

SAYREVILLE HOUSING AUTHORITY

Financial Statements and Supplementary Schedules

For the years ended December 31, 2014 and 2013

(With Independent Auditor's Report thereon)

SAYREVILLE HOUSING AUTHORITY
Financial Statements and Supplementary Schedules
December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Sayreville Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Sayreville Housing Authority as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sayreville Housing Authority as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance 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 4-7 and budgetary comparison schedules on page 20 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sayreville Housing Authority's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the financial data schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and financial data schedules 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*, we have also issued our report dated March 31, 2015 on our consideration of the Sayreville Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sayreville Housing Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON
HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 31, 2015
Toms River, New Jersey

**SAYREVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

As Management of the Sayreville Housing Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2014. 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. For the fiscal year ended December 31, 2014, the assets of the Authority exceeded its liabilities by \$288,056, (net position). This is a decrease of \$97,213 from the previous year when assets exceeded liabilities by \$385,269.
2. As of December 31, 2014 the Authority reported ending unrestricted net position of \$288,056. The unrestricted net position decreased \$51,046 from the prior year.
3. The Authority had total revenues of \$2,123,855 and total expenses of \$2,221,068 for the year ended December 31, 2014.
4. The Authority had no capital outlays for the fiscal year ending December 31, 2014.
5. The Authority's expenditures of federal awards amounted to \$1,805,571 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 this report were prepared in accordance with GAAP, applicable to the Governmental entities for Proprietary Fund types.

2. Financial Statements

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

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

**SAYREVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

B – Using the Annual Report (continued)

2. Financial Statements (continued)

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Authority's net position changed during the most recent fiscal year. All changes in assets and liabilities are included, regardless of when cash is received or paid.

The Statements of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

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

3. Notes To Financial Statements

The accompanying notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements begin on page 11 of this report.

C – The Authority as a Whole

The Authority's net position increased during the fiscal year as detailed below. The Authority's revenues include subsidies received from HUD. The Authority receives subsidies each month based on a pre-authorized funding level. The Authority's revenues and operating reserves were sufficient to cover expenses during the fiscal year.

The following table provides a summary of the Authority's net position:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Assets	\$ <u>322,234</u>	\$ <u>437,226</u>	\$ <u>600,395</u>
Total Liabilities	<u>34,178</u>	<u>51,957</u>	<u>353,490</u>
Net Position:			
Restricted	-	46,167	130,266
Unrestricted	<u>288,056</u>	<u>339,102</u>	<u>116,639</u>
Total Net Position	<u>288,056</u>	<u>385,269</u>	<u>246,905</u>
Total Liabilities & Net Position	\$ <u>322,234</u>	\$ <u>437,226</u>	\$ <u>600,395</u>

**SAYREVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

C – The Authority as a Whole (continued)

The following table provides a summary of the Authority's changes in net assets:

	<u>2014</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2012</u>	<u>%</u>
Revenues:						
HUD Operating Grants	\$ 1,805,571	85.00	\$ 1,864,273	87.52	\$ 1,825,317	85.82
Other Revenue	317,792	14.96	264,166	12.40	300,759	14.14
Investment Income	<u>492</u>	0.04	<u>1,565</u>	0.08	<u>834</u>	0.04
Total Revenues	<u>2,123,855</u>	100.00	<u>2,130,004</u>	100.00	<u>2,126,910</u>	100.00
Expenses:						
General Operating Expenses	291,133	13.11	275,002	12.10	390,344	16.42
HAP Expenses	<u>1,929,935</u>	86.89	<u>1,998,472</u>	87.90	<u>1,986,724</u>	83.58
Total Expenses	<u>2,221,068</u>	100.00	<u>2,273,374</u>	100.00	<u>2,377,068</u>	100.00
Excess/(Deficiency) of Revenues						
Over/(Under) Expenses	(97,213)		(143,370)		(250,158)	
Prior Period Adjustment	-0-		281,734		-0-	
Beginning Net Position	<u>385,269</u>		<u>246,905</u>		<u>497,063</u>	
Ending Net Position	<u>\$ 288,056</u>		<u>\$ 385,269</u>		<u>\$ 246,905</u>	

D – Capital Assets and Long-term Debt

The Authority has no capital assets or long-term debt.

E – Budgetary Highlights

For the year ended December 31, 2014, Housing Choice Voucher program budget was prepared by the Authority and was approved by the Board of Commissioners. The budget is primarily used as a management tool and has no legal stature. Also, the Authority adopted a comprehensive annual budget for the Authority. The budget was prepared in accordance with the accounting procedures prescribed by the State of New Jersey and was introduced and adopted as required by New Jersey Fiscal Control Law. The budget is on file with the New Jersey Department of Community Affairs.

**SAYREVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

F – Significant Changes From Year Ended December 31, 2014 to December 31, 2013

Cash and cash equivalents decreased \$75,188 primarily due to the operating loss of \$97,213.

Account receivable-other increased \$6,363 due mainly to the Authority was due \$3,563 from HUD.

Restricted cash and Restricted Net Position decreased \$46,167 as the Authority utilized housing assistance payment reserves to pay tenant rents as required by HUD.

Accrued compensated absences increased \$6,490 due mainly to the payout accrual for one of the employees that retired at year end in the amount of \$25,070.

Unrestricted Net Position decreased \$51,046 as the Authority's expenses exceeded their revenues for the year ended December 31, 2014 by \$97,213 but this was offset by the utilization of the unrestricted cash balance of \$46,167.

Other Revenues increased \$53,626 mostly due to the fact that the Authority no longer provides Highland Park Housing Authority with management and support services as of May 2012.

Administrative Costs increased \$11,889 due increase in the amount due through the interlocal agreement as agree upon in May 2014.

General Expenses increased \$4,342 due to the employer's portion of taxes paid on the paid out of the employee that was paid out in 2014.

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

The state of the Federal budget remains a significant factor in planning the Authority budget. The Section 8 housing assistance subsidies have been experiencing slow growth and administrative fees are being funded at a reduced level.

The Authority's unrestricted net position of \$288,056 appears sufficient to cover any shortfall that may occur in 2015. Sayreville Housing Authority has not budgeted to utilize any of their 2014 reserves to supplement their 2015 budgeted expenditures.

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 Douglas Dzema, Executive Director, Sayreville Housing Authority, 650 Washington Road, Sayreville, NJ, 08872.

SAYREVILLE HOUSING AUTHORITY
Statements of Net Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 302,753	\$ 377,941
Accounts receivable - other	19,481	13,118
Total current assets	322,234	391,059
Non-current assets:		
Restricted cash	-	46,167
Total non-current assets	-	46,167
Total assets	322,234	437,226
LIABILITIES		
Current liabilities:		
Accounts payable	7,108	6,992
Accrued wages	2,000	-
Accrued compensated absences, current	11,614	2,430
Accrued termination benefits current	13,456	12,929
Total current liabilities	34,178	22,351
Long-term liabilities:		
Accrued compensated absences, net of current portion	-	16,150
Accrued termination benefits, net of current portion	-	13,456
Total long-term liabilities	-	29,606
Total liabilities	34,178	51,957
NET POSITION		
Net position:		
Restricted	-	46,167
Unrestricted	288,056	339,102
Total net position	\$ 288,056	\$ 385,269

The accompanying notes to the financial statements are an integral part of this statement.

SAYREVILLE HOUSING AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
HUD operating grants	\$ 1,805,571	\$ 1,864,273
Other revenues	<u>317,792</u>	<u>264,166</u>
Total operating revenues	<u>2,123,363</u>	<u>2,128,439</u>
Operating expenses:		
Administrative	278,276	266,387
General expenses	12,857	8,515
Housing assistance payments	<u>1,929,935</u>	<u>1,998,472</u>
Total operating expenses	<u>2,221,068</u>	<u>2,273,374</u>
Operating loss	<u>(97,705)</u>	<u>(144,935)</u>
Non-operating revenues (expenses):		
Investment income	<u>492</u>	<u>1,565</u>
Net non-operating revenues (expenses)	<u>492</u>	<u>1,565</u>
Change in net position	(97,213)	(143,370)
Net position, beginning of year (unadjusted)	385,269	246,905
Prior period restatement (see note 13)	<u>-</u>	<u>281,734</u>
Net position, beginning of year (adjusted)	<u>385,269</u>	<u>528,639</u>
Net position, end of year	<u>\$ 288,056</u>	<u>\$ 385,269</u>

The accompanying notes to the financial statements are an integral part of this statement.

SAYREVILLE HOUSING AUTHORITY
Statements of Cash Flows
For the years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from grantors	1,805,571	1,864,273
Cash received from tenants	311,429	254,626
Cash paid to employees	(84,543)	(134,893)
Cash paid to vendors	(2,154,304)	(2,158,280)
Net cash flows from operating activities	(121,847)	(174,274)
Cash flows from investing activities:		
Interest received on investments	492	1,565
Net cash flows from investing activities	492	1,565
Net change in cash	(121,355)	(172,709)
Cash and cash equivalents, beginning of year	424,108	596,817
Cash and cash equivalents, end of year	\$ 302,753	\$ 424,108
Reconciliation to Statements of Net Position:		
Cash and cash equivalents	\$ 302,753	\$ 377,941
Restricted cash	-	46,167
Total cash and cash equivalents	\$ 302,753	\$ 424,108
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (97,705)	\$ (144,935)
Working capital changes which (used)/provided cash:		
Accounts receivable - other	(6,363)	(9,540)
Accounts payable	116	(38)
Accrued wages and payroll taxes	2,000	-
Accrued compensated absences	(6,966)	(20,150)
Accrued termination benefits	(12,929)	389
Net cash flows from operating activities	\$ (121,847)	\$ (174,274)

The accompanying notes to the financial statements are an integral part of this statement.

SAYREVILLE HOUSING AUTHORITY
Notes to Financial Statements
For the years ended December 31, 2014 and 2013

NOTE 1: ORGANIZATION AND PURPOSE

A. Organization

The Sayreville Housing Authority (the "Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A:12A-1, et. Seq., the "Housing Authority Act") 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 Sayreville, 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 program. A summary of the significant programs operated by the Authority is as follows:

Housing Assistance Payments 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 rent on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

B. Reporting Entity

In accordance with Statement No. 39 of the Government Accounting Standards Board ("GASB"), the Authority's financial statements include those of the Authority and any component units. 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. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

SAYREVILLE HOUSING AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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. The Authority's financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB 34"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include managements' discussion and analysis as part of the Required Supplemental Information.

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 assets (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. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

On May 10, 2012, HUD issued *PIH Notice 2012-21* which among other things clarifies HUD's reporting position that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net assets, with the associated cash and investments also being reported on HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net assets, with the associated assets being reported on the FDS as unrestricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

Any investment income earned on these funds are reflected in the net position account on which the investment income was earned. That is; investment income earned on HAP cash balances are credited to the HAP restricted net position account and investment income earned on administrative fee cash balances are credited to the unrestricted net position account.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net

SAYREVILLE HOUSING AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Accounting (continued)

position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, the Authority has implemented this Statement for the year ended December 31, 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, the Authority has implemented it this statement for the year ended December 31, 2013.

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

B. Use of Management 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 include the allowance for doubtful accounts, accrued expenses, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

C. 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 of America or State of New Jersey or the New Jersey Cash Management Fund.

SAYREVILLE HOUSING AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents (continued)

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 of America, certificates of deposit, or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States of America 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.

For the Statements of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less at time of acquisition.

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

D. Accounts Receivable - Other

Accounts receivable – other consist of the amount owed from the Sayreville Housing for Seniors Corporation for prior year management fees. An allowance for doubtful accounts was established to provide for the accumulation of prior year management fees that the Corporation was unable to pay due to lack of cash flows. The Authority has not written off the balance because they intend to collect the balance in future years as the Corporation builds a stronger net position.

E. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with GASB Standards. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place. Upon normal retirement an employee shall receive compensation for accumulated sick time at a rate of 50% of all time, not exceeding \$15,000. For the years ended December 31, 2014 and 2013, the Authority accrued compensated absences in the amount of \$ 11,614 and \$18,580, respectively.

SAYREVILLE HOUSING AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Accrued Termination Benefits

Upon retirement, Authority employees are eligible for one month's wages for every five years of service with the Authority as terminal leave payment. This is only applicable to employees hired prior to June 1, 1997.

G. 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.

H. Taxes

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

I. Equity Classifications

Equity is classified as net assets and displayed in three components as follows:

Restricted net position - Consists 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.

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

J. Economic Dependency

The Section 8 program of the Authority is economically dependent on operating grants and subsidies from HUD. The program operates at a loss prior to receiving the grants.

K. 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.

L. Subsequent Events

Sayreville Housing Authority has evaluated subsequent events occurring after December 31, 2014 through the date of March 31, 2015, which is the date the financial statements were available to be issued.

SAYREVILLE HOUSING AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 3: CASH AND CASH EQUIVALENTS

For the fiscal years ended December 31, 2014 and 2013, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$302,753, and \$424,108 and the bank balances totaled \$322,417 and \$435,179, respectively.

At December 31, 2014 and 2013, cash and cash equivalents consisted of the following:

	<u>2014</u>	<u>2013</u>
Unrestricted cash	\$ 302,753	\$ 377,941
Restricted cash	-	46,167
Total cash and cash equivalents	<u>\$ 302,753</u>	<u>\$ 424,108</u>

Of the bank balances, \$318,380 and \$331,665 were covered by federal depository insurance and the remaining \$4,037 and \$103,514 were collateralized with the pledging financial institution for the fiscal years ended December 31, 2014 and 2013, respectively.

<u>Cash Account</u>	<u>2014</u>	<u>2013</u>
Insured:		
FDIC	\$ 318,380	\$ 331,665
Collateralized:		
Collateralized amount held by pledging Financial institution	<u>4,037</u>	<u>103,514</u>
	<u>\$ 322,417</u>	<u>\$ 435,179</u>

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2014 the Authority was not exposed to custodial credit risk.

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.

NOTE 4: ACCOUNTS RECEIVABLE - OTHER

Accounts receivable – other consist of amounts owed from managed properties. As of December 31, 2014 and 2013, accounts receivable - other consisted of the following:

	<u>2014</u>	<u>2013</u>
A/R – Tenant receivable	\$ 356,830	\$ 354,030
A/R - HUD	3,563	-
Allowance	<u>(340,912)</u>	<u>(340,912)</u>
Total accounts receivable – tenants, net	<u>\$ 19,481</u>	<u>\$ 13,118</u>

SAYREVILLE HOUSING AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 5: RESTRICTED CASH

Restricted cash consists of the following at December 31, 2014 and 2013:

<u>Cash Category</u>	<u>2014</u>	<u>2013</u>
Section 8 HAP Equity	\$ -	\$ 46,167

Housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Program for future housing assistance payments.

NOTE 6: COMPENSATED ABSENCES

Accrued compensated absences represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy.

Compensated absences activity for the year ended December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Beginning compensated absences	\$ 18,580	\$ 16,145
Compensated absences earned	4,648	21,185
Compensated absences redeemed	<u>(11,614)</u>	<u>(18,750)</u>
Ending compensated absences	11,614	18,580
Less: current portion	<u>(11,614)</u>	<u>(2,430)</u>
Compensated absences, net of current portion	\$ -	\$ 16,150

NOTE 7: ACCRUED TERMINATION BENEFITS

Accrued termination benefits represent amounts owed to an employee of the Authority upon retirement. Authority employees hired prior to 1997 earn one month of wages after every five years of service to the Authority. Upon the employee's retirement, the amount is payable in full. Currently, the Authority has one employee which was hired prior to 1997 to which this benefit applies.

Accrued termination benefits amounted to \$13,456 and \$26,385 as of December 31, 2014 and 2013, respectively.

NOTE 8: PENSION PLAN

A. Plan Description

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement System (PERS) of New Jersey, which is part of the

SAYREVILLE HOUSING AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 8: PENSION PLAN (continued)

A. Plan Description (continued)

Division of Pensions in the Department of Treasury, State of New Jersey. It provides retirement, disability, annual cost-of-living and death benefits to plan members and beneficiaries. The State administered funds were established by an Act of the State Legislature, which assigns the authority to establish and amend benefit provisions to the plan's board of trustees. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS.

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

C. Contribution Requirements

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% (as of January 1, 2012), 6.64% (as of July 1, 2012), and 6.78% (as of July 1, 2013) of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Three Year Trend Information for PERS			
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2014	\$ 19,718	100%	\$ -
December 31, 2013	\$ 19,642	100%	\$ -
December 31, 2012	\$ 19,642	100%	\$ -

NOTE 9: POST EMPLOYMENT BENEFITS

The Authority participates in the New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than

SAYREVILLE HOUSING AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 9: POST EMPLOYMENT BENEFITS (continued)

Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of the Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at a group rate) for themselves and their eligible dependents.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of the N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution is determined on an annual pay-as-you-go basis.

NOTE 10: RISK MANAGEMENT

The Authority is exposed to various risks related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Authority maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, crime coverage, personal property and general liability. Settlement amounts have not exceeded insurance coverage except for deductibles for the past three years.

NOTE 11: CONTINGENT LIABILITIES

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, 2014 and 2013, the Authority estimates that no material liabilities will result from such audits.

NOTE 12: RESTRICTED NET POSITION

Restricted net assets consist of Housing Assistance Payment reserves which are restricted for use in the Housing Choice Voucher program for tenant rents. As of December 31, 2014 and 2013, restricted net assets had balances of \$ - 0 - and \$46,167, respectively.

NOTE 13: PRIOR PERIOD ADJUSTMENT

The Authority had previously recorded a liability for post-retirement benefits. Since the Authority participates in the State Health Benefits Program provided by the State of New Jersey, no liability should be recorded on the Authority's financial statements. The authority has corrected this with an adjustment increasing net position by \$281,734 in the year ending December 31, 2013.

SAYREVILLE HOUSING AUTHORITY
Budgetary Comparison Schedule
For the year ended December 31, 2014

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	VARIANCE
Revenues:				
HUD operating grants	\$ 1,932,138	\$ 1,932,138	\$ 1,805,571	\$ (126,567)
Interest on investments	500	500	492	(8)
Other operating revenues	70,000	70,000	317,792	247,792
	<u>2,002,638</u>	<u>2,002,638</u>	<u>2,123,855</u>	<u>121,217</u>
Expenses:				
Cost of providing service:				
Rents	1,754,416	1,754,416	1,929,935	175,519
Insurance	8,000	8,000	7,647	(353)
Other general expenses	3,000	3,000	5,210	2,210
	<u>1,765,416</u>	<u>1,765,416</u>	<u>1,942,792</u>	<u>177,376</u>
Administrative and general expenses:				
Salaries and wages	77,450	77,450	79,577	2,127
Fringe benefits	66,100	66,100	64,386	(1,714)
Legal	8,000	8,000	6,050	(1,950)
Staff training	2,000	2,000	-	(2,000)
Travel	7,000	7,000	4,469	(2,531)
Auditing fees	6,000	6,000	6,000	-
Other administrative	70,000	70,000	117,794	47,794
	<u>236,550</u>	<u>236,550</u>	<u>278,276</u>	<u>41,726</u>
 Total costs funded by operating revenues	 <u>2,001,966</u>	 <u>2,001,966</u>	 <u>2,221,068</u>	 <u>219,102</u>
 Surplus (deficiency)	 <u>\$ 672</u>	 <u>\$ 672</u>	 <u>\$ (97,213)</u>	 <u>\$ (97,885)</u>

Sayreville Housing Authority
Financial Data Schedules
For the year ended December 31, 2014

	Total
111 Cash - Unrestricted	\$302,753
112 Cash - Restricted - Modernization and Development	
113 Cash - Other Restricted	
114 Cash - Tenant Security Deposits	
115 Cash - Restricted for Payment of Current Liabilities	
100 Total Cash	\$302,753
121 Accounts Receivable - PHA Projects	
122 Accounts Receivable - HUD Other Projects	\$3,563
124 Accounts Receivable - Other Government	
125 Accounts Receivable - Miscellaneous	\$356,830
126 Accounts Receivable - Tenants	
126.1 Allowance for Doubtful Accounts - Tenants	
126.2 Allowance for Doubtful Accounts - Other	-\$340,912
127 Notes, Loans, & Mortgages Receivable - Current	
128 Fraud Recovery	
128.1 Allowance for Doubtful Accounts - Fraud	
129 Accrued Interest Receivable	
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$19,481
131 Investments - Unrestricted	
132 Investments - Restricted	
135 Investments - Restricted for Payment of Current Liability	
142 Prepaid Expenses and Other Assets	
143 Inventories	
143.1 Allowance for Obsolete Inventories	
144 Inter Program Due From	
145 Assets Held for Sale	
150 Total Current Assets	\$322,234
161 Land	
162 Buildings	
163 Furniture, Equipment & Machinery - Dwellings	
164 Furniture, Equipment & Machinery - Administration	
165 Leasehold Improvements	
166 Accumulated Depreciation	
167 Construction in Progress	
168 Infrastructure	

Sayreville Housing Authority
Financial Data Schedules
For the year ended December 31, 2014

	Total
160 Total Capital Assets, Net of Accumulated Depreciation	\$0
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	\$0
200 Deferred Outflow of Resources	
290 Total Assets and Deferred Outflow of Resources	\$322,234
311 Bank Overdraft	
312 Accounts Payable <= 90 Days	\$6,993
313 Accounts Payable >90 Days Past Due	
321 Accrued Wage/Payroll Taxes Payable	\$2,000
322 Accrued Compensated Absences - Current Portion	\$25,070
324 Accrued Contingency Liability	
325 Accrued Interest Payable	
331 Accounts Payable - HUD PHA Programs	\$115
332 Account Payable - PHA Projects	
333 Accounts Payable - Other Government	
341 Tenant Security Deposits	
342 Unearned Revenue	
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	
344 Current Portion of Long-term Debt - Operating Borrowings	
345 Other Current Liabilities	
346 Accrued Liabilities - Other	
347 Inter Program - Due To	
348 Loan Liability - Current	
310 Total Current Liabilities	\$34,178
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	
352 Long-term Debt, Net of Current - Operating Borrowings	
353 Non-current Liabilities - Other	
354 Accrued Compensated Absences - Non Current	
355 Loan Liability - Non Current	
356 FASB 5 Liabilities	
357 Accrued Pension and OPEB Liabilities	
350 Total Non-Current Liabilities	\$0

Sayreville Housing Authority
Financial Data Schedules
For the year ended December 31, 2014

	Total
300 Total Liabilities	\$34,178
400 Deferred Inflow of Resources	
508.4 Net Investment in Capital Assets	
511.4 Restricted Net Position	
512.4 Unrestricted Net Position	\$288,056
513 Total Equity - Net Assets / Position	\$288,056
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$322,234

Sayreville Housing Authority
Financial Data Schedules
For the year ended December 31, 2014

	Total
70300 Net Tenant Rental Revenue	
70400 Tenant Revenue - Other	
70500 Total Tenant Revenue	\$0
70600 HUD PHA Operating Grants	\$1,805,571
70610 Capital Grants	
70710 Management Fee	
70720 Asset Management Fee	
70730 Book Keeping Fee	
70740 Front Line Service Fee	
70750 Other Fees	
70700 Total Fee Revenue	
70800 Other Government Grants	
71100 Investment Income - Unrestricted	\$492
71200 Mortgage Interest Income	
71300 Proceeds from Disposition of Assets Held for Sale	
71310 Cost of Sale of Assets	
71400 Fraud Recovery	\$4,583
71500 Other Revenue	\$313,209
71600 Gain or Loss on Sale of Capital Assets	
72000 Investment Income - Restricted	
70000 Total Revenue	\$2,123,855
91100 Administrative Salaries	\$79,577
91200 Auditing Fees	\$6,000
91300 Management Fee	\$40,000
91310 Book-keeping Fee	
91400 Advertising and Marketing	\$2,173
91500 Employee Benefit contributions - Administrative	\$64,386
91600 Office Expenses	\$56,452
91700 Legal Expense	\$6,050
91800 Travel	\$4,469
91810 Allocated Overhead	
91900 Other	\$19,169
91000 Total Operating - Administrative	\$278,276
92000 Asset Management Fee	

**Sayreville Housing Authority
Financial Data Schedules
For the year ended December 31, 2014**

	Total
92100 Tenant Services - Salaries	
92200 Relocation Costs	
92300 Employee Benefit Contributions - Tenant Services	
92400 Tenant Services - Other	
92500 Total Tenant Services	\$0
93100 Water	
93200 Electricity	
93300 Gas	
93400 Fuel	
93500 Labor	
93600 Sewer	
93700 Employee Benefit Contributions - Utilities	
93800 Other Utilities Expense	
93000 Total Utilities	\$0
94100 Ordinary Maintenance and Operations - Labor	
94200 Ordinary Maintenance and Operations - Materials and Other	
94300 Ordinary Maintenance and Operations Contracts	
94500 Employee Benefit Contributions - Ordinary Maintenance	
94000 Total Maintenance	\$0
95100 Protective Services - Labor	
95200 Protective Services - Other Contract Costs	
95300 Protective Services - Other	
95500 Employee Benefit Contributions - Protective Services	
95000 Total Protective Services	\$0
96110 Property Insurance	
96120 Liability Insurance	
96130 Workmen's Compensation	
96140 All Other Insurance	\$7,647
96100 Total insurance Premiums	\$7,647
96200 Other General Expenses	\$1,816
96210 Compensated Absences	\$3,394
96300 Payments in Lieu of Taxes	
96400 Bad debt - Tenant Rents	

Sayreville Housing Authority
Financial Data Schedules
For the year ended December 31, 2014

	Total
96500 Bad debt - Mortgages	
96600 Bad debt - Other	
96800 Severance Expense	
96000 Total Other General Expenses	\$5,210
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
96900 Total Operating Expenses	\$291,133
97000 Excess of Operating Revenue over Operating Expenses	\$1,832,722
97100 Extraordinary Maintenance	
97200 Casualty Losses - Non-capitalized	
97300 Housing Assistance Payments	\$1,694,599
97350 HAP Portability-In	\$235,336
97400 Depreciation Expense	
97500 Fraud Losses	
97600 Capital Outlays - Governmental Funds	
97700 Debt Principal Payment - Governmental Funds	
97800 Dwelling Units Rent Expense	
90000 Total Expenses	\$2,221,068
10010 Operating Transfer In	
10020 Operating transfer Out	
10030 Operating Transfers from/to Primary Government	
10040 Operating Transfers from/to Component Unit	
10050 Proceeds from Notes, Loans and Bonds	
10060 Proceeds from Property Sales	
10070 Extraordinary Items, Net Gain/Loss	
10080 Special Items (Net Gain/Loss)	
10091 Inter Project Excess Cash Transfer In	
10092 Inter Project Excess Cash Transfer Out	
10093 Transfers between Program and Project - In	
10094 Transfers between Project and Program - Out	
10100 Total Other financing Sources (Uses)	\$0