

PERTH AMBOY HOUSING AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
YEARS ENDED MARCH 31, 2015 AND 2014

**PERTH AMBOY HOUSING AUTHORITY
TABLE OF CONTENTS
YEARS ENDED MARCH 31, 2015 AND 2014**

<u>Contents</u>	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-10
Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13-14
Notes to Financial Statements	15-31
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	32-33
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	34-35
Supplementary Information:	
Schedule of Expenditures of Federal Awards	36
Notes to Schedule of Expenditures of Federal Awards	37-38
Schedule of Findings and Questioned Costs	39-40
Financial Data Schedule	41-45



INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Perth Amboy Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Perth Amboy Housing Authority ("the Authority") as of and for the years ended March 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 accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perth Amboy Housing Authority as of March 31, 2015 and 2014, and the respective changes in financial position and cash flows 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 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Perth Amboy Housing Authority's basic financial statements. The 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial data schedule are also not required parts of the financial statements and are presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and the financial data schedule are the responsibility of management and were derived from and relates 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 audits 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 the financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2015 on our consideration of the Perth Amboy 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 Perth Amboy Housing Authority's internal control over financial reporting and compliance.

Fallon & Larsen LLP

October 8, 2015
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

As Management of the Perth Amboy 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 March 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. The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$21,535,692 (net position) as opposed to \$22,086,743 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$3,355,692, an increase of \$140,985 from the prior fiscal year.
3. The Authority's unrestricted cash and cash equivalents balance at March 31, 2015 was \$3,528,448 representing a decrease of \$177,642 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$17,790,681 and Total Operating Expenses of \$18,875,555 (including depreciation of \$1,138,041) for the year ended March 31, 2015.
5. The Authority's capital outlays for the fiscal year were \$678,878.
6. The Authority's Expenditures of Federal Awards amounted to \$16,249,445 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 basic financial statements. The Authority's basic financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

B. Using the Annual Report (continued)

2. Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and 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. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

Statements of Cash Flows report the Authority's cash flows from operating, investing, capital and non-capital activities.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The basic financial statements can be found on pages 11 through 14.

3. Notes to Financial Statements

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

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

B. Using the Annual Report (continued)

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 36 of this report.

C. The Authority as a Whole

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

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants consequently these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

Computations of Net Position are as follows:

	As of	
	3/31/2015	3/31/2014
Cash and Other Current Assets	\$ 3,920,397	\$ 4,144,597
Other Assets	4,631,115	4,548,572
Capital Assets – Net	17,508,237	17,967,400
Total Assets	26,059,749	26,660,569
Less: Current Liabilities	767,607	774,426
Less: Long Term Liabilities	3,756,251	3,799,400
Net Position	\$ 21,535,891	\$ 22,086,743
Net Investment in Capital Assets	\$ 15,693,237	\$ 16,027,400
Restricted Net Position	2,486,962	2,844,636
Unrestricted Net Position	3,355,692	3,214,707
Net Position	\$ 21,535,891	\$ 22,086,743

Computations of Changes in Net Position are as follows:

	Year Ended	
	3/31/2015	3/31/2014
<u>Operating Revenues</u>		
Tenant Revenues	\$ 1,823,257	\$ 1,800,014
HUD and other Government Subsidies	12,607,873	11,785,399
Other Revenues	3,359,551	3,438,179
Total Operating Revenues	17,790,681	17,023,592
<u>Operating Expenses</u>		
Other Operating Expenses	5,882,906	5,762,928
Housing Assistance Payments	11,854,608	11,552,626
Depreciation Expense	1,138,041	1,064,919
Total Operating Expenses	18,875,555	18,380,473
Operating Income (Loss)	(1,084,874)	(1,356,881)
Non-Operating Revenues:		
Interest on Investments	28,492	31,569
Interest Expense	(86,688)	(91,247)
HUD recapture of funds	(211,660)	-
HUD Capital Grants	803,878	912,347
Total Non-oper-Rev (Expenses)	534,012	852,669
Change in Net Position	(550,852)	(504,212)
Net Position – Beginning of Year	22,086,743	22,590,955
Net Position - End of Year	\$ 21,535,891	\$ 22,086,743

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

C. The Authority as a Whole (continued)

1. Cash and cash equivalents (excluding restricted cash) decreased \$177,642 from March 31, 2014 to March 31, 2015. This decrease is primarily due to HUD recapturing \$211,660 of Low Rent Public Housing Program reserves during FY 2015. The recapture was due to an overfunding of operating subsidy in a prior year.
2. Restricted cash and cash equivalents increased \$62,452 as the Authority utilized \$106,474 of housing assistance payment reserves to pay tenant rents which was offset by increases of \$98,561 in program reserves for the Park View development and \$70,429 in FSS program escrows. Capital fund debt leveraging reserves also decreased by \$64.
3. Capital assets, net decreased \$459,163 as \$678,878 in Authority capital purchases were offset by \$1,138,041 in annual depreciation expense.
4. Capital revenue bonds payable decreased \$125,000 as the Authority paid the current principal amount due on the bonds.
5. HUD operating grants increased \$827,174 primarily due to \$672,992 more in funding in the Housing Choice Voucher Program and a \$142,136 increase in Capital Funds utilized for operations.
6. Utilities expenses decreased \$83,431 from 2014 to 2015 primarily due to decreases in gas, electricity and other utility charges of \$75,115, \$32,092 and \$1,310, respectively which were offset by increases to water (\$16,200), sewer (\$8,886).
7. Ordinary maintenance and operations expenses increased \$95,173 as materials costs increased \$30,550, contract costs increased \$36,234 and salaries and benefits increased \$28,389.
8. Housing assistance payments expense increased \$301,982 as the Authority had 702 more unit months under lease

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

D. Budgetary Highlights

For the year ended March 31, 2015, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. These budgets were primarily used as a management tool and have no legal stature. Also, the Authority adopted a comprehensive annual budget for the General Fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

E. Capital Assets and Debt Administration

1. Capital Assets

As of March 31, 2015, the Authority's investment in capital assets for its Proprietary Fund was \$17,508,237 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs.

2. Long Term Debt

In December 2004, the Authority financed a portion of their future capital fund allocation to participate in a debt leveraging pool with various Housing Authorities in the State of New Jersey. The Capital Fund Program Revenue Bonds 2004 Series A "The Bonds" were sponsored by the New Jersey Housing and Mortgage Finance Agency. The leveraging provided the Authority with \$2,753,259 after closing costs to be used to fund various capital improvements throughout the Authority. The debt service on the bonds will be paid from future capital grants funded by the United States Department of Housing and Urban Development. The bonds will begin to mature in November, 2005 and continue to be paid through November 2025. Bonds maturing during the fiscal year ended March 31st, 2015 amounted to \$125,000.

PERTH AMBOY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

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

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

1. The state of the economy.
2. The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.
3. The Authority's Unrestricted Net Position of \$3,355,692 may be used to fund any shortfalls rising from a possible economic turndown and reduced subsidies and grants. The Authority's Unrestricted Net Position appears sufficient to cover any shortfall.

G. 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, Housing Authority of the City of Perth Amboy, 881 Amboy Ave., Perth Amboy, N.J. 08862.

FINANCIAL STATEMENTS

**PERTH AMBOY HOUSING AUTHORITY
STATEMENTS OF NET POSITION
AS OF MARCH 31, 2015 AND 2014**

ASSETS		
	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 3,528,448	\$ 3,706,090
Accounts receivable - HUD	30,199	75,965
Accounts receivable - tenants, net	39,738	39,986
Accounts receivable - miscellaneous, net	65,903	74,609
Prepaid expenses	<u>256,109</u>	<u>247,947</u>
Total current assets	<u>3,920,397</u>	<u>4,144,597</u>
Non-current assets:		
Restricted cash and cash equivalents	1,316,937	1,254,485
Notes receivable	2,029,178	2,009,087
Investment in leased property	1,285,000	1,285,000
Capital assets, net	<u>17,508,237</u>	<u>17,967,400</u>
Total non-current assets	<u>22,139,352</u>	<u>22,515,972</u>
Total assets	<u>26,059,749</u>	<u>26,660,569</u>
LIABILITIES		
Current liabilities:		
Accounts payable	219,236	226,873
Accrued expenses	49,011	53,228
Accrued compensated absences, current	223,545	229,723
Tenant security deposits	122,863	115,007
Prepaid rents and leases, current portion	22,952	24,595
Current portion of capital fund revenue bonds	<u>130,000</u>	<u>125,000</u>
Total current liabilities	<u>767,607</u>	<u>774,426</u>
Non-current liabilities:		
Accrued compensated absences, net of current portion	495,107	458,463
Capital fund revenue bonds, net of current portion	1,685,000	1,815,000
Prepaid rents and leases, net of current portion	1,096,626	1,119,578
FSS escrows	<u>479,518</u>	<u>406,359</u>
Total non-current liabilities	<u>3,756,251</u>	<u>3,799,400</u>
Total liabilities	<u>4,523,858</u>	<u>4,573,826</u>
NET POSITION		
Net position:		
Net investment in capital assets	15,693,237	16,027,400
Restricted	2,486,962	2,844,636
Unrestricted	<u>3,355,692</u>	<u>3,214,707</u>
Total net position	<u>\$ 21,535,891</u>	<u>\$ 22,086,743</u>

See accompanying notes to financial statements.

PERTH AMBOY HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Tenant revenue	\$ 1,823,257	\$ 1,800,014
HUD operating grants	12,606,698	11,779,524
Other government grants	1,175	5,875
Other revenues	<u>3,359,551</u>	<u>3,438,179</u>
Total operating revenue	<u>17,790,681</u>	<u>17,023,592</u>
Operating expenses:		
Administrative	2,457,589	2,368,314
Tenant services	185,229	205,785
Utilities	1,372,204	1,455,635
Ordinary maintenance and operations	1,404,357	1,309,184
General expenses	463,527	424,010
Housing assistance payments	11,854,608	11,552,626
Depreciation	<u>1,138,041</u>	<u>1,064,919</u>
Total operating expenses	<u>18,875,555</u>	<u>18,380,473</u>
Operating loss	<u>(1,084,874)</u>	<u>(1,356,881)</u>
Non-operating revenues (expenses):		
Interest expense	(86,688)	(91,247)
Investment income	<u>28,492</u>	<u>31,569</u>
Net non-operating revenues (expenses)	<u>(58,196)</u>	<u>(59,678)</u>
Loss before capital grants and transfers	(1,143,070)	(1,416,559)
HUD recapture of funds	(211,660)	-
Capital grants	<u>803,878</u>	<u>912,347</u>
Changes in net position	(550,852)	(504,212)
Total net position, beginning of year	<u>22,086,743</u>	<u>22,590,955</u>
Total net position, end of year	<u>\$ 21,535,891</u>	<u>\$ 22,086,743</u>

See accompanying notes to financial statements.

PERTH AMBOY HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from grantors	\$ 12,653,639	\$ 11,724,481
Cash received from tenants	5,190,119	5,176,337
Cash paid to suppliers	(15,762,089)	(15,305,675)
Cash paid to employees	<u>(1,906,912)</u>	<u>(1,895,577)</u>
Net cash flows provided (used) by operating activities	<u>174,757</u>	<u>(300,434)</u>
Cash Flows from Non-capital Financing Activities:		
HUD recapture of funds	<u>(211,660)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(678,878)	(802,842)
Principal payments on long term debt	(125,000)	(120,000)
Interest payments on long term debt	(86,688)	(91,247)
Proceeds from capital grants	<u>803,878</u>	<u>912,347</u>
Net cash flows used by capital and related financing activities	<u>(86,688)</u>	<u>(101,742)</u>
Cash Flows from Investing Activities:		
Interest received on investments	<u>8,401</u>	<u>11,677</u>
Net cash flows provided by investing activities	<u>8,401</u>	<u>11,677</u>
Net decrease in cash	(115,190)	(390,499)
Cash and cash equivalents at beginning of year	<u>4,960,575</u>	<u>5,351,074</u>
Cash and cash equivalents at end of year	<u>\$ 4,845,385</u>	<u>\$ 4,960,575</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Cash and cash equivalents	\$ 3,528,448	\$ 3,706,090
Restricted cash	<u>1,316,937</u>	<u>1,254,485</u>
Cash and cash equivalents at end of year	<u>\$ 4,845,385</u>	<u>\$ 4,960,575</u>

See accompanying notes to financial statements.

PERTH AMBOY HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (1,084,874)	\$ (1,356,881)
Items which did not use cash:		
Depreciation	1,138,041	1,064,919
Bad debt	1,042	5,790
Changes in operating assets and liabilities:		
Accounts receivable	53,678	(108,065)
Prepaid expenses	(8,162)	(9,866)
Accounts payable	(7,637)	(15,609)
Accrued expenses	26,249	23,976
Tenant security deposits	7,856	2,342
Prepaid rents	(24,595)	(20,499)
Other liabilities	<u>73,159</u>	<u>113,459</u>
Net cash provided (used) by operating activities	\$ <u>174,757</u>	\$ <u>(300,434)</u>

See accompanying notes to financial statements.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Perth Amboy ("Perth Amboy Housing Authority") or (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 City of Perth Amboy. 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 of commissioners to manage the day-to-day operations of the Authority.

B. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Low Rent Public Housing Program

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

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

Public Housing Capital Fund Program

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

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Description of Programs (continued)

Community Development Block Grants / Entitlement Grants

The primary objective of the Community Development Block Grant Entitlement Program is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income.

Resident Opportunity and Supportive Services

The purpose of the Resident Opportunity and Support Services Program is to programmatically address the needs of public housing residents by providing supportive services, resident empowerment activities and/or assisting residents in becoming economically self-sufficient. The primary focus of the program is on a spectrum of services for families leading to homeownership.

Housing Counseling Assistance Program

The purpose of the Housing Counseling Assistance Program is to counsel homeowners, homebuyers, prospective renters and tenants under HUD programs, and conventional and other government programs in improving their housing conditions and in meeting the responsibilities of tenancy and homeownership.

C. Reporting Entity

In accordance with Statement No. 61 of the Government Accounting Standards Board ("GASB"), the Authority's basic financial statements include those of the Perth Amboy Housing Authority and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above 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.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

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

The enterprise fund is 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.

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") as amended. 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 Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplemental Information.

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

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

On January 30, 2008, HUD issued *PIH Notice 2008-9* which requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net assets (position), with the associated cash and investments also being reported on HUD's Financial Data Schedule ("FDS") as restricted.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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 is reflected in the net position account on which the investment income was earned. Investment income earned on HAP cash balances is credited to the HAP restricted net position account and investment income earned on administrative fee cash balances is credited to the unrestricted net position account.

E. 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 and other liabilities, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

F. Cash, Cash Equivalents and Investments

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

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

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

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash, Cash Equivalents and Investments (continued)

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 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 statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. Investments are carried at cost plus accrued interest which approximates market value. Income from investments is recognized on the accrual basis.

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

G. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants' accounts receivable balances primarily consist of rents past due and vacated tenants. Also included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason.

The Authority also recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled, but earned as of year-end.

H. Prepaid Expenses

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

I. Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Employees may be compensated for sick leave at retirement or termination at one half of the earned, accrued and unused sick leave at the current salary to a maximum of 150 days.

**PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets

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

♦	Furniture and Equipment	3 - 5 Years
♦	Leasehold Improvements	15 Years
♦	New Buildings	40 Years

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

K. Prepaid Rents and Leases

Prepaid rents and leases consist of rent payments made by tenants and land lease payments that apply to future periods.

L. Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, inter-program receivables and payables are eliminated for financial statement purposes.

M. 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.

N. Taxes

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

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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.

P. Equity Classifications

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

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

Restricted - 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 - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

NOTE 2. CASH AND CASH EQUIVALENTS

At March 31, 2015 and 2014, the Authority had funds on deposit in checking, money market and investment accounts.

For the fiscal years ended March 31, 2015 and 2014, the carrying amount of the Authority's cash and cash equivalents and restricted cash was \$4,845,385 and \$4,960,575, respectively, and the bank balances approximated \$4,877,097 and \$4,973,029, respectively.

Of the bank balances, \$1,236,964 and \$1,236,409 were covered by federal depository insurance and the remaining \$3,640,133 and \$3,736,620 were collateralized with the pledging financial institution for the fiscal years ended March 31, 2015 and 2014, respectively.

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 Authority does not have a formal policy for custodial credit risk. As of March 31, 2015 and 2014, the Authority's bank balances were not exposed to custodial credit risk.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 3. ACCOUNTS RECEIVABLE - HUD

HUD accounts receivable represents amounts due to the Authority for operating grants receivable which amounted to \$30,199 and \$75,965 for the years ended March 31, 2015 and 2014, respectively. The Authority considers these amounts fully collectible and accordingly, have made no allowance for doubtful accounts.

NOTE 4. ACCOUNTS RECEIVABLE - TENANTS

Tenant accounts receivable are stated net of an allowance of \$63,180 and \$52,840 at March 31, 2015 and 2014, respectively.

NOTE 5. ACCOUNTS RECEIVABLE - MISCELLANEOUS

Accounts receivable - miscellaneous contains amounts due from portable tenants and receivables for services provided by the Authority's staff at other local authorities. Accounts receivable - miscellaneous are stated at \$65,903 and \$74,609 at March 31, 2015 and 2014, respectively. The Authority considers these amounts fully collectible and accordingly, have made no allowance for doubtful accounts.

NOTE 6. RESTRICTED CASH

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

<u>Cash Category</u>	<u>2015</u>	<u>2014</u>
Housing assistance payment reserves	\$ 255,063	\$ 361,537
Family Self Sufficiency program escrows	489,365	418,936
The Park View program reserves	572,097	473,536
Capital fund debt leveraging proceeds	<u>412</u>	<u>476</u>
	<u>\$ 1,316,937</u>	<u>\$ 1,254,485</u>

Housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Program for tenant rents.

Family Self Sufficiency ("FSS") program escrows are restricted for use in the Housing Choice Voucher Program and Low Rent Public Housing by FSS program participants.

The Park View program reserves are restricted for affordable housing purposes.

Capital fund debt leveraging proceeds are restricted for use in the Low Rent Public Housing Program in accordance with the Authority's annual plan.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 7. CAPITAL ASSETS

A summary of the changes in fixed assets during 2015 and 2014 were as follows:

Description	March 31, 2014	Additions	Disposals	Transfers	March 31, 2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,135,864	\$ -	\$ -	\$ -	\$ 1,135,864
Construction in progress	<u>1,717,154</u>	<u>678,878</u>	<u>-</u>	<u>(1,732,993)</u>	<u>663,039</u>
Total	<u>2,853,018</u>	<u>678,878</u>	<u>-</u>	<u>(1,732,993)</u>	<u>1,798,903</u>
<u>Depreciable capital assets:</u>					
Buildings	26,835,686	-	(65,275)	1,380,590	28,151,001
Furniture and equipment	715,196	-	-	2,774	717,970
Leasehold improvements	<u>3,497,026</u>	<u>-</u>	<u>(2,966)</u>	<u>349,629</u>	<u>3,843,689</u>
Total	<u>31,047,908</u>	<u>-</u>	<u>(68,241)</u>	<u>1,732,993</u>	<u>32,712,660</u>
Less: accumulated deprec.	<u>15,933,526</u>	<u>1,138,041</u>	<u>(68,241)</u>	<u>-</u>	<u>17,003,326</u>
Net capital assets	<u>\$ 17,967,400</u>	<u>\$ (459,163)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,508,237</u>

Description	March 31, 2013	Additions	Disposals	Transfers	March 31, 2014
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,135,864	\$ -	\$ -	\$ -	\$ 1,135,864
Construction in progress	<u>924,807</u>	<u>792,347</u>	<u>-</u>	<u>-</u>	<u>1,717,154</u>
Total	<u>2,060,671</u>	<u>792,347</u>	<u>-</u>	<u>-</u>	<u>2,853,018</u>
<u>Depreciable capital assets:</u>					
Buildings	26,835,686	-	-	-	26,835,686
Furniture and equipment	704,701	10,495	-	-	715,196
Leasehold improvements	<u>3,497,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,497,026</u>
Total	<u>31,037,413</u>	<u>10,495</u>	<u>-</u>	<u>-</u>	<u>31,047,908</u>
Less: accumulated deprec.	<u>14,868,607</u>	<u>1,064,919</u>	<u>-</u>	<u>-</u>	<u>15,933,526</u>
Net capital assets	<u>\$ 18,229,477</u>	<u>\$ (262,077)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,967,400</u>

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 8. LOAN RECEIVABLE

Notes receivable at March 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
The Authority advanced a loan to Parkview Senior Housing, LLC in the amount of \$1,950,000 in connection with the development of an 84 unit building of which 31 units will be operated as public housing. The loan accrues interest at 1% per annum. Principal and interest is payable only out of "Net Cash Flow" as defined in the partnership agreement and is due on April 17, 2040. The loan is secured by the underlying land and building. Management expects the current portion of the loan to be nil.	\$ <u>2,029,178</u>	\$ <u>2,009,087</u>

Included in the note receivable balance is \$79,178 and \$59,087, respectively of accrued interest on the loan.

NOTE 9. PENSION PLAN

A. Description of the Plan

All employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

B. Public Employees Retirement System ("PERS")

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. Medical benefits are now provided by the State Health Benefits Program.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 9. PENSION PLAN (continued)

C. 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.

D. Contribution Requirements – PERS

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 7.06% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate for the 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
March 31, 2013	\$ 236,910	100	\$ -
March 31, 2014	\$ 233,276	100	\$ -
March 31, 2015	\$ 227,703	100	\$ -

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 10. POST-RETIREMENT BENEFITS

The Authority participates New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 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 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 group rates) for themselves and their eligible dependents.

A retiree may also receive Authority-paid health benefits in accordance with the Authority's personnel policy if they have twenty-five (25) or more years with the Authority or are sixty-two (62) years of age and have fifteen (15) years or more with the Authority.

A. Contribution Requirements – SHBP

Contributions to pay for the health premiums of participating employees in the SHBP – Local are collected from the State of New Jersey, participating local employers, active members, and retired members. Local employer payments and active and retired member contributions are generally received on a monthly basis.

Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996. Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health care benefits coverage by all active public employees. Employees of the State, local governments, and boards of education who become a member of a State or locally-administered retirement system on or after the law's effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 10. POST-RETIREMENT BENEFITS (continued)

A. Contribution Requirements – SHBP (continued)

The State of New Jersey, Department of the 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 the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. At March 31, 2013, the Authority had approximately 32 active and 7 retired participants in the system. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions to the SHBP:

<u>Year</u>	<u>Amount</u>
2015	\$ <u>121,861</u>
2014	\$ <u>104,320</u>
2013	\$ <u>97,691</u>

NOTE 11. PAYMENTS IN LIEU OF TAXES

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of Perth Amboy. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended March 31, 2015 and 2014, PILOT expense that was incurred amounted to \$49,867 and \$42,061, respectively.

NOTE 12. LONG TERM OBLIGATIONS

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A on December 23, 2004. The Authority's share of funds from the bond issue pool amounted to \$2,830,000. Interest accrues at 3.544% and is payable semi-annually on May 1st and November 1st. Repayment of the funds shall be paid solely from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development. The bonds mature in November, 2025.

The funds received from the leveraging pool are restricted and must be spent in accordance with the Authority's Capital Fund budget within four years and as such are recorded as restricted cash on the Statements of Net Position.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 12. LONG TERM OBLIGATIONS (continued)

Outstanding balances at March 31, 2015 and 2014 totaled \$1,815,000 and \$1,940,000, respectively. Annual debt service for principal and interest over the next five years and in five year increments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	130,000	81,576	211,576
2017	135,000	75,888	210,888
2018	140,000	69,873	209,873
2019	150,000	63,638	213,638
2020	155,000	57,076	212,076
2021 - 2025	<u>1,105,000</u>	<u>176,485</u>	<u>1,281,485</u>
	<u>\$ 1,815,000</u>	<u>\$ 524,536</u>	<u>\$ 2,339,536</u>

Long term debt activity for the years ended March 31, 2015 and 2014 consisted of the following:

	<u>March 31, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2015</u>	<u>Due in One Year</u>
Capital fund revenue bonds	\$ 1,940,000	\$ -	\$ 125,000	\$ 1,815,000	\$ 130,000
Accrued compensated absences	688,186	149,803	119,337	718,652	223,545
FSS escrows	406,359	115,591	42,432	479,518	-
Prepaid rents and leases	<u>1,144,173</u>	<u>-</u>	<u>24,595</u>	<u>1,119,578</u>	<u>22,952</u>
	<u>\$ 4,178,718</u>	<u>\$ 265,394</u>	<u>\$ 311,364</u>	<u>\$ 4,132,748</u>	<u>\$ 376,497</u>

	<u>March 31, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2014</u>	<u>Due in One Year</u>
Capital fund revenue bonds	\$ 2,060,000	\$ -	\$ 120,000	\$ 1,940,000	\$ 125,000
Accrued compensated absences	665,543	145,718	123,075	688,186	229,723
FSS escrows	292,900	172,344	58,885	406,359	-
Prepaid rents and leases	<u>1,164,672</u>	<u>-</u>	<u>20,499</u>	<u>1,144,173</u>	<u>24,595</u>
	<u>\$ 4,183,115</u>	<u>\$ 318,062</u>	<u>\$ 322,459</u>	<u>\$ 4,178,718</u>	<u>\$ 379,318</u>

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 13. RESTRICTED NET POSITION

As of March 31, 2015 and 2014, restricted net position consisted of the following:

	<u>2015</u>	<u>2014</u>
Interest earned on debt leveraging funds	\$ 412	\$ 476
The Park View program reserves	202,309	473,536
Mixed finance loan receivable	2,029,178	2,009,087
Housing assistance payments	<u>255,063</u>	<u>361,537</u>
Total restricted net position	<u>\$ 2,486,962</u>	<u>\$ 2,844,636</u>

Accumulated interest earned on debt leveraging funds is restricted for use in the capital fund program.

The Park View program reserves are restricted for affordable housing purposes.

Mixed finance loan receivable reserves are restricted for affordable housing purposes upon collection of the loan and the satisfaction of regulatory requirements.

Accumulated earnings in connection with the overpayment of housing assistance payments are restricted for rent payments to landlords as part of the Housing Choice Voucher Program.

NOTE 14. LEASING ACTIVITIES

The Authority is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD. Although residents may opt for a flat rent, leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Tenant Revenue". Tenant revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions which impact personal income and local job availability.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 15. ECONOMIC DEPENDENCY

The Housing Choice Voucher and the Low Rent Public Housing Programs are economically dependent on annual grants from HUD.

NOTE 16. GROUND LEASE AGREEMENT

On August 17, 2010, the Authority entered into a 65 year ground lease with Parkview Senior Housing, LLC in furtherance of the Authority's redevelopment objectives. Under terms of the agreement, the Authority leases land it owns to a third party and that party owns the improvements built on the land. In accordance with Generally Accepted Accounting Principles, this lease is classified as an operating lease which is accounted for as follows:

The leased property will be included near property, plant and equipment but separately identified on the Authority's Statement of Net Position as "Investment in Leased Property". Since land has an indefinite useful life, no depreciation will be charged on the property.

Rent will be reported as income over the lease term as it becomes receivable according to the provisions of the lease. However, if the rentals vary from the straight-line basis, the Authority will recognize the income on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit from the leased property is diminished, in which case that basis will be used.

Initial indirect costs will be deferred and allocated over the lease term in proportion to the recognition of rental income. However, initial direct costs may be charged to expense as incurred if the effect is not materially different from that which would have resulted from the use of the method prescribed in the preceding sentence.

If the fair value of the property is less than its cost or carrying amount, then a loss equal to that difference will be recognized at the inception of the lease. As of March 31, 2015 and 2014, the carrying amount of the leased property amounted to \$1,285,000, respectively.

NOTE 17. HUD RECAPTURE OF FUNDS

During the year ended March 31, 2015, HUD required the Authority to repay certain Low Rent Public Housing funds as a result of overfunding the Authority's Operating Subsidy in prior years. As a result, the Authority repaid to HUD, \$211,660 which is included in the Authority's Statements of Revenues, Expenses and Changes in Net Position.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

NOTE 18. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the previous three years.

NOTE 19. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of March 31, 2015 and 2014, the Authority estimates that no material liabilities will result from such audits.

NOTE 20. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through October 8, 2015 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



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

To the Board of Commissioners
Perth Amboy Housing Authority:

We have audited the financial statements of the Perth Amboy Housing Authority ("the Authority") as of and for the year ended March 31, 2015, and have issued our report therein dated October 8, 2015. 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 the audit requirements as prescribed by the State of New Jersey, Division of Local Government Services ("the Division").

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Fallon & Larsen LLP

October 8, 2015
Toms River, New Jersey



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
Perth Amboy Housing Authority:

Report on Compliance for Each Major Federal Program

We have audited the Perth Amboy Housing Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Perth Amboy Housing Authority's major federal programs for the year ended March 31, 2015. Perth Amboy Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Perth Amboy Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perth Amboy Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)**

Opinion on Each Major Federal Program

In our opinion, Perth Amboy Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

Report on Internal Control Over Compliance

Management of Perth Amboy Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Perth Amboy Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey OMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Perth Amboy Housing Authority's internal control over compliance.

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

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

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

Fallon & Larsen LLP

October 8, 2015
Toms River, New Jersey

PERTH AMBOY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015

Federal Grantor/Program Title U.S. Department of Housing and Urban Development	Federal CFDA Number	State Pass-through Number	Grant Period		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
			From	To				
Low Rent Public Housing:								
NJ006-00000114D	14.850	N/A	1/1/14	12/31/14	\$ 1,037,810	\$ 776,824	\$ 776,824	\$ 1,037,810
NJ006-00000115D	14.850	N/A	1/1/15	12/31/15	715,053	250,202	250,202	250,202
NJ006-00000214D	14.850	N/A	1/1/14	12/31/14	57,094	42,736	42,736	57,094
NJ006-00000215D	14.850	N/A	1/1/15	12/31/15	8,469	4,072	4,072	4,072
NJ006-00001314D	14.850	N/A	1/1/14	12/31/14	91,576	68,547	68,547	91,576
NJ006-00001315D	14.850	N/A	1/1/15	12/31/15	58,210	22,308	22,308	22,308
NJ006-00400514D	14.850	N/A	1/1/14	12/31/14	588,857	440,773	440,773	588,857
NJ006-00400515D	14.850	N/A	1/1/15	12/31/15	389,650	139,967	139,967	139,967
Grant subtotal					2,946,719	1,745,429	1,745,429	2,191,886
Section 8 Housing Choice Voucher Program:								
NJ006-2FFH-2014	14.871	N/A	4/1/14	3/31/15	10,268,797	10,268,797	13,107,666	13,107,666
Public Housing Capital Fund Program:								
NJ39P006501-10	14.872	N/A	7/15/10	7/14/14	1,282,882	4,862	4,862	1,282,882
NJ39P006501-11	14.872	N/A	8/3/11	8/2/15	1,059,190	9,499	9,499	1,059,191
NJ39P006501-12	14.872	N/A	3/12/12	3/11/16	980,463	36,282	36,282	980,463
NJ39P006501-13	14.872	N/A	9/9/13	9/8/17	942,056	620,574	620,574	768,309
NJ39P006501-14	14.872	N/A	5/13/14	5/12/18	904,210	630,582	630,582	630,582
Grant subtotal					5,168,801	1,301,799	1,301,799	4,721,427
Resident Opportunity and Supportive Services:								
NJ006RFS016A012	14.870	N/A	9/27/12	6/30/14	55,652	10,845	10,845	26,872
NJ006RFS016A013	14.870	N/A	7/2/14	7/14/15	55,652	50,110	50,110	55,652
Grant subtotal					111,304	60,955	60,955	82,524
Community Development Block Grant:								
	14.218	N/A	X/X/X	X/X/X	19,335	19,335	19,335	19,335
Housing Counseling Assistance Program								
HC140321057	14.169	N/A	6/1/14	5/31/15	14,261	14,261	14,261	14,261
					18,529,217	13,410,576	16,249,445	20,137,099

See accompanying notes to schedule of expenditures of federal awards.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Perth Amboy Housing Authority under programs of the federal government for the year ended March 31, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Perth Amboy Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Perth Amboy Housing Authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribes, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3. SUBRECIPIENTS

The Authority did not pass through any federal awards to subrecipients

NOTE 4. NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended March 31, 2015.

PERTH AMBOY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED MARCH 31, 2015

NOTE 5.

NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

- 1) The total amount of Capital Fund Program Costs and Advances incurred and earned by the Perth Amboy Housing Authority as of and for the year ended March 31, 2015 are provided herein.
- 2) Capital Fund Grant No. NJ39P006501-10 with an approved funding of \$1,282,882 has been fully drawn down and expended as per Capital Fund Grant Regulations.
- 3) Capital Fund Grant No. NJ39P006501-11 with an approved funding of \$1,059,190 has been fully drawn down and expended as per Capital Fund Grant Regulations.
- 4) Capital Fund Grant No. NJ39P006501-12 with an approved funding of \$980,463 has been fully drawn down and expended as per Capital Fund Grant Regulations.

	<u>502-10</u>	<u>501-11</u>	<u>501-12</u>	<u>501-13</u>	<u>501-14</u>	<u>Totals</u>
Budget	\$ <u>1,282,882</u>	\$ <u>1,059,190</u>	\$ <u>980,463</u>	\$ <u>942,056</u>	\$ <u>905,210</u>	\$ <u>5,169,801</u>
<u>Advances:</u>						
Cumulative through 3/31/14	\$ 1,278,020	\$ 1,049,691	\$ 944,181	\$ 147,735	\$ -	\$ 3,419,627
Current Year	<u>4,862</u>	<u>9,499</u>	<u>36,282</u>	<u>620,574</u>	<u>630,582</u>	<u>1,301,799</u>
Cumulative through 3/31/15	\$ <u>1,282,882</u>	\$ <u>1,059,190</u>	\$ <u>980,463</u>	\$ <u>768,309</u>	\$ <u>630,582</u>	\$ <u>4,721,426</u>
<u>Costs:</u>						
Cumulative through 3/31/14	1,278,020	1,049,691	944,181	147,735	-	3,419,627
Current Year	<u>4,862</u>	<u>9,499</u>	<u>36,282</u>	<u>620,574</u>	<u>630,582</u>	<u>1,301,799</u>
Cumulative through 3/31/15	\$ <u>1,282,882</u>	\$ <u>1,059,190</u>	\$ <u>980,463</u>	\$ <u>768,309</u>	\$ <u>630,582</u>	\$ <u>4,721,426</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

PERTH AMBOY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2015

I. Summary of Auditor's Results

Financial Statement Section

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| a. | Material Weakness(es) identified? | No |
| b. | Were significant deficiencies identified not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | |
|----|--|------------|
| 1. | Dollar threshold used to distinguish between Type A and Type B programs: | \$487,483 |
| 2. | Auditee qualified as low-risk auditee? | Yes |
| 3. | Type of auditor's report on compliance for major programs: | Unmodified |
| 4. | Internal Control over compliance: | |
| a. | Material weakness(es) identified? | No |
| b. | Were significant deficiencies identified not considered to be material weaknesses? | No |
| c. | Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | No |
| 5. | Identification of major programs: | |

CFDA Number

Name of Federal Program

14.871
14.850a

Section 8 Housing Choice Voucher Program
Low Rent Public Housing

PERTH AMBOY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
MARCH 31, 2015

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

IV. Summary of Prior Year Audit Findings

None reported.

Perth Amboy Housing Authority										
N4006										
Financial Year Schedule (P25)										
March 31, 2015										
Line Item #	Account Description	PROJECT TOTAL	HOUSING COUNSELING AND SUPPORTIVE	CDRG GRANTS	RESIDENT OPPORTUNITY AND SUPPORT	HOUSING CHOICE VOUCHERS	BUSINESS ACTIVITY	COCC	ELIMINATION	TOTAL
ASSETS:										
CURRENT ASSETS:										
Cash:										
111	Cash - unrestricted	\$ 2,169,515				\$ 978,013	\$ 47,109	\$ 210,948		\$ 3,405,585
112	Cash - restricted - modernization and development									
113	Cash - other restricted	719,464				597,473				1,316,937
114	Cash - tenant security deposits	122,863								122,863
115	Cash - restricted for payment of current liabilities									
160	Total cash	3,011,842	-			1,575,486	47,109	210,948	-	4,845,385
Accounts and notes receivables:										
121	Accounts receivable - PHA projects									
122	Accounts receivable - HUD other projects					18,165				18,165
123	Accounts receivable - HUD other projects									
124	Accounts receivable - other government				9,207					9,207
125	Accounts receivable - miscellaneous									
126	Accounts receivable - tenants	14,188				39,560		16,180		63,928
126.1	Allowance for doubtful accounts - tenants	(2,790)								(2,790)
126.2	Allowance for doubtful accounts - other									
127	Notes and mortgages receivable - current									
128	Fraud recovery	50,125				38,605				88,730
128.1	Allowance for doubtful accounts - fraud	(21,781)				(38,605)				(60,386)
129	Accrued interest receivable							556		556
120	Total receivables, net of allowances for doubtful accounts	39,738	-	9,207	11,834	58,125		16,736		135,840
Current investments										
131	Investments - unrestricted									
132	Investments - restricted									
135	Investments - restricted for payment of current liability									
142	Prepaid expenses and other assets	221,749				9,212		25,148		256,109
143	Inventories									
143.1	Allowance for obsolete inventories									
144	Interprogram - due from	11,834				9,207				21,041
145	Assets held for sale									
150	TOTAL CURRENT ASSETS	3,285,163	-	9,207	11,834	1,622,230	47,109	352,832		5,298,375
NONCURRENT ASSETS:										
Fixed assets:										
161	Land	1,135,854								1,135,854
162	Buildings	28,151,601								28,151,601
163	Furniture, equipment & machinery - dwelling									
164	Furniture, equipment & machinery - administration	599,520				10,495		107,555		717,570
165	Leasehold improvements	3,843,689								3,843,689
166	Accumulated depreciation	(1,650,799)				(3,849)		(81,882)		(17,003,329)
167	Construction in Progress	657,751		5,208						662,959
168	Infrastructure									
169	Total fixed assets, net of accumulated depreciation	17,476,430		5,208		6,646		25,873		17,508,237
Other non-current assets:										
171	Notes and mortgages receivable - non-current	2,039,178								2,039,178
172	Notes and mortgages receivable - non-current									
174	Other assets	1,285,000								1,285,000
175	Undistributed debts									
176	Investment in joint ventures									
180	TOTAL NONCURRENT ASSETS	20,781,608	-	5,208		6,646		25,873		20,812,335
190	TOTAL ASSETS	\$ 24,066,771	\$ -	\$ 14,415	\$ 11,834	\$ 1,628,876	\$ 47,109	\$ 378,705	\$ -	\$ 26,080,799

Perth Amboy Housing Authority											
N9006											
Financial Data Schedule (FD38)											
March 31, 2015											
Account Description											
Line Item #	OPERATING FUND TOTALS	CAPITAL FUND TOTALS	CDBG ENTITLEMENT GRANT	OPPORTUNITY AND SUPPORTIVE SERVICES	HOUSING COUNSELING ASSISTANCE PROGRAM	HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	BUSINESS ACTIVITIES	ELIMINATION	TOTAL	
REVENUE:											
70400	\$ 1,770,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,770,741	
70400	Net tenant rental revenue	-	-	-	-	-	-	-	-	52,516	
70500	Tenant revenue - other	-	-	-	-	-	-	-	-	1,832,257	
70500	Total tenant revenue	1,823,257	-	-	-	-	-	-	-	-	
HUD PHA grants											
70600	1,745,429	497,921	19,335	60,955	14,261	10,268,797	-	-	-	12,606,698	
70610	Capital grants	-	-	-	-	-	-	-	-	803,878	
70710	Management fee	-	803,878	-	-	-	-	-	-	-	
70720	Asset management fee	-	-	-	-	-	589,246	-	(589,246)	-	
70730	Book keeping fee	-	-	-	-	-	43,200	-	(43,200)	-	
70740	Front Line Service Fee	-	-	-	-	-	131,835	-	(131,835)	-	
70750	Other fees	-	-	-	-	-	-	-	-	-	
70800	Other government grants	-	-	-	-	-	48,165	-	(48,165)	-	
71100	Investment income - unrestricted	-	-	-	-	-	-	-	-	-	
71200	Mortgage interest income	-	-	-	-	-	4,493	-	-	1,175	
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	2,078	-	-	6,571	
71301	Cost of sale of assets	-	-	-	-	-	-	-	-	-	
71400	Fraud recovery	-	-	-	-	-	-	-	-	-	
71500	Fraud revenue	-	-	-	-	-	8,864	-	-	8,864	
71600	Other revenue	751,979	-	-	2,875	2,703,798	1,084	235,481	(344,500)	3,350,657	
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-	-	-	
72000	Investment income - restricted	21,921	-	-	-	-	-	-	-	21,921	
70000	TOTAL REVENUE	4,342,586	1,301,799	19,335	60,955	17,136	818,023	235,481	(1,156,976)	18,023,061	
EXPENSES:											
Administrative											
91100	Administrative salaries	305,769	-	17,217	-	8,932	416,079	99,721	-	1,227,006	
91200	Auditing fees	5,905	-	-	-	-	5,900	-	-	12,830	
91300	Outside management fees	284,721	90,600	-	-	-	214,525	-	(589,246)	-	
91310	Book-keeping fee	31,725	-	-	-	-	100,110	-	(131,835)	-	
91400	Advertising and marketing	424	-	-	-	-	-	1,575	-	1,999	
91500	Employee benefit contributions- administrative	208,885	-	2,118	-	3,565	185,201	231,698	12,449	644,316	
91600	Office expenses	168,035	23,339	-	-	3,621	79,274	79,274	-	344,328	
91700	Legal expenses	53,169	47,571	-	-	-	11,390	-	-	112,130	
91800	Travel	31,627	-	-	-	758	3,918	16,518	-	32,871	
91810	Allocated overhead	-	-	-	-	-	-	406	-	406	
91900	Other	3,554	59,104	-	-	-	2,840	122,905	(106,780)	81,623	
92000	Asset Management Fee	43,200	-	-	-	-	-	-	(43,200)	-	
Tenant services											
92100	Tenant services - salaries	-	-	-	35,246	-	-	-	-	-	
92200	Resident costs	-	-	-	-	-	82,298	-	-	117,544	
92300	Employee benefit contributions- tenant services	-	-	-	25,709	-	36,209	-	-	61,918	
92400	Tenant services - other	5,767	-	-	-	-	-	-	-	5,767	
Utilities											
93100	Water	377,030	-	-	-	-	-	-	-	377,030	
93200	Electricity	437,316	-	-	-	-	-	-	-	437,316	
93300	Gas	316,287	-	-	-	-	-	-	-	316,287	
93400	Fuel	-	-	-	-	-	-	-	-	-	
93500	Labor	-	-	-	-	-	-	-	-	-	
93600	Sewer	237,946	-	-	-	-	-	-	-	237,946	
93700	Employee benefit contributions- utilities	-	-	-	-	-	-	-	-	-	
93800	Other utilities expense	3,625	-	-	-	-	-	-	-	3,625	

Perth Ambury Housing Authority											
N4006											
Financial Data Schedule (FDS)											
March 31, 2015											

Perth Anshay Housing Authority											
KJ006											
Financial Data Schedule (FDS)											
March 31, 2015											
Line Item #	Account Description	OPERATING FUND TOTALS	CAPITAL FUND TOTALS	CDBG ENTITLEMENT GRANT	OPPORTUNITY AND SUPPORTIVE SERVICES	HOUSING COUNSELING ASSISTANCE PROGRAM	HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	BUSINESS ACTIVITIES	ELIMINATION	TOTAL
OTHER FINANCING SOURCES (USES)											
10010	Operating transfers in	198,000	-	-	-	-	-	80,000	-	(268,000)	-
10020	Operating transfers from primary government	-	(198,000)	-	-	-	-	-	(80,000)	268,000	-
10030	Operating transfers from component unit	-	-	-	-	-	-	-	-	-	(211,660)
10040	Operating transfers from component unit	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-	-	-	-	-
10091	Inter Project event cash transfer in	50,000	-	-	-	-	-	-	-	-	-
10092	Inter Project event cash transfer out	(50,000)	-	-	-	-	-	-	-	-	-
10093	Transfers between programs and project in	-	-	-	-	-	-	-	-	-	-
10094	Transfers between programs and project out	-	-	-	-	-	-	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	198,000	(198,000)	-	-	-	-	80,000	(80,000)	-	(211,660)
10000	EXCESS DEFICIENCY OF REVENUE OVER EXPENSE	(1,043,047)	903,878	-	-	-	(125,053)	(16,902)	41,332	-	(550,853)
MEMO ACCOUNT INFORMATION:											
11020	Required annual debt principal payments	-	125,000	-	-	-	-	-	-	-	125,000
11030	Beginning equity	20,647,837	-	5,288	-	-	1,377,148	51,293	5,177	-	22,086,743
11040	Prior period adjustments and equity transfers	592,218	(592,218)	-	-	-	-	-	-	-	-
11170	Administrative fee equity	-	-	-	-	-	597,832	-	-	-	597,832
11180	Housing assistance payments equity	-	-	-	-	-	255,063	-	-	-	255,063
11190	Unit months available	4,692	-	-	-	-	11,840	-	-	-	15,732
11210	Number of unit months leased	4,692	-	-	-	-	10,971	-	-	-	15,573
Equity Roll Forward Test:											
Calculation from R/E Statement		-	\$ 5,288	\$ -	\$ -	\$ -	\$ 1,252,095	\$ 34,391	\$ 47,109	\$ -	\$ 1,338,883
B/S Line 813		-	\$ -	\$ 5,288	\$ -	\$ -	\$ 1,252,095	\$ 34,391	\$ 47,109	\$ -	\$ 1,338,883
		-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -