

**HOUSING AUTHORITY OF PLAINFIELD**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*December 31, 2013*

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners of  
Housing Authority of Plainfield

**Report on the Financial Statements**

I have audited the accompanying financial statements of the aggregate enterprise funds, business type activities and the discretely presented component unit of the Housing Authority of Plainfield (the "Authority") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents.

**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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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 evaluation of the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each enterprise fund, business type activities and the discretely presented component unit of the Housing Authority of Plainfield as of December 31, 2013 and its changes in net position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2013 is presented on page 28 for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and is not a required part of the basic financial statements. The accompanying Schedule of Actual Capital Fund Program Costs and Advances presented on page 30, the Statement and Certification of Actual Capital Grant Costs presented on page 31 and the Financial Data Schedule presented on pages 32 through 38 are also not required parts of the financial statements are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 my opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Actual Capital Fund Program Costs and Advances, the Statement and Certification of Actual Capital Fund Grant Costs, and the Financial Data Schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated September 26, 2014 on my consideration of Housing Authority of Plainfield's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of Plainfield's internal control over financial reporting and compliance..

Cranford, New Jersey

*Francis Allen, LLC. CPA*

September 26, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Housing Authority of Plainfield**  
**December 31, 2013**

As Management of Plainfield Housing 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 December 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 \$8,653,018 (net position) as opposed to \$8,814,518 for the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's proprietary fund reported a deficit in Unrestricted Net Assets of \$ 162,637.

3 – The Authority's unrestricted cash balance at December 31, 2013 was \$1,202,214 representing an increase of \$ 481,661 from the prior fiscal year.

4 – Restricted cash at December 31, 2013 of \$637,702 consists of excess housing assistance payments as well as FSS escrow deposits related to the Section 8 Housing Choice Voucher program.

5 – The Authority had total operating revenues of \$14,089,786 and total operating expenses of \$14,405,957 (including depreciation of (\$221,428) for the year ended December 31, 2013.

6 – The Authority's capital outlays for the fiscal year ended December, 2013 totaled \$150,586 and represented additions to capital assets at Westend Gardens and Richmond Towers

7 – The Authority's expenditures of federal awards amounted to \$11,691,993 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 the financial statements included in the 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 Statement of the 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.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

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.

### **3 – Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the 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 28 of this report.

## **C – The Authority as a Whole**

The Authority's net position decreased during the fiscal year by \$161,500 due primarily to the recapture of \$119,205 of net restricted assets associated with the Section 8 voucher program and a loss in the COCC fund. It should be noted that the Authority's proprietary fund reported operating income of \$388,824 while the Central Office reported a loss of \$409,663, resulting in an overall loss of \$20,839 for the low Income housing segment of the Authority. It should also be noted that during the year the Authority received permission from HUD to vacate its Elmwood Gardens property and, as such, completely vacated this property by November 2013. The majority of residents were given Section 8 vouchers while others have been successfully transitioned to other properties.

By far, the largest portion of the Authority's net assets reflects its investment in capital assets (e.g., land, buildings, equipment and construction on process). 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 assets of the Authority are available for future use to provide program services. Restricted net assets represent unexpended housing assistance payments subsidies which are available only to make housing assistance payments to eligible families.

## **D – Budgetary Highlights**

For the year ended December, 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. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

### **E – Capital Assets and Debt Administration**

#### **Capital Assets**

As of December 31, 2013, the Authority's investment in capital assets for its Proprietary Fund was \$8,279,462 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets of \$150,586 were purchased during the fiscal year.

Additional informational on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this report.

#### **Long Term Debt**

As of December 31, 2013 loans to acquire and rehabilitate property of Plainfield Community Development Corporation totaled \$714,413. \$156,307 of the loans are classified as current liabilities in the statement of net position, and \$558,106 are classified as long-term loans. Non-current liabilities of the component unit also included a \$360,000 non-interest bearing loan received from Plainfield Housing Finance Corporation. The loan is an advance on open account without a fixed maturity date.

### **F – Summary of Significant Changes**

1. Unrestricted cash and cash equivalents increased by \$481,661. The primary reason for the increase was the transition of approximately \$300,000 of investments associated with the PCDC (Component Unit) to cash equivalents – CD's in 2013.
2. Tenant revenue decreased by \$64,180, or 4% due to the planned Elmwood Gardens demolition program and the Authority's planned transition of its tenants. HUD operating grants increased by \$1,600,120 primarily due to the fact that during 2012 HUD recaptured over \$1,850,000 in net restricted assets of this program through a direct deduction of 2012 subsidy.
3. Tenant service costs increased by \$ 264,859 or 61%, during the fiscal year due to \$251,778 of relocation costs associated with the closing of the Elmwood Gardens property expenses.
4. Utilities expense decreased by \$226,411 (from \$1,663,162 in 2012 to \$1,436,751 in 2013) this reduction can be attributed to the vacating on tenants from the Elmwood Gardens location.
5. Maintenance expense decreased by \$127,917 due to reduced expenses associated with the Elmwood Gardens property which was vacated in 2013
6. Extraordinary maintenance increased by \$148,112 as a result of a fire in the West end garden location ( all costs were covered by insurance) plus losses sustained by superstorm Sandy to Richmond Towers.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

### **G – 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 December, 2013.

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 continued cutbacks effecting HUD subsidies and grants.

3 – The use of the Authority's net assets to fund any shortfalls arising from a possible economic downturn and reduced subsidies and grants. The Authority's net assets appear sufficient to cover any potential shortfall.

4- The closing of the Elmwood Gardens location during the latter part of 2013

### **H – Contacting the Authority's Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Plainfield Housing Authority 510 East Front Street, Plainfield, NJ 07060.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

	<u>Year Ended</u>		<u>Net Change</u>	<u>% Change</u>
	<u>Dec.31,2013</u>	<u>Dec. 31, 2012</u>		
Cash and Other Current Assets	\$ 2,424,064	\$ 2,521,422	\$ (97,358)	-4%
Capital Assets - Net	9,550,225	9,588,365	(38,140)	0%
Total Assets	11,974,289	12,109,787	(135,498)	-1%
Less: Total Liabilities	(3,321,271)	(3,295,269)	(26,002)	1%
Net Position	8,653,018	8,814,518	(161,500)	-2%
Invested in Capital Assets	8,368,155	8,428,189	(60,034)	-1%
Restricted Net Assets	431,380	548,485	(117,105)	-21%
Unrestricted net Assets	(146,517)	(162,156)	15,639	-10%
Total Net Position	\$ 8,653,018	\$ 8,814,518	\$ (161,500)	-2%

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Net Change</u>	<u>% Change</u>
	<u>Dec. 31,2013</u>	<u>Dec. 31, 2012</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 1,558,308	\$ 1,622,488	\$ (64,180)	-4%
HUD Subsidies	11,541,407	9,810,771	1,730,636	18%
Other Income	990,071	744,027	246,044	33%
Total Operating Revenues	14,089,786	12,177,286	1,912,500	16%
<u>Expenses</u>				
Administration	2,416,927	2,483,199	(66,272)	-3%
Tenant Services	430,697	165,838	264,859	160%
Utilities	1,436,751	1,663,162	(226,411)	-14%
Maintenance	827,186	955,103	(127,917)	-13%
Protective Services	131,222	126,246	4,976	4%
Other General Expenses	476,649	467,974	8,675	2%
Housing Assistance Payments	8,316,985	8,190,106	126,879	2%
Depreciation Expense	221,428	211,723	9,705	5%
Extraordinary Maintenance	148,112	-	148,112	
Total Operating Expenses	14,405,957	14,263,351	142,606	1%
Excess of Operating Revenues	(316,171)	(2,086,065)	1,769,894	-85%
<u>Non-Operating Revenues</u>				
Interest on Investments	4,085	10,766	(6,681)	-62%
Excess of Revenues Over Expenses	(312,086)	(2,075,299)	1,763,213	-85%
Capital Grants	150,586	529,148	(378,562)	-72%
Increase/(Decrease) in Net Assets	(161,500)	(1,546,151)	1,384,651	-90%
Net Assets Prior	8,814,518	10,411,775	(1,597,257)	-15%
Prior Period Adjustments	-	(51,106)	-	0%
Total Position	\$ 8,653,018	\$ 8,814,518	\$ (212,606)	-2%

## **FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF PLAINFIELD**

**STATEMENT OF NET POSITION**

As of December 31, 2013

<b>ASSETS</b>	Housing Authority of Plainfield	<u>Component Unit</u> Plainfield Comm. Development Corp.	Total
<b>Current assets:</b>			
Cash and cash equivalents-unrestricted	\$ 877,194	\$ 325,020	\$ 1,202,214
Cash and cash equivalents-restricted	633,894	3,808	637,702
Accounts receivable:			
Tenants, net	35,541	-	35,541
Other government	421,602	-	421,602
Other	94,001	10,325	104,326
Inventories, net	22,679	-	22,679
	<u>2,084,911</u>	<u>339,153</u>	<u>2,424,064</u>
Capital assets, net	8,279,785	1,270,440	9,550,225
<b>Total Assets</b>	<b>\$ 10,364,696</b>	<b>\$ 1,609,593</b>	<b>\$ 11,974,289</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 \$ -	 \$ -	 \$ -
 <b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 201,293	\$ 49,226	\$ 250,519
Accrued wages and payroll taxes	27,207	-	27,207
Accrued compensated absences-current portion	19,121	-	19,121
Tenant security deposits	74,682	3,808	78,490
Lines of credit payable	-	373,848	373,848
Long term debt-current portion	-	156,307	156,307
Unearned revenues	168,606	-	168,606
Accrued liabilities-other	83,487	-	83,487
	<u>574,396</u>	<u>583,189</u>	<u>1,157,585</u>
Accrued compensated absences, non-current	172,056	-	172,056
Long term debt-non current	-	558,106	558,106
Other long term debt	410,000	360,000	770,000
Accrued OPEB liability	324,151	-	324,151
Other long term liabilities	339,373	-	339,373
<b>Total Liabilities</b>	<b>1,819,976</b>	<b>1,501,295</b>	<b>3,321,271</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 \$ -	 \$ -	 \$ -
 <b>NET POSITION</b>			
Net investment in capital assets	8,279,785	88,370	8,368,155
Restricted	427,572	3,808	431,380
Unrestricted	(162,637)	16,120	(146,517)
<b>Total Net Position</b>	<b>\$ 8,544,720</b>	<b>\$ 108,298</b>	<b>\$ 8,653,018</b>

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

**HOUSING AUTHORITY OF PLAINFIELD**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**

For the Year Ended December 31, 2013

	Housing Authority of Plainfield	<u>Component Unit</u> Plainfield Comm. Development Corp.	Total
<b>OPERATING REVENUES</b>			
Tenant revenue	\$ 1,440,130	\$ 118,178	\$ 1,558,308
HUD operating grants	11,541,407		11,541,407
Other revenues	832,779	157,292	990,071
	<u>13,814,316</u>	<u>275,470</u>	<u>14,089,786</u>
<b>OPERATING EXPENSE</b>			
Administrative	2,394,637	22,290	2,416,927
Tenant services	429,208	1,489	430,697
Utilities	1,421,620	15,131	1,436,751
Ordinary repairs and maintenance	808,055	19,131	827,186
Protective services	131,222	-	131,222
Insurance premiums	221,049	4,993	226,042
General expenses	138,490	60,614	199,104
Interest expense	-	51,504	51,504
Extraordinary maintenance	148,112	-	148,112
Housing assistance payments	8,316,984	-	8,316,984
Depreciation	192,780	28,648	221,428
	<u>14,202,157</u>	<u>203,800</u>	<u>14,405,957</u>
Operating income(loss)	(387,841)	71,670	(316,171)
<b>NON OPERATING REVENUES</b>			
Investment income	4,085	-	4,085
	<u>4,085</u>	<u>-</u>	<u>4,085</u>
Income(loss) before capital grants	(383,756)	71,670	(312,086)
<b>CAPITAL GRANTS</b>	150,586	-	150,586
Change in net position	(233,170)	71,670	(161,500)
Net position at beginning of year	8,777,890	36,628	8,814,518
Net position at end of year	<u>\$ 8,544,720</u>	<u>\$ 108,298</u>	<u>\$ 8,653,018</u>

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

**HOUSING AUTHORITY OF PLAINFIELD**

**STATEMENT OF CASH FLOWS**

**December 31, 2013**

<b>NET CASH PROVIDED BY(USED IN)</b>	<b>Housing Authority of Plainfield</b>	<b><u>Component Unit</u> Plainfield Comm. Development Corp.</b>	<b>Total</b>
<b>Operating activities:</b>			
Cash received from:			
Tenants	\$ 1,343,734	\$ 120,278	\$ 1,464,012
Grantors	11,734,811	-	11,734,811
Other	839,139	155,428	994,567
Cash paid for:			
Employees	(1,526,449)	-	(1,526,449)
Vendors and contractors	(2,725,911)	(36,236)	(2,762,147)
Utilities	(1,260,985)	(15,131)	(1,276,116)
Insurance	(213,982)	(4,993)	(218,975)
General expenses	(66,392)	(112,118)	(178,510)
Housing assistance payments	(8,316,984)	-	(8,316,984)
	<u>(193,019)</u>	<u>107,228</u>	<u>(85,791)</u>
<b>Capital and related financing activities:</b>			
Purchase of capital assets	(150,586)	-	(150,586)
Purchase of land and buildings	-	(31,275)	(31,275)
Purchase of equipment	-	(1,427)	(1,427)
Proceeds from capital grants	150,586	-	150,586
Other post employment benefits	101,309	-	101,309
Proceeds from other long term liabilities	123,108	-	123,108
Payment of long term debt	-	(85,836)	(85,836)
Proceeds from lines of credit	-	13,922	13,922
	<u>224,417</u>	<u>(104,616)</u>	<u>119,801</u>
<b>Investing activities:</b>			
Proceeds from sale of investments	-	303,908	303,908
Interest received on investments	4,085	-	4,085
	<u>4,085</u>	<u>303,908</u>	<u>307,993</u>
Net increase in cash and cash equivalents	35,483	306,520	342,003
Cash and cash equivalents, beginning of year	1,475,605	22,308	1,497,913
Cash and cash equivalents, end of year	<u>\$ 1,511,088</u>	<u>\$ 328,828</u>	<u>\$ 1,839,916</u>

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

**HOUSING AUTHORITY OF PLAINFIELD**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2013**

	<u>Housing Authority of Plainfield</u>	<u>Component Unit Plainfield Comm. Development Corp.</u>	<u>Total</u>
<b>Reconciliation of operating income(loss) to net cash provided/(used) by operating activities:</b>			
Operating income(loss)	\$ (387,841)	\$ 71,670	\$ (316,171)
<b>Items which did not (provide)use cash:</b>			
Depreciation	192,780	28,648	221,428
Bad debts	72,098	-	72,098
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable-HUD	108,705	-	108,705
Accounts receivable-tenants	(75,297)	-	(75,297)
Accounts receivable-other	24,744	(1,864)	22,880
Prepaid expenses	7,067	-	7,067
Accounts payable	(174,147)	6,674	(167,473)
Accrued wages and payroll taxes	(3,539)	-	(3,539)
Accrued compensated absences	3,627	-	3,627
Tenant security deposits	(21,099)	2,100	(18,999)
Other liabilities	59,883	-	59,883
	<u>\$ (193,019)</u>	<u>\$ 107,228</u>	<u>\$ (85,791)</u>

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

# HOUSING AUTHORITY OF PLAINFIELD

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

### Note 1. Nature of Organization and Description of Programs

The Housing Authority of Plainfield (the "Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (NJ, S.A. 4A: 12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Plainfield, New Jersey. The Authority is responsible for operating certain low-rent housing programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous but is responsible to HUD and the State of New Jersey, Department of Community Affairs. An executive director is appointed by the Authority's board to manage the day-to-day operations of the Authority.

The Authority maintains its accounting records by programs which include the following:

#### Low Rent Public Housing Program

The Low Rent Public Housing Program is designed to provide low-cost housing within the City of Plainfield. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

#### Housing Assistance Payment Program - Section 8

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

#### Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

#### Shelter Care Plus Program

This program offers grants to states and local governments, public housing authorities (PHAs) and other entities to provide rental assistance to homeless persons with disabilities. Rental assistance grants must be matched in aggregate by supportive services that are equal in value to the rental assistance and appropriate to the needs of the population served. It is a tenant-based program.



## HOUSING AUTHORITY OF PLAINFIELD

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

#### Note 1. Nature of Organization and Description of Programs(Continued)

##### Congregate Housing Services Program

The Congregate Housing Services Program offers grants to states, units of general local government, PHAs, tribally designated housing entities, and local nonprofit housing sponsors to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. It is a project-based rather than a tenant-based program.

#### Note 2. Summary of Significant Accounting Policies

##### Reporting Entity

In accordance with statement No. 39 Government Accounting Standards Board ("GASB"), the Authority's financial statements include those of the Housing Authority of Plainfield and its component unit. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

- The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority.
- The Authority has the ability to access a majority of the economic resources held by the separate organization.
- The economic resources referred to above are significant to the Authority.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority, including the component unit described below. Also, the Authority is not included in any other reporting entity on the basis of such criteria.

##### Component Unit

The Plainfield Community Development Corporation is a not-for profit corporation formed in 2007 by the Housing Authority of Plainfield to pursue the promotion and development of low and moderate income housing in the City of Plainfield, New Jersey. It is a legally separate entity and meets the criteria of a component unit as listed above. Based on the criteria and in accordance with GASB 39, the transactions of the Plainfield Community Development Corporation are included in the financial statements of the Authority as a discrete presentation.

##### Basis of Accounting

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

## HOUSING AUTHORITY OF PLAINFIELD

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

#### Note 2. Summary of Significant Accounting Policies (Continued)

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered enterprise funds that are used to account for activities that are operated in a manner similar to those found in the private sector.

All enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, and losses resulting from exchange and exchange-like transactions are recognized when exchanges take place.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority had complied with the grant and subsidy requirements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board pronouncements, Accounting Principles Board Opinions and Accounting Research Bulletins issued that do not conflict with or contradict GASB Pronouncements.

#### Other Post Employment Benefits

Statement No. 45 of the Government Accounting Standards Board ("GASB 45") *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension* was issued in June 2004. This Statement requires the Authority to account for its "other postemployment benefits" (OPEB) in essentially the same way as it accounts for pension benefits. OPEB include medical, prescription drug, dental, vision, life insurance and disability benefits provided to retirees and certain terminated employees.

This statement will improve the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service.

In the year ended December 31, 2010 the Authority adopted this standard which is further described in Note 13.

## HOUSING AUTHORITY OF PLAINFIELD

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

#### Note 2. Summary of Significant Accounting Policies (Continued)

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in these financial statements include the allowance for doubtful accounts, accrued expenses and other liabilities, and depreciable lives of properties and equipment. Actual results could differ significantly from these estimates.

##### Cash and Cash Equivalents

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

HUD requires housing authorities to invest excess funds in obligations of the United States, certificates of deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes Federal Deposit Insurance Corporation and Federal Surety and Loans Insurance Corporation insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investment with a maturity of three months or less at time of purchase.

**HOUSING AUTHORITY OF PLAINFIELD**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2013**

**Note 2. Summary of Significant Accounting Policies (Continued)**

Accounts Receivable-Tenants

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

Inventory

The Authority's inventory is comprised of office supplies and maintenance materials and supplies. Inventory is valued at the lower cost or market, and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. At December 31, 2013, inventory is shown net of an allowance for obsolescence of \$2,100.

Investments

Investments, if any, consist of bank certificates of deposit and are carried at fair value. Investments are in financial instruments approved by HUD.

Capital Assets

Fixed assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- Furniture and Equipment                      3-5 Years
- Buildings    40 Years

The Authority has established a capitalization threshold of \$1,000.

Impairment of Long Lived Assets

In accordance with GASB, 42 management reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Management has not identified any such impairment losses.

# HOUSING AUTHORITY OF PLAINFIELD

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

### Note 2. Summary of Significant Accounting Policies (Continued)

#### Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned 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 at the current salary. Employees may carry over 30 vacation days each year. Employees accrue sick days at the rate of one day per month for the first year and fifteen days per calendar year thereafter. On termination, regular employees with ten or more years of service are paid 33 1/3% of accrued sick time and all other employees who were terminated in good standing receive 25% of accrued sick time up to a maximum of \$15,000.

#### Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the public housing program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, inter-program receivables and payables are eliminated for financial statement purposes; however they are reflected in the accompanying Financial Data Schedule as required by HUD.

#### Taxes

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

#### Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues as non-operating.

#### Equity Classifications

Equity is classified as net position and displayed in three components:

*Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* - Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Net position restricted by law includes housing assistance payment reserve.

# HOUSING AUTHORITY OF PLAINFIELD

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

### Note 2. Summary of Significant Accounting Policies (Continued)

Unrestricted net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its enterprise funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

#### Economic Dependency

The Section-8 and Low Rent Housing Program of the Authority are economically dependent on operating grants and subsidies from HUD. The programs operate at a loss prior to receiving grants.

#### Risk Management

Significant losses are covered by commercial insurance for all major programs. There have been no reductions in insurance coverage for 2013, 2012 and 2011. Settlement amounts, except for deductibles, have not exceeded insurance coverage for the past three years.

#### Fair Value Measurements

The Authority accounts for fair value measurements in accordance with FASB ASC 820, *Fair Value Measurements*, which establishes a hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally ranges from Level 1 to Level 3. Multiple inputs may be used to measure fair value.

*Level 1* - Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity

*Level 2* - Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates credit risks and others.

*Level 3* - Measurements that are least observable are estimated from related market data, determined from sources with little or no activity from comparable contracts, or are positions with longer durations.

**HOUSING AUTHORITY OF PLAINFIELD**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2013**

**Note 2. Summary of Significant Accounting Policies (Continued)**

New Pronouncements Adopted

Government Accounting Standards Board Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was issued in June 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources as defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those elements, which are distinct from assets and liabilities.

The Statement further identifies net position as the residual of all other elements presented in the statement of financial position. The Statement incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The statement is effective for periods beginning after December 15, 2011 applies to state and local governments, including general purpose governments, authorities and other entities required to report under Government Accounting Standards.

The Authority has adopted the Statement which is reflected in these financial statements.

Management is currently evaluating other new GASB pronouncements and will consider adopting them as appropriate.

**Note 3. Cash and Cash Equivalents**

At December 31, 2013, the Authority had funds on deposit in checking and money market accounts. All bank deposits as of the balance sheet date are covered by the Government Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

For the fiscal year ended December 31, 2013, the carrying amount of the Authority's cash was \$ 1,839,916 and the bank balances approximated \$ 1,919,842.

**Note 4. Financial Instruments at Fair Value**

The following table presents the fair value hierarchy of the Authority's financial instruments at December 31, 2013:

<u>Level 1</u>	
Cash	\$1,530,464
<u>Level 2</u>	
Certificates of Deposit	\$309,452

# HOUSING AUTHORITY OF PLAINFIELD

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

### Note 5. Accounts Receivable

As of December 31, 2013, accounts receivable consisted of the following:

Tenants, net	\$ 35,541
Other governments	393,588
Other	132,340

Accounts receivable-tenants consist of rental money due the Authority for providing housing and are stated net of an allowance of \$ 10,061 at December 31, 2013.

Accounts receivable - other contains the following:

Due from Liberty Village Associates	\$ 16,414
Due from sub-recipient	88,707
Due from Plainfield CDC	10,325
Other receivables	16,894
	<u>\$ 132,340</u>

Accounts receivable-other and other governments are stated net of an allowance of \$28,014 at December 31, 2013.

### Note 6. Capital Assets

A summary of the changes in capital assets during 2013 is as follows:

	January 1, 2013	Additions	Transfers	December 31, 2013
Land	\$ 1,521,554	\$ 30,460	\$ -	\$ 1,552,014
Building and improvements	22,458,266	814	410,918	22,869,998
Furniture and equipment	698,813	1,427	-	700,240
	24,678,633	32,701	410,918	25,122,252
Less: accumulated depreciation	(18,592,801)	(221,428)	-	(18,814,229)
	6,085,832	(188,727)	410,918	6,308,023
Construction in progress	3,502,534	150,586	(410,918)	3,242,202
	<u>\$ 9,588,366</u>	<u>\$ (38,141)</u>	<u>\$ -</u>	<u>\$ 9,550,225</u>

### Note 7. Tenant Security Deposits

Tenant security deposits represent amounts held by the Authority on behalf of tenants participating in the Low Rent Public Housing Program. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.



# HOUSING AUTHORITY OF PLAINFIELD

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

### Note 8. Lines of Credit Payable

The component unit, Plainfield Community Development Corporation, has lines of credit at two banks in the aggregate amount of \$ 430,000. The lines bear variable interest rates ranging from 4.25% to 7.25%. The lines are secured by a \$300,000 certificate of deposit and other assets of the Corporation. As of December 31, 2013 the Corporation had \$ 373,848 of borrowings outstanding under the lines of credit. These borrowings are essentially construction loans used to finance the improvements of acquired properties. Accordingly, they are considered current liabilities.

### Note 9. Long Term Debt

#### Notes Payable

Notes payable at December 31, consisted of the following debt incurred by the Plainfield Community Development Corporation:

Mortgage payable to Unity Bank, bearing interest rate of 6.0% per annum; due January 2035; monthly interest and principal payments in amounts to amortize loan; secured by properties located in Plainfield, New Jersey.	\$ 175,468
Mortgage payable to PNC Bank; dated June 9, 2011; amount \$200,000; fixed rate at 5.23% per annum; monthly principal payment in amounts to amortize loan; maturity date June 9, 2016 secured by property located in Plainfield, NJ.	185,137
Mortgage payable to Unity Bank, bearing interest rate of 4.25% per annum; monthly principal and interest payments; secured by properties located in Plainfield, New Jersey.	248,263
Mortgage payable to Unity Bank, bearing interest rate of 5.50% per annum; due on demand; monthly interest payments only; secured by properties located in Plainfield, New Jersey.	105,545
	<hr/> 714,413
Less: current portion	(156,307)
	<hr/> \$ 558,106

**HOUSING AUTHORITY OF PLAINFIELD**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2013**

**Note 8. Long Term Debt(Continued)**

As of December 31, 2013 annual principal payments on the notes are as follows:

<u>Year end 12/31</u>	<u>Amount</u>
2014	\$ 156,307
2015	50,762
2016	50,762
2017	50,762
2018	50,762
2019 and thereafter	<u>355,058</u>
	<u>\$ 714,413</u>

Other Long Term Debt

*Loan to Plainfield Community Development Corporation*

Loan payable represents a \$360,000 non-interest bearing open advance from the Plainfield Housing Finance Company, an affiliate of Plainfield Housing Authority, to the component unit. The advance was used to purchase a certificate of deposit that in turn was used to secure the two lines of credit referred to in Note 6. In year 2010 this advance was converted into a long term loan with a maturity date of December 31, 2019. Plainfield CDC's management will seek to convert this debt into a grant.

*Due to Plainfield Housing Finance Corporation*

Loan payable also represents a \$ 410,000 non-interest bearing note from the Plainfield Housing Finance Corporation to the Authority. The due date of the note is not stated. However management will seek to convert this debt into a grant.

**Note 9. Payments in Lieu of Taxes**

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 Authority's owned housing program in accordance with the provisions of its cooperation agreement with the City of Plainfield. Under the cooperation agreement, the Authority must pay the township the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the year ended December 31, 2013 the Authority did not incur PILOT expense.

# HOUSING AUTHORITY OF PLAINFIELD

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

### Note 10. Pension Plan

#### Public Employees Retirement System

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. PERS provides retirement, death and disability benefits, as well as medical benefits for certain qualified members and beneficiaries. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. The PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of New Jersey, Division of Pensions CN-295, Trenton, NJ 08625, (609) 777-1777.

#### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 5.5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits.

The Authority's contribution for 2013 amounted to \$ 184,339.

### Note 11. Other Post-Employment Benefits (OPEB)

#### Annual OPEB Cost and Net OPEB Obligation

The Authority provides subsidized benefits at retirement for medical insurance and reimbursement for Medicare Part B premium reimbursement for individuals meeting eligibility requirements for the coverage. All benefits are provided for the lifetime of the retiree. The funding policy for the Authority's OPEB contributions was established by and may be amended only by Board resolution. The Authority's annual other postemployment benefit ("OPEB") cost ( expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45.

**HOUSING AUTHORITY OF PLAINFIELD**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2013**

**Note 11. Other Post-Employment Benefits (OPEB)(Continued)**

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 of the working lifetime of the individual employee. 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	\$ 180,973
Interest on net OPEB obligation	\$ -0-
Adjustment to annual required contribution	\$ -0-
Annual OPEB cost (expense)	\$ 180,973
Contributions made	\$ 69,552
Increase in net OPEB obligation	\$ 111,421
Net OPEB Obligation - beginning of year	\$ 222,842
Net OPEB Obligation - end of year	\$ 324,151

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	N/A	N/A	N/A
12/31/2011	\$180,971	38%	\$111,421
12/31/2012	\$180,973	38 %	\$111,421
12/31/2013	\$180,973	38%	\$101,309

**Funded Status and Funding Progress**

As of January 1, 2012, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$ 2,497,895, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,497,895.

**HOUSING AUTHORITY OF PLAINFIELD**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2013**

**Note 11. Other Post-Employment Benefits (OPEB)(Continued)**

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.

The results were prepared and based on the projected unit credit method. Valuation assumptions are based on a discount rate of 4% and the annual health care cost inflation rates of 10% declining to 1% per year to an ultimate trend assumption of 5%. The results are based on reviewing electronic census information (record-by-record review), retiree plan information, benefit cost information, and other summary information of retiree benefits and eligibility.

Actuarial value of assets:                      Market value  
Amortization of initial UAAL:              Amortized over thirty years.

Reconciliation of plan participation as of January 1, 2013

Active employees

	January 1,2013	January 1,2012
A. Average age at hire	N/A	N/A
B. Average service	13.5	13.5
C. Average current age	51.2	51.2

## HOUSING AUTHORITY OF PLAINFIELD

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

#### Note 11. Other Post-Employment Benefits (OPEB)(Continued)

Detailed summaries of assumptions, benefit provisions and demographic census information included in the actuarial report are prepared by Aquarius Capital. The opining actuary, Michael Frank, President at Aquarius Capital, is a member of the American Academy of Actuaries, Associate of the Society of Actuaries, and Fellow of the Conference of Consulting Actuaries, and meets the qualification standards of the American Academy of Actuaries to render the actuarial opinion on the Housing Authority of Plainfield.

#### Note 12. Risks and Uncertainties

##### Contingencies:

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of December 31, 2013, the Authority estimates that no material liabilities will result from such audits.

##### Litigation:

In year 2011 the Authority filed a claim against Liberty Community Associates, the parent company of the Liberty Village Project, a housing project for which the Authority acts as managing agent. The Authority demanded payment of \$ 294,047 in management fees for services rendered during years 2009 and 2010. At the end of year 2012, the litigation was uncertain and the settlement amount was unknown. Accordingly, the Authority recorded an allowance of \$125,000 against the claim. In year 2013 the litigation was settled for approximately \$169,000.

#### Note 13. Housing Choice Voucher Program -Net Position

HUD Notice PIH 2006-03 issued January 11, 2006 provides that any budget authority provided to Public Housing Authority's ("PHA's) in a calendar year that exceeds actual program expenses for the same period must be maintained in a PHA's undesignated fund balance account (unrestricted Net Position) in accordance with generally accepted accounting principles. A PHA must be able to differentiate HAP Equity (budget authority in excess of HAP expenses) from administrative fee equity (administrative fees earned in excess of administrative costs).

Subsequently HUD issued PIH Notice 2008-15 on March 20, 2008 which says that for calendar year 2008 any budget authority that exceeds actual program expenses for the same period must be maintained in the Authority's Net Restricted Assets Account for HAP. Excess administrative fees must be maintained in the Authority's Net Unrestricted Asset Account for Administrative Fee.

**HOUSING AUTHORITY OF PLAINFIELD**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2013**

**Note 13. Housing Choice Voucher Program -Net Position(Continued)**

The Authority has adopted the foregoing provision for its 2013 financial statements. Accordingly, as of December 31, 2013, the Housing Choice Voucher Program maintained the following components of Net Position:

Restricted Net Position-HAP Equity	\$ 427,572
Unrestricted Administrative Fee	99,492
	<hr/>
	\$ 527,064

**Note 14. Subsequent Events**

There were no events or transactions that have occurred subsequent to the date of the financial statements that would require adjustment to, or disclosure in the financial statements.

Subsequent events have been evaluated through September 26, 2014 which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**



**HOUSING AUTHORITY OF PLAINFIELD**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended December 31, 2013**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Current Year Expenditures</b>
<b><u>U.S Department of Housing and Urban Development</u></b>		
<b>Direct programs:</b>		
Congregate Housing Service	14.170	\$ 101,039
Low-Income Public Housing	14.850	2,447,710 (m)
Section 8 Housing Choice Vouchers	14.871	7,908,242 (m)
Public Housing Capital Fund	14.872	464,384 (m)
Resident Opportunity and Supportive Service	14.870	46,000
<b>Passed through:</b>		
County of Union-Dept of Human Services/ Shelter Plus Care	14.238	724,618 (m)
<b><u>U.S. Departement of Justice</u></b>		
After School and Summer Alternative Youth Gang Initiative	16.541	-
		<b>\$ 11,691,993</b>

(m)=Major program

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

**HOUSING AUTHORITY OF PLAINFIELD**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**December 31, 2013**

**Note 1. General Information**

The accompanying Schedule of Expenditures of Federal Awards presents the activities in all the federal programs of Housing Authority of Plainfield. All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies is included on the schedule.

**Note 2. Basis of Accounting**

The information in the accompanying schedule is presented in accordance with OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 3. Non-Cash Federal Assistance**

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2013.

**Note 4. Loan Guarantees**

At December 31, 2013, the Authority is not the guarantor of any loans outstanding.

**HOUSING AUTHORITY OF PLAINFIELD**

**SCHEDULE OF ACTUAL CAPITAL FUND  
PROGRAM COSTS AND ADVANCES**

**For the Year Ended December 31, 2013**

	<u>CFP 2011</u> <u>NJ-50111</u>	<u>CFP 2012</u> <u>NJ-50111</u>	<u>CFP 2013</u> <u>NJ-50111</u>	<u>Totals</u>
<b>Budget</b>	<u>\$ 671,824</u>	<u>\$ 621,889</u>	<u>\$ 597,529</u>	<u>\$ 1,891,242</u>
<b><u>Advances:</u></b>				
Cumulative through 12/31/12	597,094	46,577	-	643,671
Current year	<u>74,730</u>	<u>489,683</u>	<u>-</u>	<u>564,413</u>
Cumulative through 12/31/13	<u>671,824</u>	<u>536,260</u>	<u>-</u>	<u>1,208,084</u>
<b><u>Costs:</u></b>				
Cumulative through 12/31/12	657,737	94,638	-	752,375
Current year	<u>14,087</u>	<u>450,288</u>	<u>-</u>	<u>464,375</u>
Cumulative through 12/31/13	<u>671,824</u>	<u>544,926</u>	<u>-</u>	<u>1,216,750</u>
Excess /( Deficiency )	-	(8,666)	-	(8,666)
<b><u>Summary</u></b>				
<b><u>Soft Costs</u></b>				
Cumulative through 12/31/12	\$ 209,340	\$ 65,991	\$ -	275,331
Current year	<u>5,000</u>	<u>308,789</u>	<u>-</u>	<u>313,789</u>
Cumulative through 12/31/13	<u>214,340</u>	<u>374,780</u>	<u>-</u>	<u>589,120</u>
<b><u>Hard Costs</u></b>				
Cumulative through 12/31/12	448,397	28,647	-	477,044
Current year	<u>9,087</u>	<u>141,499</u>	<u>-</u>	<u>150,586</u>
Cumulative through 12/31/13	<u>457,484</u>	<u>170,146</u>	<u>-</u>	<u>627,630</u>
Cumulative	<u>\$ 671,824</u>	<u>\$ 544,926</u>	<u>\$ -</u>	<u>\$ 1,216,750</u>

**HOUSING AUTHORITY OF PLAINFIELD**

**STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL GRANT COSTS**

**As of December 31, 2013**

	CFP-2009 NJ39PO 501-09	CFP-2010 NJ39PO 501-10	CFP-2011 NJ39PO 501-11
Funds Approved	\$ 816,454	\$ 813,708	\$ 671,824
Funds Expended	816,454	813,708	671,824
Excess(Deficiency) of Approved	\$ -	\$ -	\$ -
Funds Advanced	\$ 816,454	\$ 813,708	\$ 671,824
Funds Expended	816,454	813,708	671,824
Excess(Deficiency) of Advances	\$ -	\$ -	\$ -

1. All Capital Fund Program work done in connection with these programs have been completed
2. All liabilities in connection with the programs have been paid.
3. Capital Grant costs included on the Actual Capital Grant Cost Certificate submitted to HUD are in agreement with the housing authority's records.

Mainfield Housing Authority (NJ039)

PLAINFIELD, NJ

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/13

Submission Type: Audited A-133

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.170 Congregate Housing Service Program	16.541 Juvenile Justice and Delinquency Prevention_Special Emphasis	1 Business Activities	6.1 Component Unit - Discretely Presented	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$545,015		\$181,424			\$5,788	\$144,967	\$325,020	\$0	\$1,202,214		\$1,202,214
112 Cash - Restricted - Modernization and Development												
113 Cash - Other Restricted	\$74,682		\$559,212					\$3,808		\$559,212		\$559,212
114 Cash - Tenant Security Deposits										\$78,490		\$78,490
115 Cash - Restricted for Payment of Current Liabilities												
100 Total Cash	\$619,697	\$0	\$740,636	\$0	\$0	\$5,788	\$144,967	\$328,828	\$0	\$1,839,916	\$0	\$1,839,916
121 Accounts Receivable - PHA Projects												
122 Accounts Receivable - HUD Other Projects												
124 Accounts Receivable - Other Government				\$421,602						\$421,602		\$421,602
125 Accounts Receivable - Miscellaneous				\$0		\$98,707	\$16,414	\$10,325	\$16,894	\$132,340		\$132,340
126 Accounts Receivable - Tenants	\$43,742									\$43,742		\$43,742
126.1 Allowance for Doubtful Accounts - Tenants	-\$10,061			-\$28,014		\$0	\$0	\$0	\$0	-\$10,061		-\$10,061
126.2 Allowance for Doubtful Accounts - Other												
127 Notes, Loans, & Mortgages Receivable - Current												
128 Fraud Recovery	\$1,860									\$1,860		\$1,860
128.1 Allowance for Doubtful Accounts - Fraud	\$0									\$0		\$0
128 Accrued Interest Receivable												
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$35,541	\$0	\$0	\$393,588	\$0	\$98,707	\$16,414	\$10,325	\$16,894	\$561,469	\$0	\$561,469
131 Investments - Unrestricted												
132 Investments - Restricted												
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets												
143 Inventories	\$24,779									\$24,779		\$24,779
143.1 Allowance for Obsolete Inventories	-\$2,100									-\$2,100		-\$2,100
144 Inter Program Due From	\$1,262,172						\$1,174,249			\$2,436,421	-\$2,436,421	\$0
145 Assets Held for Sale												
150 Total Current Assets	\$1,940,089	\$0	\$740,636	\$393,588	\$0	\$94,495	\$1,335,630	\$339,153	\$16,894	\$4,860,485	-\$2,436,421	\$2,424,064
161 Land	\$1,141,554							\$410,460		\$1,552,014		\$1,552,014
162 Buildings	\$21,937,542							\$932,456		\$22,869,998		\$22,869,998

Plainfield Housing Authority (NJ039)  
PLAINFIELD, NJ

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/13

Submission Type: Audited A-133

	Project Total	14 870 Resident Opportunity and Supportive Services	14 871 Housing Choice Vouchers	14 238 Shelter Plus Care	14 170 Congregate Housing Service Program	16 541 Juvenile Justice and Delinquency Prevention_Special Emphasis	1 Business Activities	6.1 Component Unit - Discretely Presented	COCC	Subtotal	ELIM	Total
163 Furniture, Equipment & Machinery - Dwellings	\$401,654							\$1,427		\$403,081		\$403,081
164 Furniture, Equipment & Machinery - Administration	\$131,969		\$19,758				\$96,435		\$59,297	\$297,159		\$297,159
165 Leasehold Improvements												
166 Accumulated Depreciation	-\$18,575,159		-\$19,758				-\$66,435	-\$73,903	-\$68,974	-\$18,814,229		-\$18,814,229
167 Construction in Progress	\$3,242,202									\$3,242,202		\$3,242,202
168 Infrastructure												
160 Total Capital Assets, Net of Accumulated Depreciation	\$8,279,462	\$0	\$0	\$0	\$0	\$0	\$0	\$1,270,440	\$323	\$9,550,225	\$0	\$9,550,225
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	\$8,279,462	\$0	\$0	\$0	\$0	\$0	\$0	\$1,270,440	\$323	\$9,550,225	\$0	\$9,550,225
190 Total Assets	\$10,219,551	\$0	\$740,636	\$393,588	\$0	\$94,495	\$1,335,630	\$1,609,593	\$17,217	\$14,410,710	-\$2,436,421	\$11,974,289
200 Deferred Outflow of Resources												
290 Total Assets and Deferred Outflow of Resources	\$10,219,551	\$0	\$740,636	\$393,588	\$0	\$94,495	\$1,335,630	\$1,609,593	\$17,217	\$14,410,710	-\$2,436,421	\$11,974,289
311 Bank Overdraft												
312 Accounts Payable <= 90 Days	\$150,443		\$1,448				\$565	\$49,226	\$48,817	\$250,519		\$250,519
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable	\$3,138		\$1,065						\$22,984	\$27,207		\$27,207
322 Accrued Compensated Absences - Current Portion	\$7,475		\$147				\$958		\$10,541	\$19,121		\$19,121
324 Accrued Contingency Liability												
325 Accrued Interest Payable												
331 Accounts Payable - HUD PHA Programs												
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government												
341 Tenant Security Deposits	\$74,682							\$3,808		\$78,490		\$78,490

Plainfield Housing Authority (NJ039)

PLAINFIELD, NJ

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/13

Submission Type: Audited A-133

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	14,170 Congregate Housing Service Program	16,541 Juvenile Justice and Delinquency Prevention_Special Emphasis	1 Business Activities	6.1 Component Unit - Discretely Presented	COCC	Subtotal	ELIM	Total
342 Unearned Revenue	\$74,111					\$94,495		156,307		\$168,606		\$168,606
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue										156,307		156,307
344 Current Portion of Long-term Debt - Operating Borrowings												
345 Other Current Liabilities								373,848	\$83,487	457,335		457,335
346 Accrued Liabilities - Other												
347 Inter Program - Due To	\$965,478	\$0	\$352,226						\$1,218,717	\$2,436,421	-\$2,436,421	\$0
348 Loan Liability - Current												
310 Total Current Liabilities	\$1,175,327	\$0	\$352,226	\$352,226	\$0	\$94,495	\$1,543	\$583,189	\$1,384,546	\$3,594,006	-\$2,436,421	\$1,157,585
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								\$558,106		\$558,106		\$558,106
352 Long-term Debt, Net of Current - Operating Borrowings												
353 Non-current Liabilities - Other							\$207,733	\$560,000	\$410,000	\$1,109,373		\$1,109,373
354 Accrued Compensated Absences - Non Current	\$67,267						\$8,625		\$94,865	\$172,056		\$172,056
355 Loan Liability - Non Current												
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities	\$246,198									\$324,151		\$324,151
350 Total Non-Current Liabilities	\$313,465	\$0	\$0	\$0	\$0	\$0	\$216,358	\$918,106	\$504,865	\$2,163,686	\$0	\$2,163,686
300 Total Liabilities	\$1,488,792	\$0	\$352,226	\$352,226	\$0	\$94,495	\$217,901	\$1,501,295	\$1,889,411	\$5,757,692	-\$2,436,421	\$3,321,271
400 Deferred Inflow of Resources												
508.4 Net Investment in Capital Assets	\$8,279,462							\$88,370	\$323	\$8,368,155		\$8,368,155
511.4 Restricted Net Position	\$0							\$3,808		\$431,380		\$431,380
512.4 Unrestricted Net Position	\$451,297	\$0	\$41,362	\$41,362	\$0	\$0	\$1,117,729	\$16,120	-\$1,872,517	-\$146,517		-\$146,517
513 Total Equity - Net Assets / Position	\$8,730,759	\$0	\$41,362	\$41,362	\$0	\$0	\$1,117,729	\$108,298	-\$1,872,194	\$8,653,018	\$0	\$8,653,018
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$10,219,551	\$0	\$393,588	\$393,588	\$0	\$94,495	\$1,335,630	\$1,609,593	\$17,217	\$14,410,710	-\$2,436,421	\$11,974,289

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2013

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	14,170 Congregate Housing Service Program	16,341 Juvenile Justice and Delinquency Prevention Special	1 Business Activities	6.1 Component Unit - Discretely Presented	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,394,104							\$117,972		\$1,512,076		\$1,512,076
70400 Tenant Revenue - Other	\$46,026						\$0	\$206		\$46,232		\$46,232
70500 Total Tenant Revenue	\$1,440,130	\$0	\$0	\$0	\$0	\$0	\$0	\$118,178	\$0	\$1,558,308	\$0	\$1,558,308
70600 HUD PHA Operating Grants	\$2,761,508	\$46,000	\$7,908,242	\$724,618	\$101,039					\$11,541,407		\$11,541,407
70610 Capital Grants	\$150,586									\$150,586		\$150,586
70710 Management Fee								\$22,759	\$22,759	\$22,759	-\$22,759	\$0
70720 Asset Management Fee								\$429,672	\$429,672	\$429,672	-\$429,672	\$0
70730 Book Keeping Fee								\$100,389	\$100,389	\$100,389	-\$100,389	\$0
70740 Front Line Service Fee												
70750 Other Fees												
70700 Total Fee Revenue									\$552,820	\$552,820	-\$552,820	\$0
70800 Other Government Grants												
71100 Investment Income - Unrestricted			\$90				\$746	\$130,516	\$2,649	\$130,516		\$130,516
71200 Mortgage Interest Income												
71300 Proceeds from Disposition of Assets Held for Sale												
71310 Cost of Sale of Assets												
71400 Fraud Recovery			\$7,286							\$7,286		\$7,286
71500 Other Revenue	\$384,863		\$203,837	\$55,746	\$11,890		\$130,691	\$26,776	\$18,466	\$852,269		\$852,269
71600 Gain or Loss on Sale of Capital Assets			\$0							\$0		\$0
72000 Investment Income - Restricted			\$600							\$600		\$600
70000 Total Revenue	\$4,737,087	\$46,000	\$8,120,055	\$780,364	\$112,929	\$0	\$151,437	\$275,470	\$573,935	\$14,797,277	-\$552,820	\$14,244,457
91100 Administrative Salaries	\$292,658	\$34,345	\$207,685	\$36,500	\$41,917		\$108,476		\$429,951	\$1,151,532		\$1,151,532
91200 Auditing Fees	\$10,500		\$3,500					\$2,500	\$2,760	\$19,260		\$19,260
91300 Management Fee	\$311,301		\$118,371							\$429,672	-\$429,672	\$0
91310 Book-keeping Fee	\$35,926		\$44,463							\$100,369	-\$100,369	\$0
91400 Advertising and Marketing												
91500 Employee Benefit Contributions - Administrative	\$176,472	\$11,655	\$135,426	\$19,246	\$22,216		\$56,919		\$32,330	\$654,264		\$654,264
91600 Office Expenses	\$42,808		\$40,087					\$13,493	\$9,558	\$155,946		\$155,946
91700 Legal Expense	\$57,029		\$1,583						\$35,229	\$93,841		\$93,841
91800 Travel	\$6,201		\$941				\$6,000		\$17,524	\$30,666		\$30,666
91810 Allocated Overhead												
91900 Other	\$61,867		\$54,168				\$21,172	\$6,297	\$167,914	\$311,418		\$311,418



Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2013

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	14,170 Congregate Housing Service Program	16,541 Juvenile Justice and Delinquency Prevention - Special	I Business Activities	6.1 Component Unit - Discretely Presented	COCC	Subtotal	ELIM	Total
91000 Total Operating - Administrative	\$994,742	\$44,000	\$626,224	\$55,746	\$64,133	\$0	\$192,567	\$22,290	\$945,266	\$2,946,988	-\$530,061	\$2,416,927
92000 Asset Management Fee	\$22,759									\$22,759	-\$22,759	\$0
92100 Tenant Services - Salaries	\$251,778				\$13,901	\$0			\$13,901	\$13,901		\$13,901
92200 Relocation Costs					\$7,071					\$7,071		\$7,071
92300 Employee Benefit Contributions - Tenant Services	\$118,159				\$27,824	\$0	\$10,475	\$1,489		\$157,947		\$157,947
92400 Tenant Services - Other	\$369,937	\$0	\$0	\$0	\$48,796	\$0	\$10,475	\$1,489	\$0	\$430,697	\$0	\$430,697
92500 Total Tenant Services	\$203,153							\$7,865		\$211,018		\$211,018
93100 Water	\$623,161									\$623,161		\$623,161
93200 Electricity	\$192,434									\$192,434		\$192,434
93300 Gas	\$97,676									\$97,676		\$97,676
93400 Fuel	\$242,237									\$242,237		\$242,237
93500 Labor	\$62,959							\$7,266		\$249,503		\$249,503
93600 Sewer										\$62,959		\$62,959
93700 Employee Benefit Contributions - Utilities	\$1,421,620	\$0	\$0	\$0	\$0	\$0	\$0	\$15,131	\$0	\$1,436,751	\$0	\$1,436,751
93800 Other Utilities Expense												
93900 Total Utilities	\$219,023									\$219,023		\$219,023
94100 Ordinary Maintenance and Operations -	\$200,545							\$19,131	\$4,970	\$224,646		\$224,646
94200 Ordinary Maintenance and Operations -	\$243,790									\$243,790		\$243,790
94300 Ordinary Maintenance and Operations -	\$139,727									\$139,727		\$139,727
94300 Employee Benefit Contributions - Ordinary Maintenance	\$803,085	\$0	\$0	\$0	\$0	\$0	\$0	\$19,131	\$4,970	\$827,186	\$0	\$827,186
94000 Total Maintenance	\$44,405									\$44,405		\$44,405
95100 Protective Services - Labor	\$57,742									\$57,742		\$57,742
95200 Protective Services - Other Contract Costs	\$29,075									\$29,075		\$29,075
95300 Protective Services - Other	\$131,222	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$131,222	\$0	\$131,222
95300 Employee Benefit Contributions - Protective Services												
95000 Total Protective Services	\$174,747							\$4,993	\$29,622	\$204,369		\$204,369
96110 Property Insurance										\$16,680		\$16,680
96120 Liability Insurance							\$5,530			\$16,680		\$16,680
96130 Workmen's Compensation			\$11,150							\$11,150		\$11,150
96140 All Other Insurance										\$29,622		\$29,622

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2013

	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	14,170 Congregate Housing Service Program	16,541 Juvenile Justice and Delinquency Prevention Special	1 Business Activities	6.1 Component Unit - Discreetly Presented	COCC	Subtotal	ELIM	Total
96100 Total Insurance Premiums	\$0	\$111,150	\$0	\$0	\$0	\$5,530	\$4,993	\$29,622	\$226,042	\$0	\$226,042
96200 Other General Expenses	\$7,300	\$45,408					\$60,614		\$113,322		\$113,322
96210 Compensated Absences	\$10,001	\$103						\$3,980	\$13,684		\$13,684
96300 Payments in Lieu of Taxes	\$72,098								\$72,098		\$72,098
96400 Bad debt - Tenant Rents											
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96900 Total Other General Expenses	\$89,399	\$45,511	\$0	\$0	\$0	\$0	\$60,614	\$3,580	\$199,104	\$0	\$199,104
96710 Interest of Mortgage (or Bonds) Payable											
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$31,504	\$0	\$31,504	\$0	\$31,504
96900 Total Operating Expenses	\$4,007,531	\$682,885	\$55,746	\$112,929	\$0	\$208,572	\$175,152	\$983,436	\$4,272,253	-\$552,820	\$5,719,433
97000 Excess of Operating Revenue over Operating Expenses	\$729,556	\$7,437,170	\$724,618	\$0	\$0	-\$57,135	\$100,318	-\$409,503	\$8,525,024	\$0	\$8,525,024
97100 Extraordinary Maintenance	\$148,112								\$148,112		\$148,112
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments		\$7,399,984	\$724,618						\$8,124,602		\$8,124,602
97350 HAP Portability-In		\$192,382							\$192,382		\$192,382
97400 Depreciation Expense	\$192,620								\$221,428		\$221,428
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense	\$4,348,263	\$6,275,251	\$780,364	\$112,929	\$0	\$208,572	\$203,800	\$983,598	\$14,958,777	-\$552,820	\$14,405,957
90000 Total Expenses											
10010 Operating Transfer In	\$124,387								\$124,387		\$124,387
10020 Operating Transfer Out	-\$124,387								-\$124,387		-\$124,387
10030 Operating Transfers from/to Primary Government											
9040 Operating Transfers from/to Component Unit											

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2013

	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.170 Congregate Housing Service Program	16.541 Juvenile Justice and Delinquency Prevention Special	1 Business Activities	6.1 Component Unit - Discreetly Presented	COCC	Subtotal	ELIM	Total
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In											
10092 Inter Project Excess Cash Transfer Out											
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over Unaudited Total Expenses	\$388,824	-\$155,196	\$0	\$0	\$0	-\$57,135	\$71,670	-\$409,663	-\$161,500	\$0	-\$161,500
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$50,762	\$0	\$50,762	\$0	\$50,762
11030 Beginning Equity	\$8,341,935	\$682,260	\$41,362	\$0	\$0	\$1,174,864	\$0	-\$1,462,531	\$8,777,890	\$0	\$8,777,890
11040 Prior Period Adjustments, Equity Transfer and Correction of Errors	\$0	\$0	\$0	\$0	\$0	\$36,628	\$36,628	\$0	\$36,628	\$0	\$36,628
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Items/Variances Benefits Liability											
11090 Changes in Allowance for Doubtful Accounts											
11100 Changes in Allowance for Doubtful Accounts Other											
11170 Administrative Fee Equity		\$99,492							\$99,492		\$99,492
11180 Housing Assistance Payments Equity		\$427,572							\$427,572		\$427,572
11190 Unit Months Available	5556	9133	948				72		15709		15709
11210 Number of Unit Months Leased	4790	8609	941				67		14407		14407
11270 Excess Cash	\$423,908								\$423,908		\$423,908
11610 Land Purchases	\$0							\$0	\$0		\$0
11620 Building Purchases	\$0							\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$150,586							\$0	\$150,586		\$150,586
11660 Infrastructure Purchases	\$0							\$0	\$0		\$0
13510 CFP Debt Service Payments	\$0							\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0							\$0	\$0		\$0

## **COMPLIANCE AND INTERNAL CONTROL**

**FRANK GLIEN, LLC**  
CERTIFIED PUBLIC ACCOUNTANT

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CRANFORD, N.J. 07016

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**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of  
Housing Authority of Plainfield

I 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 aggregate enterprise funds, business activities and the discretely presented component unit of the Housing Authority of Plainfield (the "Authority") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated September 26, 2014.

**Internal Control over Financial Reporting**

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1, 2013-2, 2013-3 and 2013-4.

## **The Authority's Response to Findings**

The Authority's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

## **Purpose of this Report**

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

Cranford, New Jersey

September 26, 2014

*Frank Gian, L.C. CPA*

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners of  
Housing Authority of Plainfield

**Report on Compliance for Each Major Federal Program**

I have audited the Housing Authority of Plainfield's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2013. The Authority'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 its major federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the circular require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Authority's compliance.

**Basis for Qualified Opinion on the Low Income Housing Program**

As described in the accompanying schedule of findings and questioned costs, I was unable to obtain sufficient documentation supporting compliance of the Authority with CFDA 14.850 Low-Income Public Housing as described in finding number 2013-03 program for Eligibility and Special Tests. Nor was I able to satisfy myself as to the Authority's compliance with those requirements by other audit procedures

**Qualified Opinion on CFDA 14.850 Low Income Public Housing Program**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low-Income Public Housing Program for year ended December 31, 2013.

**Unmodified Opinion on Each of the Other Major Federal Programs**

In my opinion, the Housing Authority of Plainfield 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 the other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013

**Other Matters**

The results of my auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as 2013-02 and 2013-04. My opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in my audit are described in the schedule of findings and questioned costs and corrective action plan. The Authority's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, I express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the Housing Authority of Plainfield is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of Plainfield's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of Plainfield'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 and program will not be prevented, or detected and corrected, on a timely basis.*

My 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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Cranford, New Jersey

September 26, 2014

*Frank A. Gian, L.L.C. CPA*



**HOUSING AUTHORITY OF PLAINFIELD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2013**

**SECTION I-SUMMARY OF AUDITOR'S RESULTS**

Financial Statement Section

1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting	
• Material weakness (es) identified?	No
• Were significant deficiencies identified not considered to be material weaknesses?	Yes
3. Non-compliance material to the financial statements?	No

Federal Awards Section

1. Dollar threshold used to determine Type A programs	\$ 350,760
2. Dollar threshold used to determine Type B programs	\$ 25,000
3. Auditee qualified as a low-risk auditee	No
4. Type of auditor's report on compliance	
CFDA 14;850	Qualified
CFDA 14:871, 14:238, 15:872	Unmodified
5. Internal control over compliance	
• Material weakness (es) identified?	No
• Were significant deficiencies identified not considered to be material weaknesses?	Yes
• Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133	2013-2, 2013-3 2013-4
6. Identification of major programs	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Low Rent Public Housing
14.871	Section-8 Housing Choice Voucher Program
14.238	Shelter Care Plus
15.872	Public Housing Capital Fund

## HOUSING AUTHORITY OF PLAINFIELD

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

#### SECTION II-FINANCIAL STATEMENT FINDINGS

##### Reference 2013-1

Employee Not Eligible for Position Held

##### Criteria

The Authority is required by law to follow hiring practices as prescribed by the Civil Service System for certain positions. Accordingly, employees must meet the minimum education and/or certifications for some positions.

##### Condition

During my tests of personnel files, I noted that one employee did meet the minimum education requirement prescribed for the position and consequently was ineligible to hold the title for the position.

##### Cause

Management may not have performed appropriate procedures such as review of resumes, third party references or other procedures to ensure that the prospective employee possessed the proper qualifications.

##### Effect

Without the appropriate education and training, employees may not be able to adequately perform all of their assigned functions.

##### Recommendation

I recommend that the Authority review its hiring policies to ensure compliance with applicable laws and regulations. Procedures should be established and followed to ensure the prospective employees meet the minimum qualification for the position.

##### Management Response

The employee hired was highly recommended with the minimum educational requirements. During the interview, it was determined that the prospective employee possessed all of the prerequisites. The candidate had over thirty years of experience in bookkeeping and accounting at another housing authority. All references were good.

Since the candidate had all of the experience needed and certifications, the Authority determined that a degree was not necessary. When informed by the Civil Service that the employee was not eligible for the position, the employee agreed to retire on October 10, 2014.

##### Corrective Action Plan

The Authority will thoroughly perform an investigative interview to ensure the any future applicant possess the proper qualifications.

##### Reference 2013-2, 2013-3 and 2013-4

These findings are also considered Financial Statement Findings.

## HOUSING AUTHORITY OF PLAINFIELD

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

#### SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

##### Reference 2013-2

##### Eligibility

CFDA 14.871 Housing Choice Voucher Program

CFDA 14.238 Shelter Care Plus

U.S. Department of Housing and Urban Development

##### Criteria

The Authority is required to determine that all applicants for admission to the Section-8 Housing Choice Voucher and Shelter Care Plus programs meet the eligibility and continued occupancy requirements. The process includes performing and documenting all requirements for the eligibility of these programs.

##### Condition

Of the thirty (30) files selected for testing, management did not provide sufficient documentation to continued occupancy. The following exceptions were noted:

- 3 inspections were not performed timely.

##### Cause

The Authority did not properly monitor staff who performed recertification. Although checklists were prepared, procedures were not in place to ensure that required documents were in each tenants' files. One inspection was late due to oversight.

##### Effect

Failure to adhere to and properly document eligibility and continued occupancy requirements for the Section-8 Housing Choice Voucher Program and Shelter Care Plus programs as set forth in HUD regulations could subject the Authority to increased monitoring and possible sanctions.

##### Recommendation

I recommend that the Authority strengthen its controls over eligibility and continued occupancy by performing quality reviews of tenant files on a regular basis. Annual inspections should be performed timely and the results documented in the tenant's file.

##### Management Response

It is the Authority's policy to ensure that all files contain the appropriate documentation for admission and continued occupancy as prescribed by HUD. Employees receive periodic training in recertification procedures and checklists are used to ensure the completeness of files. Also, the Authority now has sufficient staff to perform inspections timely.

##### Corrective Action Plan

The above conditions have been corrected. However, to strengthen internal control over compliance, the Executive Director will continue to meet with the program manager to review efforts in maintaining the documentation required for the Housing Vouchers program. A sample of tenant files will be reviewed on a periodic basis by personnel independent of the Section-8 department to ensure that HUD documentation requirements are met.

## HOUSING AUTHORITY OF PLAINFIELD

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

#### SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

##### Reference 2013-3

Special Tests, Eligibility  
CFDA 14.850 Low Income Housing Program  
U.S. Department of Housing and Urban Development

##### Criteria

The Authority is required to determine that all applicants for admission to the Low Income Housing Program meet the eligibility and continued occupancy requirements. The process includes the performance and documentation of income verification, obtaining appropriate identification, annual recertifications and reinspections.

##### Condition

Of the twenty-eight (28) files selected for testing, the following exceptions were noted for the West End Gardens location.

- 2 files did not contain sufficient evidence to support that tenants were recertified in 2013.
- 2 did not contain evidence that income was verified.
- 1 file did not contain tenant application.
- 2 files did not contain signed Fraud Affidavit form.
- 2 files did not contain a One Strike policy
- 5 file did not contain signed Declaration of Citizenship for all family members.
- 3 files did not contain appropriate identification.
- 2 files did not contain a current signed lease agreement.
- 5 files did not contain evidence that units were inspected in year 2013.

##### Effect

Failure to adhere to eligibility and continued occupancy requirements for the Low-Income Housing Program as set forth in HUD regulations could subject the Authority to increased monitoring and possible sanctions. Furthermore, failure to follow eligibility requirements, including timely recertification and adequate documentation could cause the admission of tenants who are not eligible for the program.

##### Cause

The project manager may not have had sufficient training and had not been properly monitored in performing tenant eligibility and continued occupancy requirements. Management lacks adequate internal control over compliance for this program.

##### Recommendation

I recommend that the Authority strengthen its controls over eligibility and continued occupancy by ensuring that employees who perform tenant recertification receive adequate training to perform this function. Management should also perform quality reviews of tenant files on a regular basis. This comment is repeated from the prior year.

##### Management Response

It is management's policy to provide continuous training for the employees of its Low-Income Housing program. In year 2012 the Authority experienced a turnover of project manager at the West End Gardens project. The new manager did not receive sufficient training and consequently some of the established internal controls were not followed. As more training is received, recertification, re-examination, inspection and other documentation will continue to improve and meet HUD's guidelines for file maintenance.

##### Corrective Action Plan

To strengthen internal control over compliance with this program, the executive director will ensure that new project managers receive adequate training. The director will meet with the project manager to review efforts in maintaining the documentation required for the program. A sample of tenant files will be independently verified.

## HOUSING AUTHORITY OF PLAINFIELD

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

#### SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS(Continued)

\* Reference 2013-4

Allowable Costs/Cash Management/Sub-Recipient Monitoring  
CFDA 16.541 Youth Gang Initiative  
U.S. Department of Justice

Criteria

OMB Circular A-110 requires all recipients of federal awards, including sub-recipients, to have a financial management and reporting system in place that (1) is capable of capturing accurate, current, and complete financial results of each federal program; (2) maintains records that identify adequately the source and application of federal funds; (3) has effective control over and accountability of funds for federally sponsored activities (4)has procedures for determining reasonableness, allocability and allowability of costs in accordance with the grant agreement; and (5) maintains accounting records supported by source documentation.

OMB Circular 102 requires the Authority to establish procedures to ensure that reports of sub-recipient's cash balances and cash disbursements be received on a timely basis. Further, the Authority must monitor the cash drawdowns by its sub-recipient to ensure that the sub-recipient conforms to timing standards as set forth by the Circular.

Condition

The sub recipient of the U.S. Department of Justice grant did not have a financial management and reporting system in place that met the standards of OMB Circular A-110. Also, the Authority did not have a system in place to monitor and regulate the drawdowns of its sub-recipient.

Effect

The information reported by the sub-recipient to the Authority could not be traced to a financial management system or to source documents. As a result of this condition, the auditor could not determine if the drawdowns of federal funds were for reasonable, allowable and allocable costs related to the Juvenile Justice grant. The information submitted to the Authority by the sub-recipient at December 31, 2011 and continuing through 2013 reported drawdowns of \$250,000, expenditures of 155,505 and a cash balance of \$ 5,788. Thus, drawdowns exceed reported expenditures by \$94,495 which was reported as a questioned cost in year 2011.

Cause

The Authority did not ensure that the sub-recipient had a financial management and reporting system in place that conformed to OMB Circular A-110 standards. Although the Authority had a procedure in place to monitor the activities of its sub-recipient, including control over the drawdown of federal funds, the sub-recipient did not follow the Authority's internal controls set up for this grant. The sub-recipient consistently failed to follow agreed upon compliance procedures in that prior to draw downs, complete and accurate cost documentation was not provided to the Authority. The sub-recipient failed to provide the Authority with all required quarterly reports. The sub-recipient failed to provide a complete and accurate budget revision and/or cost estimates as requested by the Authority. The sub-recipient (without permission or notification) redirected the grant deposits from an Authority controlled and managed bank account to a co-mingled privately held bank account; contrary to agreed upon procedure.

## HOUSING AUTHORITY OF PLAINFIELD

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

#### SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS(Continued)

##### Recommendation

I recommend that the Authority strengthen its internal controls with respect to the activities of sub-recipients. Such controls should include ensuring that the sub-recipient's financial system meets the requirements to receive federal awards and that the Authority ensures complete control of the drawdowns such that sub-recipients can only receive funds supported by actual expenditures. The Authority should refrain from giving advances.

##### Management Response

The Housing Authority of Plainfield had a monitoring and reporting system for sub recipients in place during the fiscal year end December 31, 2011. However the grant sub- recipient and project director failed to follow agreed upon procedures on numerous occasions. As a result of the sub-recipient's failure to comply with the Authority's repeated requests for documentation and control over program expenditures, management requested the Department of Justice to redirect the grant funds directly into a bank account controlled and maintained by the Authority to which the sub recipient did not have access. Without the authorization of the Authority, the sub-recipient again instructed the grantor to deposit funds directly into the sub-recipient's account thereby bypassing the critical control, review and monitoring of activity by the Authority .

##### Corrective Action Plan

The grant sub-recipient and project director failed to follow agreed upon procedures on numerous occasions. As a result of the sub-recipient's failure to comply with the Authority's repeated requests for documentation and control over program expenditures, the Authority requested to Department of Justice to redirect the grant funds directly into a Plainfield Housing Authority controlled and maintained bank account to which the sub-recipient does not have access.

\* This finding is repeated from the prior year

## HOUSING AUTHORITY OF PLAINFIELD

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

#### SECTION IV-FOLLOW UP OF PRIOR AUDIT FINDINGS

##### Reference 2012-1

###### Eligibility

CFDA 14.871 Housing Choice Voucher Program

CFDA 14.238 Shelter Care Plus

U.S. Department of Housing and Urban Development

###### Condition

Of the thirty (30) files selected for testing, management did not provide sufficient documentation to support eligibility. The following exceptions were noted:

- 1 re-examination was not performed timely
- 1 inspection was not performed timely

###### Management Response

It is the Authority's policy to ensure that all files contain the appropriate documentation for admission and continued occupancy as prescribed by HUD. Employees receive periodic training in recertification procedures and checklists are used to ensure the completeness of files. The Authority will continue to strengthen its monitoring to ensure compliance with HUD requirements. Also, the Authority now has sufficient staff to perform inspections timely.

###### Current Status

Although the Authority has made significant improvements in the recertification process, the auditor observed that not all inspections were performed timely in 2013. This condition is repeated in the current finding 2013-2.

##### Reference 2012-2

###### Special Tests, Eligibility

CFDA 14.850 Low Income Housing Program

U.S. Department of Housing and Urban Development

###### Condition

Of the thirty-five (35) files selected for testing, the following exceptions were noted:

- 7 files did not contain sufficient evidence to support that tenants were recertified in 2012.
- 3 files were not located and could not be tested.
- 3 files did not contain tenant application.
- 2 files did not contain signed Fraud Affidavit form.
- 1 file did not contain signed Declaration of Citizenship for all family members.
- 3 files did not contain appropriate identification.
- 1 file did not contain a current signed lease agreement.
- 14 files did not contain evidence that units were inspected in year 2012.

###### Management Response

It is management's policy to provide continuous training to its Low-Income Housing program. In prior years the Authority experienced a high turnover due to retirements. During the transition, some of the established internal controls were not followed. As new employees are provided more training, recertification, re-examination, inspection and other documentation will continue to improve and meet HUD's guidelines for file maintenance.

###### Current Status

The above conditions, to a lesser extent than in year 2012, were observed in the current audit and are repeated in finding 2013-3.

**HOUSING AUTHORITY OF PLAINFIELD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended December 31, 2013**

**SECTION IV-FOLLOW UP OF PRIOR AUDIT FINDINGS**

Reference 2012-03

Allowable Costs/Cash Management/Sub-Recipient Monitoring  
CFDA 16.541 Youth Gang Initiative  
U.S. Department of Justice

Condition

The sub recipient of the U.S. Department of Justice grant did not have a financial management and reporting system in place that met the standards of OMB Circular A-110. Also, the Authority did not have a system in place to monitor and regulate the drawdowns of its sub-recipient.

Management Response

The Housing Authority of the City of Plainfield (HAP) did have a monitoring and reporting system for sub recipients in place during the fiscal year end December 31, 2013. However the Grant sub- recipient and Project Director failed to follow agreed upon procedures on numerous occasions. As a result of the sub-recipients failure to comply with our repeated requests for documentation and control over program expenditures, HAP requested the Department of Justice to redirect the grant funds directly into a HPA controlled and maintained bank account to which the sub recipient did not have access. Without the authorization of HAP, the sub recipient again instructed the Grantor to deposit funds directly into the sub recipient's account thereby bypassing the critical control, review and monitoring of activity by HAP.

Current Status

This condition has not been officially cleared by the U.S. Department of Justice. The sub-recipient has assured the Authority that appropriate documentation to support grant expenditures will be provided. However, during year 2013 no documented notification has been received by the Authority or communicated to the auditor. This condition is repeated in finding 2013-4.