

**SAYREVILLE HOUSING AUTHORITY**  
**Financial Statements and Supplementary Schedules**  
**For the years ended December 31, 2015 and 2014**  
**(With Independent Auditor's Report thereon)**

**SAYREVILLE HOUSING AUTHORITY**  
**Financial Statements and Supplementary Schedules**  
**December 31, 2015 and 2014**

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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, 2015 and 2014, 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.

### ***Auditor's 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.

## ***Opinion***

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, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### ***Adoption of New Accounting Pronouncement***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, Schedule of Authority's Proportionate Share of the Net Pension Liability – PERS, and Schedule of Authority Contributions – PERS, as listed in the table of contents, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 June 13, 2016 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*

June 13, 2016  
Toms River, New Jersey

**SAYREVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

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, 2015. 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, 2015, the liabilities of the Authority exceeded its assets by \$97,344, (net position). This is a decrease of \$385,400 from the previous year when assets exceeded liabilities by \$288,056.
2. As of December 31, 2015 the Authority reported ending unrestricted net position of (\$97,344). The unrestricted net position decreased \$385,400 from the prior year.
3. The Authority had total revenues of \$2,361,824 and total expenses of \$2,291,808 for the year ended December 31, 2015.
4. The Authority had no capital outlays for the fiscal year ending December 31, 2015.
5. The Authority's expenditures of federal awards amounted to \$1,931,816 for the fiscal year.
6. For the year ended 12/31/15 the Authority was required to implement GASB 68 that required it to record its unfunded pension liability as provided by the State of New Jersey. The net pension liability as of 12/31/15 is \$195,254. Recording of this liability created a negative unrestricted net position for the Authority of \$97,344 as of 12/31/15.

**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, 2015**

**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 9 through 11 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 12 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>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets	\$ <u>351,102</u>	\$ <u>322,234</u>	\$ <u>437,226</u>
Total Liabilities	<u>448,446</u>	<u>34,178</u>	<u>51,957</u>
Net Position:			
Restricted	3,947	-	46,167
Unrestricted	<u>(101,291)</u>	<u>288,056</u>	<u>339,102</u>
Total Net Position	<u>(97,344)</u>	<u>288,056</u>	<u>385,269</u>
Total Liabilities & Net Position	\$ <u>351,102</u>	\$ <u>322,234</u>	\$ <u>437,226</u>

**SAYREVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**C – The Authority as a Whole (continued)**

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

	<u>2015</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2013</u>	<u>%</u>
Revenues:						
HUD Operating Grants	\$ 1,931,816	81.79	\$ 1,805,571	85.00	\$ 1,864,273	87.52
Other Revenue	429,584	18.19	317,792	14.96	264,166	12.40
Investment Income	<u>424</u>	.02	<u>492</u>	.04	<u>1,565</u>	.08
Total Revenues	<u>2,361,824</u>	100.00	<u>2,123,855</u>	100.00	<u>2,130,004</u>	100.00
Expenses:						
General Operating Expenses	243,455	10.62	291,133	13.11	275,002	12.10
HAP Expenses	<u>2,048,353</u>	89.38	<u>1,929,935</u>	86.89	<u>1,998,472</u>	87.90
Total Expenses	<u>2,291,808</u>	100.00	<u>2,221,068</u>	100.00	<u>2,273,374</u>	100.00
Excess/(Deficiency) of Revenues						
Over/(Under) Expenses	70,016		(97,213)		(143,370)	
Prior Period Adjustment	(455,416)		0		281,734	
Beginning Net Position	<u>288,056</u>		<u>385,269</u>		<u>246,905</u>	
Ending Net Position	<u>\$ (97,344)</u>		<u>\$ 288,056</u>		<u>\$ 385,269</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, 2015, 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, 2015**

**F – Significant Changes From Year Ended December 31, 2015 to December 31, 2014**

Account receivable-other decreased \$11,530 due to the receipt of funds due from the tax credit project managed by the Authority.

Restricted cash and Restricted Net Position increased \$3,947 as the Authority had unexpended HAP equity in its possession.

For the year ended 12/31/15 the Authority was required to implement GASB 68 that required it to record its unfunded pension liability as provided by the State of New Jersey. The net pension liability as of 12/31/15 is \$195,254. Recording of this liability created a negative unrestricted net position for the Authority of \$97,344 as of 12/31/15. In addition the Authority was required to record deferred outflows of \$30,684, deferred inflows of \$237,544, and pension payable of \$7,478 that resulted from the GASB 68 transaction.

The Authority entered into an interlocal agreement with the Perth Amboy Housing Authority for the year 2015 to provide management and related services. The contract resulted in a cost savings to the Authority reducing its administrative costs. In addition there were no salary related liabilities at 12/31/15 such as accrued wages, accrued compensated absences, and accrued termination benefits.

Other Revenues increased \$111,792 mostly due to the fact that the Authority administered more incoming portable vouchers than the previous year.

HUD operating grants and Housing Assistance Payments increased in 2015 as the Authority had available funds to lease additional vouchers.

General Expenses decreased \$5,938 as the Authority no longer has employee related payroll taxes.

**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 \$(97,344) does not appear sufficient to cover any shortfall that may occur in 2016 but absent of the net pension liability required to be recorded in accordance with GASB 68 the PHA's cash flow is sufficient to cover any deficits. Sayreville Housing Authority has not budgeted to utilize any of their cash to supplement their 2016 budgeted expenditures.

**SAYREVILLE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

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**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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 308,520	\$ 302,753
Accounts receivable - other	7,951	19,481
Total current assets	316,471	322,234
Non-current assets:		
Restricted cash	3,947	-
Total non-current assets	3,947	-
Total assets	320,418	322,234
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred outflow related to pensions	30,684	-
Total deferred outflow of resources	30,684	-
Total assets and deferred outflow of resources	\$ 351,102	\$ 322,234
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 8,170	\$ 7,108
Pensions payable	7,478	-
Accrued wages	-	2,000
Accrued compensated absences, current	-	11,614
Accrued termination benefits current	-	13,456
Total current liabilities	15,648	34,178
Long-term liabilities:		
Net pension liability	195,254	-
Total long-term liabilities	195,254	-
Total liabilities	210,902	34,178
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred inflow related to pensions	237,544	-
Total deferred inflow of resources	237,544	-
Total liabilities and deferred inflow of resources	448,446	34,178
<b>NET POSITION</b>		
Net position:		
Restricted	3,947	-
Unrestricted	(101,291)	288,056
Total net position	(97,344)	288,056
Total liabilities, deferred inflow of resources and net position	\$ 351,102	\$ 322,234

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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues:		
HUD operating grants	\$ 1,931,816	\$ 1,805,571
Other revenues	429,584	317,792
	<u>2,361,400</u>	<u>2,123,363</u>
Operating expenses:		
Administrative	236,536	278,276
General expenses	6,919	12,857
Housing assistance payments	2,048,353	1,929,935
	<u>2,291,808</u>	<u>2,221,068</u>
Operating gain/(loss)	<u>69,592</u>	<u>(97,705)</u>
Non-operating revenues (expenses):		
Investment income	424	492
Net non-operating revenues (expenses)	<u>424</u>	<u>492</u>
Change in net position	70,016	(97,213)
Net position, beginning of year (unadjusted)	288,056	385,269
Prior period restatement (see note 13)	<u>(455,416)</u>	<u>-</u>
Net position, beginning of year, restated	<u>(167,360)</u>	<u>385,269</u>
Net position, end of year	<u>\$ (97,344)</u>	<u>\$ 288,056</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, 2015 and 2014**

	2015	2014
<b>Cash flows from operating activities:</b>		
Cash received from grantors	\$ 1,931,816	\$ 1,805,571
Cash received from tenants	395,290	311,429
Cash paid to employees	(13,614)	(84,543)
Cash paid to vendors	(2,304,202)	(2,154,304)
Net cash flows from operating activities	9,290	(121,847)
<b>Cash flows from investing activities:</b>		
Interest received on investments	424	492
Net cash flows from investing activities	424	492
Net change in cash	9,714	(121,355)
Cash and cash equivalents, beginning of year	302,753	424,108
Cash and cash equivalents, end of year	\$ 312,467	\$ 302,753
<b>Reconciliation to Statements of Net Position:</b>		
Cash and cash equivalents	\$ 308,520	\$ 302,753
Restricted cash	3,947	-
Total cash and cash equivalents	\$ 312,467	\$ 302,753
<b>Reconciliation of operating loss to net cash flows from operating activities:</b>		
Operating gain/(loss)	\$ 69,592	\$ (97,705)
Items which did not use cash:		
Unbudgeted pension credit	(45,824)	-
Working capital changes which (used)/provided cash:		
Accounts receivable - other	11,530	(6,363)
Accounts payable	1,062	116
Accrued wages and payroll taxes	(2,000)	2,000
Accrued compensated absences	(11,614)	(6,966)
Accrued termination benefits	(13,456)	(12,929)
Net cash flows from operating activities	\$ 9,290	\$ (121,847)

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, 2015 and 2014**

**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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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, 2015 and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**B. Basis of Accounting**

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

For the year ended December 31, 2015, the Authority implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

**C. 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.

**D. 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.

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

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and Cash Equivalents (continued)**

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.

**E. 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.

**F. 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.

**G. Taxes**

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

**H. Equity Classifications**

Equity is classified as net assets and displayed in two 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."

**I. 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.



**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
~~For the years ended December 31, 2015 and 2014~~

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. 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.

**K. Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**L. Pensions Section**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**M. Impact of Recently Issued Accounting Principles**

Adopted Accounting Pronouncements

For the year ended December 31, 2015, the Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the Authority to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Impact of Recently Issued Accounting Principles (continued)**

Adopted Accounting Pronouncements

Recently Issued and Adopted Accounting Pronouncements

The Authority has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of December 31, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.

The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**N. Subsequent Events**

Sayreville Housing Authority has evaluated subsequent events occurring after December 31, 2015 through the date of June 13, 2016, which is the date the financial statements were available to be issued.

**NOTE 3: CASH AND CASH EQUIVALENTS**

For the fiscal years ended December 31, 2015 and 2014, the carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$312,467, and \$302,753 and the bank balances totaled \$335,214 and \$322,417, respectively.

At December 31, 2015 and 2014, cash and cash equivalents consisted of the following:

	<u>2015</u>	<u>2014</u>
Unrestricted cash	\$ 308,520	\$ 302,753
Restricted cash	<u>3,947</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 312,467</u>	<u>\$ 302,753</u>

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 3: CASH AND CASH EQUIVALENTS (continued)**

Of the bank balances, \$330,799 and \$318,380 were covered by federal depository insurance and the remaining \$4,415 and \$4,037 were collateralized with the pledging financial institution for the fiscal years ended December 31, 2015 and 2014, respectively.

<u>Cash Account</u>	<u>2015</u>	<u>2014</u>
Insured:		
FDIC	\$ 330,799	\$ 318,380
Collateralized:		
Collateralized amount held by pledging Financial institution	4,415	4,037
	\$ 335,214	\$ 322,417

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, 2015 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: RESTRICTED CASH**

Restricted cash consists of the following at December 31, 2015 and 2014:

<u>Cash Category</u>	<u>2015</u>	<u>2014</u>
Section 8 HAP Equity	\$ 3,947	\$ -

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

**NOTE 5: ACCOUNTS RECEIVABLE - OTHER**

Accounts receivable – other consist of amounts owed from managed properties. As of December 31, 2015 and 2014, accounts receivable - other consisted of the following:

	<u>2015</u>	<u>2014</u>
A/R – Tenant receivable	\$ 342,062	\$ 356,830
A/R - HUD	6,801	3,563
Allowance	(340,912)	(340,912)
Total accounts receivable – tenants, net	\$ 7,951	\$ 19,481

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**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, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Beginning compensated absences	\$ -	\$ 18,580
Compensated absences earned	-	4,648
Compensated absences redeemed	-	(11,614)
Ending compensated absences	-	11,614
Less: current portion	-	(11,614)
Compensated absences, net of current portion	<u>\$ -</u>	<u>\$ -</u>

**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 \$ -0- and \$13,456 as of December 31, 2015 and 2014, respectively.

**NOTE 8: PENSION OBLIGATIONS**

**A. Public Employees' Retirement System (PERS)**

**Plan Description** - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

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

The following represents the membership tiers for PERS:

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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

**Allocation Methodology and Reconciliation to Financial Statements** - GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, requires participating employers in the New Jersey Public Employees' Retirement System (PERS) to recognize their proportionate share of the collective net pension liability, collective deferred outflows and inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented and applied are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2014 through June 30, 2015. The employer allocation percentages have been rounded for presentation purposes, therefore amounts may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**Three-Year Trend Information for PERS**

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2015	\$ 7,478	100%	\$ 195,254
12/31/2014	\$ 6,908	100%	\$ 156,889
12/31/2013	\$ 19,718	100%	\$ 500,146

**Components of Net Pension Liability** - At December 31, 2015, the Authority reported a liability of \$195,254 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Authority's proportion measured as of June 30, 2015, was .00087%, which was an increase of .00003% from its proportion measured as of June 30, 2014.

Collective Balances at December 31, 2015 and December 31, 2014

	<u>12/31/2015</u> July 1, 2014	<u>12/31/2014</u> July 1, 2013
Actuarial valuation date		
Deferred Outflows of Resources	\$ 30,684	\$ 4,933
Deferred Inflows of Resources	\$ 237,544	\$ 296,552
Net Pension Liability	\$ 195,254	\$ 156,889
Authority's portion of the Plan's total net pension Liability	0.00087%	0.00084%

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended December 31, 2015, the Authority recognized pension credit of \$45,824. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 20,969	\$ -
Net difference between expected and actual experience	4,658	-
Net difference between projected and actual earnings on pension plan investments	-	3,139
Changes in proportion and differences between Authority contributions and proportionate share of contributions	5,057	234,405
Total	\$ 30,684	\$ 237,544

\$30,684 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2015, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>PERS</u>
2016	\$ (47,608)
2017	(47,608)
2018	(47,608)
2019	(45,271)
2020	(18,765)
Thereafter	-

**Actuarial Assumptions** - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	2012-2021 - 2.15-4.40% based on age
	Thereafter - 3.15-5.40% based on age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:



**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 8: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	<u>100%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	1% <u>Decrease</u> <u>(3.90%)</u>	Current <u>Discount</u> <u>Rate (4.90%)</u>	1% <u>Increase</u> <u>(5.90%)</u>
Authority's proportionate share of the net pension liability     \$	242,677	\$ 195,254	\$ 155,495

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**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 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, 2015 and 2014, 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, 2015 and 2014, restricted net assets had balances of \$ 3,947 and \$ - 0 -, respectively.

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to Financial Statements (continued)**  
~~For the years ended December 31, 2015 and 2014~~

**NOTE 13: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION**

Net position as of January 1, 2015 has been restated as follows for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

		Governmental <u>Activities</u>
Net Position as previously reported at December 31, 2014	\$	288,056
Prior period adjustment -		
Implementation of GASB 68:		
Net Pension Liability (measurement date as of June 30, 2014)		(156,889)
PERS Pension Payable (2015 Authority PERS Pension Contribution)		(6,908)
Deferred Outflows (measurement date as of June 30, 2014)		4,933
Deferred Inflows (measurement date as of June 30, 2014)		(296,552)
Total prior period adjustment		<u>(455,416)</u>
Net Position as restated, January 1, 2015	\$	<u>(167,360)</u>

**SAYREVILLE HOUSING AUTHORITY**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2015**

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	VARIANCE
Revenues:				
HUD operating grants	\$ 1,869,000	\$ 1,869,000	\$ 1,931,816	\$ 62,816
Interest on investments	500	500	424	(76)
Other operating revenues	88,000	88,000	129,289	41,289
	<u>1,957,500</u>	<u>1,957,500</u>	<u>2,061,529</u>	<u>104,029</u>
Expenses:				
Cost of providing service:				
Rents	1,700,000	1,700,000	1,748,058	(48,058)
Insurance	8,500	8,500	5,990	2,510
Other general expenses	3,500	3,500	929	2,571
	<u>1,712,000</u>	<u>1,712,000</u>	<u>1,754,977</u>	<u>(42,977)</u>
Administrative and general expenses:				
Salaries and wages	-	-	-	-
Fringe benefits	57,000	57,000	44,051	12,949
Legal	7,000	7,000	6,000	1,000
Staff training	5,000	5,000	14,192	(9,192)
Travel	9,000	9,000	1,564	7,436
Auditing fees	6,500	6,500	6,292	208
Other administrative	161,000	161,000	164,437	(3,437)
	<u>245,500</u>	<u>245,500</u>	<u>236,536</u>	<u>8,964</u>
Total costs funded by operating revenues	<u>1,957,500</u>	<u>1,957,500</u>	<u>1,991,513</u>	<u>(34,013)</u>
Surplus (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,016</u>	<u>\$ 70,016</u>

**SAYREVILLE HOUSING AUTHORITY  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.00087%	0.00084%	0.00262%
Authority's proportionate share of the net pension liability (asset)	\$ 195,254	\$ 156,889	\$ 500,146
Authority's covered-employee payroll	N/A	\$ 60,004	\$ 90,697
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	261.46%	551.45%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SAYREVILLE HOUSING AUTHORITY  
SCHEDULE OF AUTHORITY CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 7,478	\$ 6,908	\$ 19,718
Contributions in relation to the contractually required contribution	<u>7,478</u>	<u>6,908</u>	<u>19,718</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	N/A	\$ 60,004	\$ 90,697
Contributions as a percentage of covered-employee payroll	N/A	11.51%	21.74%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SAYREVILLE HOUSING AUTHORITY**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2015**

**Public Employees' Retirement System (PERS)**

**Basis of Presentation.** The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

**Changes of assumptions.** Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.