficiency)	(191,736)	(136,747)
Net Assets Prior	<u>13,742,196</u>	<u>13,878,943</u>
Total Net Assets	<u>\$ 13,550,460</u>	<u>\$ 13,742,196</u>





**CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Cliffside Park Housing Authority  
Cliffside Park, New Jersey

We have audited the accompanying Comparative Statements of Net Position of the Cliffside Park Housing Authority, herein referred to as the Authority, as of and for the year ended March 31, 2013 and 2012, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the year then ended.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cliffside Park Housing Authority, as of March 31, 2013 and 2012, and the results of its operations, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.



**INDEPENDENT AUDITORS' REPORT**  
**(Continued)**

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements.

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards* we have also issued our report dated October 29, 2013 on our consideration of the Cliffside Park Housing Authority'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  
October 29, 2013

HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
Cliffside Park, New Jersey  
COMPARATIVE STATEMENTS OF NET POSITION  
At March 31, 2013 and 2012

	<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	March 31, 2013	March 31, 2012
Cash and Cash Equivalents - Unrestricted	\$ 926,953	\$ 627,213
Cash - Restricted	286,199	695,960
Cash - Tenant Security Deposits	52,184	43,141
Investments - Unrestricted	2,535,905	3,921,778
Investments - Restricted	-	40,656
Accounts Receivable - Tenants (Net)	(46)	103
Accrued Interest Receivable	2,733	19,633
Accounts Receivable - HUD	33,336	-
Accounts Receivable - Other	8,321	58,666
Prepaid Expenses and Other Current Assets	90,558	59,410
Total Current Assets	3,936,143	5,466,560
<u>FIXED ASSETS</u>		
Land	586,165	586,165
Buildings and Improvements	15,535,279	13,980,379
Furniture, Equipment and Machinery	1,660,977	1,660,977
Construction in Progress	2,468,163	2,051,035
Total Fixed Assets	20,250,584	18,278,556
Less: Accumulated Depreciation	(9,904,972)	(9,435,620)
Net Fixed Assets	10,345,612	8,842,936
Total Assets	\$ 14,281,755	\$ 14,309,496
<u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 76,421	\$ 33,673
Due to Tenants:		
Security Deposits	52,184	43,141
Accrued Liabilities:		
Compensated Absences - current portion	17,892	19,996
Payment in Lieu of Taxes	72,602	72,601
Accrued Liabilities-Other	60,478	26,003
Deferred Revenues	-	214
Total Current Liabilities	279,577	195,628
Accrued Pension and OPEB Liabilities	290,693	191,659
Accrued Compensated Absences - Noncurrent	161,025	180,013
Total Liabilities	731,295	567,300
<u>NET POSITION</u>		
Invested in Net Fixed Assets Net of Related Debt	10,345,612	8,842,936
Restricted Net Position	286,199	736,616
Unrestricted Net Position	2,918,649	4,162,644
Total Net Position	13,550,460	13,742,196
Total Liabilities and Net Position	\$ 14,281,755	\$ 14,309,496

HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
Cliffside Park, New Jersey  
COMPARATIVE STATEMENTS REVENUES, EXPENSES, AND CHANGES IN NET Position  
For the Years Ended March 31, 2013 and 2012

	For the Year Ended	
	March 31, 2013	March 31, 2012
<u>OPERATING REVENUES</u>		
Tenant Rental & Other Revenue	\$ 1,360,636	\$ 1,326,595
HUD Grants - Operating	4,221,914	4,620,329
Other Revenues	409,370	475,038
Total Revenues	<u>5,991,920</u>	<u>6,421,962</u>
<u>OPERATING EXPENSES</u>		
Administration	788,526	801,931
Housing Assistance Payments	3,758,063	3,719,917
Tenant Services	227,288	145,240
Utilities	634,613	600,392
Ordinary Maintenance & Operations	992,639	886,555
General Expense	301,788	434,387
Depreciation Expense	469,352	431,729
Total Operating Expenses	<u>7,172,269</u>	<u>7,020,151</u>
EXCESS OF OPERATING REVENUE OVER EXPENSES	(1,180,349)	(598,189)
Non Operating Revenues/(Expenses):		
Interest Income	<u>38,962</u>	<u>56,074</u>
Income / (Loss) Before Contributions and Transfers	(1,141,387)	(542,115)
Capital Grants	<u>949,651</u>	<u>405,368</u>
INCREASE IN NET POSITION	(191,736)	(136,747)
Beginning Net Position	<u>13,742,196</u>	<u>13,878,943</u>
Ending Net Position	<u>\$ 13,550,460</u>	<u>\$ 13,742,196</u>



HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
Cliffside Park, New Jersey  
COMPARATIVE STATEMENTS OF CASH FLOWS  
For the Years Ended March 31, 2013 and 2012

	For the Year Ended	
	March 31, 2013	March 31, 2012
<u>CASH FLOWS FORM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Income	\$ 1,360,571	\$ 1,324,127
From Government Agencies for Operating Grants	4,188,578	4,695,131
From Other Operating Revenues	409,370	435,328
Cash Paid:		
To Employees for Operations	(985,411)	(823,352)
To Suppliers for Operations	(1,785,080)	(2,103,943)
For Housing Assistance Payments	(3,758,063)	(3,719,917)
Net Cash Provided by Operating Activities	(570,035)	(192,626)
<u>CASH FLOWS FROM CAPITAL AND</u>		
<u>RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	949,651	405,368
Acquisition of Property and Equipment	(1,972,028)	(542,220)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(1,022,377)	(136,852)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Security Deposits Collected	9,043	17,084
(Purchase) Sales of Investments	1,426,529	(775,088)
Investment Income	55,862	41,189
Net Cash Provided by Investing Activities	1,491,434	(716,815)
Net increase (decrease) in Cash and Cash Equivalents	(100,978)	(1,046,293)
Cash and Equivalents at Beginning of Period	1,366,314	2,412,607
Cash and Equivalents at End of Period	\$ 1,265,336	\$ 1,366,314
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>		
<u>TO NET CASH PROVIDED (USED) BY OPERATIONS</u>		
Operating Income (Loss)	\$ (1,180,349)	\$ (598,189)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	469,352	431,729
Decrease (Increase) in Assets		
Accounts Receivable - Tenants	149	1,089
Accounts Receivable - HUD	(33,336)	74,802
Accounts Receivable - Other	50,345	(39,710)
Prepaid Expenses and Other Current Assets	(31,148)	(3,303)
Increase (Decrease) in Liabilities		
Accounts Payable	42,748	(212,615)
Accrued Liabilities - Other	34,475	26,003
Deferred Revenue	(214)	(3,557)
Compensated Absences	(21,092)	13,412
Accrued Pension and OPEB Liabilities	99,034	99,032
PILOT Payable	1	18,681
Net Cash Provided by Operating Activities	\$ (570,035)	\$ (192,626)



HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013

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

**1. Organization and Activities** – The Housing Authority of The Borough of Cliffside Park (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 Borough of Cliffside Park, New Jersey. Operating and modernization subsidies are provided to the Authority by the federal government. Rent subsidies are provided to eligible tenants under the Federal Housing Assistance Payments (Section 8) Program.

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 Borough's reporting entity since the Borough 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, Section Eight housing assistance grants 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. Under the HCV Program, the subsidy is determined based on the prior year HAP and administrative expenditures, and the overfunded or underfunded amount, if any, is to be retained by the Authority in accordance with HUD guidelines. Advance payments received for the subsequent fiscal year are recorded as deferred revenue.



HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS

March 31, 2013  
(Continued)

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

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

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

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

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

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

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

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

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.

HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS

March 31, 2013  
(Continued)

**NOTE 1 –Summary of Organization, Activities and Significant Accounting Policies (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. 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.

14 – 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, 2012 and 2011, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering SFAS 144.



HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013  
(Continued)

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

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

**NOTE 2 – Cash and Cash Equivalents**

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Deposit Protection Act of the state of New Jersey, which requires the institutions to pool collateral for all of governmental deposits and have the collateral held by an approved custodian in the authority's name.

Cash and Cash Equivalents of \$1,265,336 and \$1,366,314 at March 31, 2013 and 2012, respectively, consisted of the following:

	<u>3/31/2013</u>	<u>3/31/2012</u>
Checking Accounts	\$ 926,903	\$ 627,163
Cash-Restricted	286,199	695,960
Tenant Security Deposit Accounts	52,184	43,141
Petty Cash Fund	<u>50</u>	<u>50</u>
Total Cash and Equivalents	<u>\$ 1,265,336</u>	<u>\$ 1,366,314</u>

The carrying amount of the Authority's cash and cash equivalents as of March 31, 2013 was \$1,265,336 and the bank balances were \$1,273,345. Of the bank balances, \$250,000 was covered by FDIC insurance and \$1,023,345 was covered by a collateral pool maintained by the banks as required by New Jersey statutes. Cash and cash equivalents, except petty cash are held in the Authority's name.

The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above, \$1,023,345 of the authority's deposits exceeded FDIC insurance and were covered under New Jersey's Governmental Unit Deposit Protection Act (GUDPA) which collateralizes securities held by the pledging institutions trust department but are not in the Authority's name.

**NOTE 3 – Investments**

Investments of \$2,535,905 consist solely of certificates of deposit with maturities in excess of three months from the date of purchase. These investments are covered by the Governmental Unit Deposit Protection Act of the state of New Jersey, which requires the institutions to pool collateral for all of governmental deposits and have the collateral held by an approved custodian in the authority's name.



HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013  
(Continued)

**NOTE 4 – Restricted Net Position – Replacement Reserves**

As of March 31, 2013 the Authority has exhausted its replacement reserves of \$373,309 to fund the construction of its new senior activity center.

**NOTE 5 – Tenant Accounts Receivable**

Tenant accounts receivable are stated net of an allowance for doubtful accounts. At March 31, 2013 and 2012 the allowance for doubtful accounts was \$553 and \$286 respectively.

**NOTE 6 - Fixed Assets**

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost, less accumulated depreciation. The following is a summary of the changes in general fixed assets for the fiscal year ended March 31, 2013 and 2012 respectively:

	Balance Apr. 1, 2012	Additions	Disposals	Transfers/ Other	Balance Mar. 31, 2013
Land	\$ 586,165	\$ -	\$ -	\$ -	\$ 586,165
Buildings and Improvements	13,980,379	-	-	1,554,900	15,535,279
Dwelling Equipment	693,753	-	-	-	693,753
Furniture and Equipment	967,224	-	-	-	967,224
Construction in Progress	2,051,035	1,972,028	-	(1,554,900)	2,468,163
Total Fixed Assets	18,278,556	1,972,028	-	-	20,250,584
Accumulated Depreciation	(9,435,620)	(469,352)	-	-	(9,904,972)
Net Fixed Assets	<u>\$ 8,842,936</u>	<u>\$ 1,502,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,345,612</u>

  

	Balance Apr. 1, 2011	Additions	Disposals	Transfers/ Other	Balance Mar. 31, 2012
Land	\$ 586,165	\$ -	\$ -	\$ -	\$ 586,165
Buildings and Improvements	13,922,989	57,390	-	-	13,980,379
Dwelling Equipment	693,753	-	-	-	693,753
Furniture and Equipment	872,551	31,161	-	63,512	967,224
Construction in Progress	1,597,366	453,669	-	-	2,051,035
Total Fixed Assets	17,672,824	542,220	-	63,512	18,278,556
Accumulated Depreciation	(8,940,379)	(431,729)	-	(63,512)	(9,435,620)
Net Fixed Assets	<u>\$ 8,732,445</u>	<u>\$ 110,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,842,936</u>

Depreciation expense for the fiscal years ended March 31, 2013 and 2012 amounted to \$469,352 and \$431,729, respectively.

HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013  
(Continued)

**NOTE 6 - Fixed Assets - Continued**

Expenditures are capitalized when they meet the Authority's Capitalization policy. Under that policy, assets purchased or constructed at a cost not exceeding \$1,000 are expenses 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	40
Improvements	15
Furniture	5
Equipment	5
Vehicles	5
Computers	3

**NOTE 7 - Payment in Lieu of Taxes (PILOT)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Borough. Under the Cooperation Agreement, the Authority must pay the Borough the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended March 31, 2013 and 2012, PILOT expense was accrued in the amount of \$72,602 and \$72,601 respectively.

**NOTE 8 - Accrued Compensated Absences**

Accrued compensated absences of \$178,917 and \$200,009 at March 31, 2013 and 2012, respectively, represent amounts of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service. Employees may be compensated for sick leave at retirement at a rate of one-half of the eligible employee's rate of pay, subject to a maximum sick leave payment of \$15,000.

**NOTE 9 - Pension Plan**

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

HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013  
(Continued)

**NOTE 9 – Pension Plan - Continued**

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority. The Authority was required to pay \$92,752 and \$90,257 into the plan during the fiscal years ended March 31, 2013 and 2012 respectively.

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

**NOTE 10 – Post Employment Retirement Benefits**

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

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

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

Annual Required Contribution	\$ 186,759
Interest on net OPEB obligation	\$ 4,633
Adjustment to annual required contribution	\$ 0
Annual OPEB cost (expense)	\$ 191,392
Contributions made	\$ 92,358
Increase in net OPEB obligation	\$ 99,034
Net OPEB Obligation – beginning of year	\$ 191,659
Net OPEB Obligation – end of year	\$ 290,693



HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013  
(Continued)

**NOTE 9– 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 2012 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2010	N/A	N/A	N/A
3/31/2011	\$181,921	49.1%	\$92,627
3/31/2012	\$191,390	48.1%	\$191,659
3/31/2013	\$191,390	48.1%	\$290,691

**FUNDED STATUS AND FUNDING PROGRES**

As of April 1, 2011, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits approximated \$ 2,694,815, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,694,815.

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 BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013  
(Continued)

**NOTE 9– Other Post Employee Retirement Benefits (OPEB) - Continued**

Actuarial Cost Method: Projected Unit Credit  
Investment Rate of Return: 6.00% per annum

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

Actuarial Value of Assets: Market Value  
Amortization of UAAL: Amortized as level dollar amount over 30 years at transition  
Remaining Amortization Period: 28 years at April 1, 2012

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

Active Employees	April 1,2012	April 1,2011
A. Average Service	9.0	87.0
B. Average Current Age	50.1	49.1

**NOTE 11 – Risk Management**

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the year ended March 31, 2013 and 2012, 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.

HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013  
(Continued)

**NOTE 12 – Construction Commitments**

At March 31, 2013 and 2012, 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.

**NOTE 13 – Economic Dependency**

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

**NOTE 14 – Subsequent Events**

The Authority has evaluated subsequent events through October 29, 2013, the date on which the financial statements were available to be issued.

**NOTE 15 – Restricted Net Position**

Prior to January 1, 2005 excess funds advanced by HUD to the Authority for the payment of housing assistance payments were returned to HUD at the end of the Authority's fiscal year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of Housing Assistance Payments that are not so utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. As of November 2007, HUD is reverting to treating these funds as restricted in order to comply with generally accepted accounting principles. HUD has indicated that any HAP amounts received by a PHA and not expended should be reported as restricted cash and restricted net position.

Administrative fees paid by HUD to the Authority in excess of administrative expenses are also part of the undesignated fund balance and are considered to be "administrative fee reserves". Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR982.155 – i.e. "other housing purposes permitted by state or local law". Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

The undesignated fund balance also includes interest income on HAP investments, family self sufficiency program forfeitures and fraud recoveries. The housing authority's portion of fraud recoveries (i.e., the higher of 50% of the amount collected or the reasonable and necessary costs that the PHA incurred related to the collection) must continue to be used for activities related to the provision of voucher assistance authorized under Section 8 of the United States Housing Act of 1937. The balance of the recovery amount must be maintained in the undesignated fund balance account as excess HAP.

In accordance with HUD requirements, the Agency's undesignated fund balance of the Voucher Program consists of the following components as of March 31, 2013 and 2012:



HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013  
(Continued)

**NOTE 15 – Restricted Net Position - Continued**

Administrative Fee Reserves included in Unrestricted Net Position

Administrative Fee Reserves at March 31, 2012	\$ 930,341	
Administrative Fee Revenues Earned FYE March 31, 2013	(34,530)	
Interest income on administrative fee reserves	7,776	
50% of Fraud Recoveries	<u>17,213</u>	
		<u>\$ 920,800</u>

Housing Assistance Payments Reserves included in Restricted Net Position

Housing Assistance Payments Reserves at March 31, 2012	\$ 363,308	
Unexpended Housing Assistance Payments FYE March 31, 2013	(97,498)	
Interest income on housing assistance payments reserves	3,176	
50% of Fraud Recoveries	<u>17,213</u>	
		<u>\$ 286,199</u>

Administrative Fee Reserves included in Unrestricted Net Position

Administrative Fee Reserves at March 31, 2011	\$ 962,486	
Administrative Fee Revenues Earned FYE March 31, 2012	(61,107)	
Interest income on administrative fee reserves	10,292	
50% of Fraud Recoveries	<u>18,670</u>	
		<u>\$ 930,341</u>

Housing Assistance Payments Reserves included in Restricted Net Position

Housing Assistance Payments Reserves at March 31, 2011	\$ 387,647	
Unexpended Housing Assistance Payments FYE March 31, 2012	(47,212)	
Interest income on housing assistance payments reserves	4,203	
50% of Fraud Recoveries	<u>18,670</u>	
		<u>\$ 363,308</u>

HOUSING AUTHORITY OF THE BOROUGH OF CLIFFSIDE PARK  
Cliffside Park, New Jersey  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended March 31, 2013

**DIRECT FEDERAL ASSISTANCE - DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

LOW INCOME HOUSING PROGRAM

Operating Subsidy (CFDA# 14.850a)	\$ 233,546
Capital Fund Program (CFDA# 14.872)	<u>1,117,435</u>
Subtotal	<u>1,350,981</u>

<u>COMMUNITY DEVELOPMENT BLOCK GRANT (CFDA#14.218)</u>	<u>61,211</u>
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HOUSING ASSISTANCE PAYMENTS PROGRAM

Section 8 Voucher Program (CFDA # 14.871)	<u>3,759,373</u>
Subtotal	<u>3,759,373</u>

TOTAL FEDERAL FINANCIAL ASSISTANCE	<u>\$ 5,171,565</u>
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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





**CERTIFIED PUBLIC ACCOUNTANTS**

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

Board of Commissioners  
Housing Authority of the Borough of Cliffside Park  
Cliffside Park, New Jersey

We have audited the financial statements of the Housing Authority of the Borough of Cliffside Park as of and for the year ended March 31, 2013 and have issued our report thereon dated October 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the Borough of Cliffside Park's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance

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

This report is intended solely for the information of management, the Board of Commissioners, and the U.S. Department of Housing and Urban Development and the New Jersey Department of Community Affairs, Division of Local Government Services and is not intended to be and should not be used by anyone other than these specified parties.

  
POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
October 29, 2013





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

Board of Commissioners  
Housing Authority of the Borough of Cliffside Park  
Cliffside Park, New Jersey

Compliance

We have audited the Housing Authority of the Borough of Cliffside Park's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Entity's major federal programs for the year ended March 31, 2013. The Housing Authority of the Borough of Cliffside Park's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the Borough of Cliffside Park's management. Our responsibility is to express an opinion on the housing authority's compliance based on our audit.

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

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

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

Internal Control Over Compliance

The management of the Housing Authority of the Borough of Cliffside Park is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the housing authority'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 an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with the 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 control 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 of management, the Board of Commissioners, the U. S. Department of Housing and Urban Development, and the State of New Jersey Department of Community Affairs, Division of Local Government Services and is not intended to be and should not be used by anyone other than these specified parties.

  
POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
October 29, 2013



HOUSING AUTHORITY OF BOROUGH OF CLIFFSIDE PARK  
Cliffside Park, New Jersey  
March 31, 2013

STATUS OF PRIOR AUDIT FINDINGS

The prior audit contained no findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SECTION 1 - SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of Auditor's Report Issued:

Unqualified

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:

Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with section 510(a) of  
Circular A-133 \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

Identification of Major Programs

CFDA	
<u>Number</u>	<u>Name of Federal Program or Cluster</u>
14.850	Public and Indian Housing

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

\$300,000

Auditee qualified as low-risk? \_\_\_\_\_ X \_\_\_\_\_ yes \_\_\_\_\_ no

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.