

**PASSAIC HOUSING AUTHORITY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2015**

**PASSAIC HOUSING AUTHORITY  
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FOR THE YEAR ENDED DECEMBER 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Passaic Housing Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Passaic Housing Authority ("the Authority") as of and for the year ended December 31, 2015, 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 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 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)

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Passaic Housing Authority as of December 31, 2015, and the respective changes in financial position and cash flows for the year 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, schedule of pension contributions and schedule of net pension liability 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 an opinion on the financial statements that collectively comprise the Passaic Housing Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial data schedule is also not a required part of the financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The financial data schedule is the responsibility of management and was 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 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 is 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 July 14, 2016 on our consideration of the Passaic 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 Passaic Housing Authority's internal control over financial reporting and compliance.

*Fallon & Larsen LLP*

July 14, 2016  
Toms River, New Jersey

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

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

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended 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 – The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$11,551,627 (net position) as opposed to \$16,651,828 for the prior fiscal year. The reduction is primarily due to implementing GASB 68, which resulted in a charge of \$5,183,311.
- 2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$149,493.
- 3 – The Authority's cash and cash equivalent balance (excluding restricted cash) at December 31, 2015 was \$5,782,119 representing an increase of \$383,659 from the prior fiscal year.
- 4 – The Authority had Total Operating Revenues of \$23,510,295 and Total Operating Expenses of \$24,191,732 including \$1,291,451 for depreciation for the year ended December 31, 2015.
- 5 – The Authority's capital outlays for the fiscal year were \$1,034,458, of which \$752,292 was funded from the Authority's Capital Fund Program.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$20,921,830 for the fiscal year.

**B – Using the Annual Report**

**1 – Management's Discussion and Analysis**

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's Financial Statements and Notes to Financial Statements included in the this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

**2 – Financial Statements**

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

**PASSAIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
DECEMBER 31, 2015**

**B – Using the Annual Report (continued)**

**2 – Financial Statements (continued)**

The Statement of Net Position presents information on all the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 Statement 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 function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 13 through 17.

**3 – Notes to Financial Statements**

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

**4 – Supplemental Information**

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule of Expenditures of Federal Awards can be found on page 38 of this report.

**C – Summary of Programs Administered**

**1 – Conventional Public Housing**

Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

**2 – Housing Choice Voucher Program**

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

**PASSAIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
DECEMBER 31, 2015**

**D – The Authority as a Whole**

The Authority's Net Position decreased during the fiscal year by \$5,100,201. The Authority's revenues consist primarily of rents and 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.

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 and services for its' tenants, consequently, they are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

A summary of the Authority's Statement of Net Position as of December 31, 2015 and 2014 is as follows:

	<b>12/31/2015</b>	<b>12/31/2014</b>	<b>Net Change</b>
<b>Net Position:</b>			
Cash & Other Current Assets	\$ 7,134,925	\$ 5,842,350	\$ 1,292,575
Other Assets	448,611	974,505	(525,894)
Capital Assets, Net	11,284,286	11,541,279	(256,993)
Deferred Outflows of Resources	1,156,220	-	1,156,220
<b>Total Assests and Deferred Outflows</b>	<b>\$ 20,024,042</b>	<b>\$ 18,358,134</b>	<b>\$ 1,665,908</b>
Current Liabilities	\$ 895,263	\$ 726,342	\$ 168,921
Non-Current Liabilities	7,469,887	979,964	6,489,923
Deferred Inflows of Resources	107,265	-	107,265
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 8,472,415</b>	<b>\$ 1,706,306</b>	<b>\$ 6,766,109</b>
Net Investment in Capital Assets	\$ 11,284,286	\$ 11,541,279	\$ (256,993)
Restricted Net Position	117,848	83,091	34,757
Unrestricted Net Position	149,493	5,027,458	(4,877,965)
<b>Total Net Position</b>	<b>\$ 11,551,627</b>	<b>\$ 16,651,828</b>	<b>\$ (5,100,201)</b>

**PASSAIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
DECEMBER 31, 2015**

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

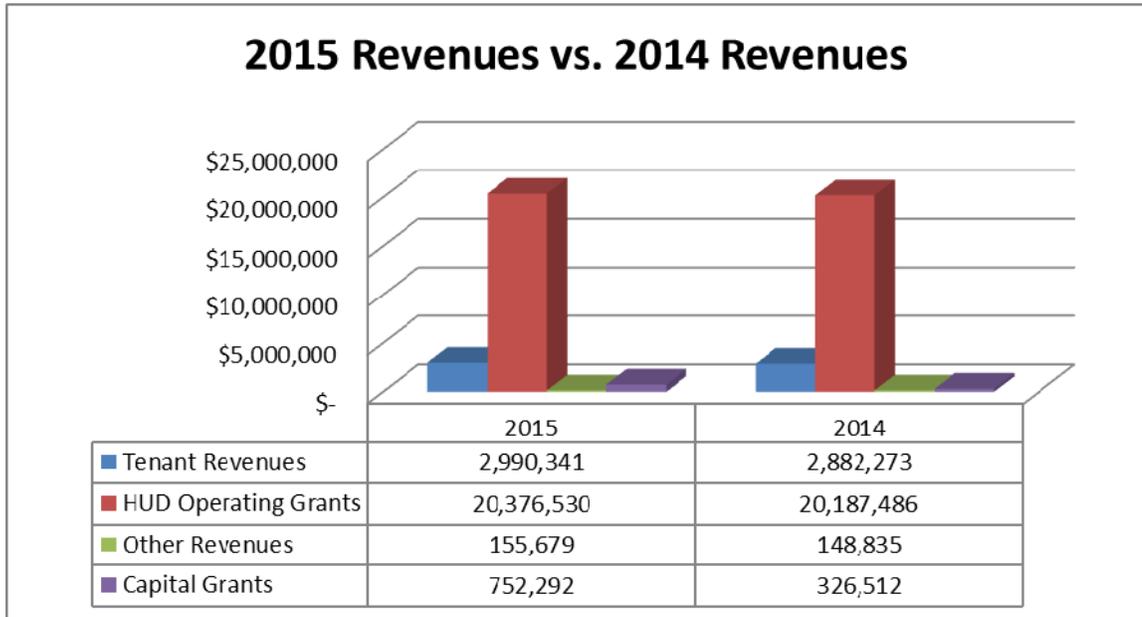
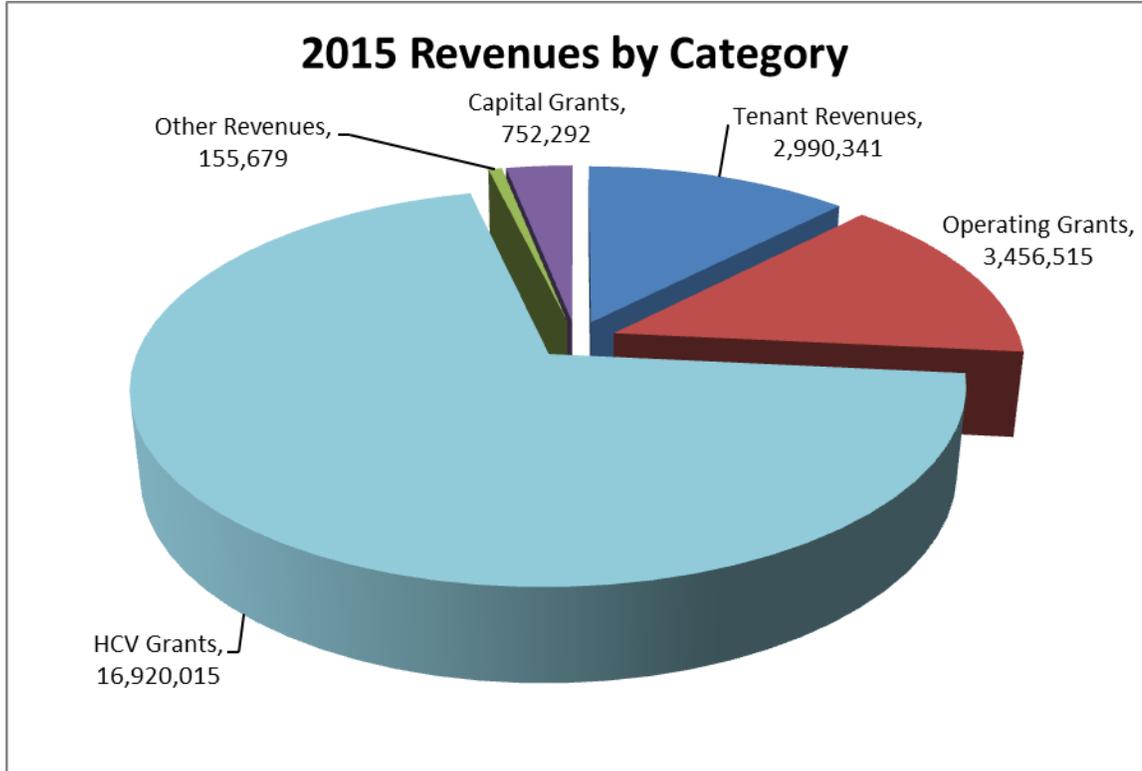
A summary of the Authority's Statement of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2015 and 2014 is as follows:

	<b>12/31/2015</b>	<b>12/31/2014</b>	<b>Net Change</b>
<b><u>Operating Revenues:</u></b>			
Tenant Revenues	\$ 2,990,341	\$ 2,882,273	\$ 108,068
HUD Grants	20,376,530	20,187,486	189,044
Other Revenues	143,424	126,944	16,480
<b>Total Operating Revenues</b>	<b>23,510,295</b>	<b>23,196,703</b>	<b>313,592</b>
<b><u>Operating Expenses:</u></b>			
Administrative	\$ 2,563,280	\$ 2,450,408	\$ 112,872
Tenant Services	298,633	325,964	(27,331)
Utilities	1,683,832	1,751,138	(67,306)
Ordinary Maintenance & Operations	1,945,138	2,080,032	(134,894)
Protective Services	418,870	414,823	4,047
Insurance & General Expenses	570,293	528,837	41,456
Housing Assistance Payments	15,420,235	15,356,982	63,253
Depreciation	1,291,451	1,431,120	(139,669)
<b>Total Operating Expenses</b>	<b>24,191,732</b>	<b>24,339,304</b>	<b>(147,572)</b>
<b>Operating Income (Loss)</b>	<b>\$ (681,437)</b>	<b>\$ (1,142,601)</b>	<b>\$ 461,164</b>
<b><u>Non-Operating Revenues (Expenses):</u></b>			
Investment Income	12,255	21,891	(9,636)
Capital Grants	752,292	326,512	425,780
<b>Total Non-Operating Revenues</b>	<b>\$ 764,547</b>	<b>\$ 348,403</b>	<b>\$ 416,144</b>
Change in Net Position	\$ 83,110	\$ (794,198)	\$ 877,308
<b>Net Position, Beginning of the Year</b>	<b>16,651,828</b>	<b>17,446,026</b>	<b>(794,198)</b>
<b>Change in Accounting Principle</b>			
Adopt GASB 68	(5,183,311)	-	-
<b>Net Position, End of the Year</b>	<b>\$ 11,551,627</b>	<b>\$ 16,651,828</b>	<b>\$ (5,100,201)</b>

**PASSAIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
DECEMBER 31, 2015**

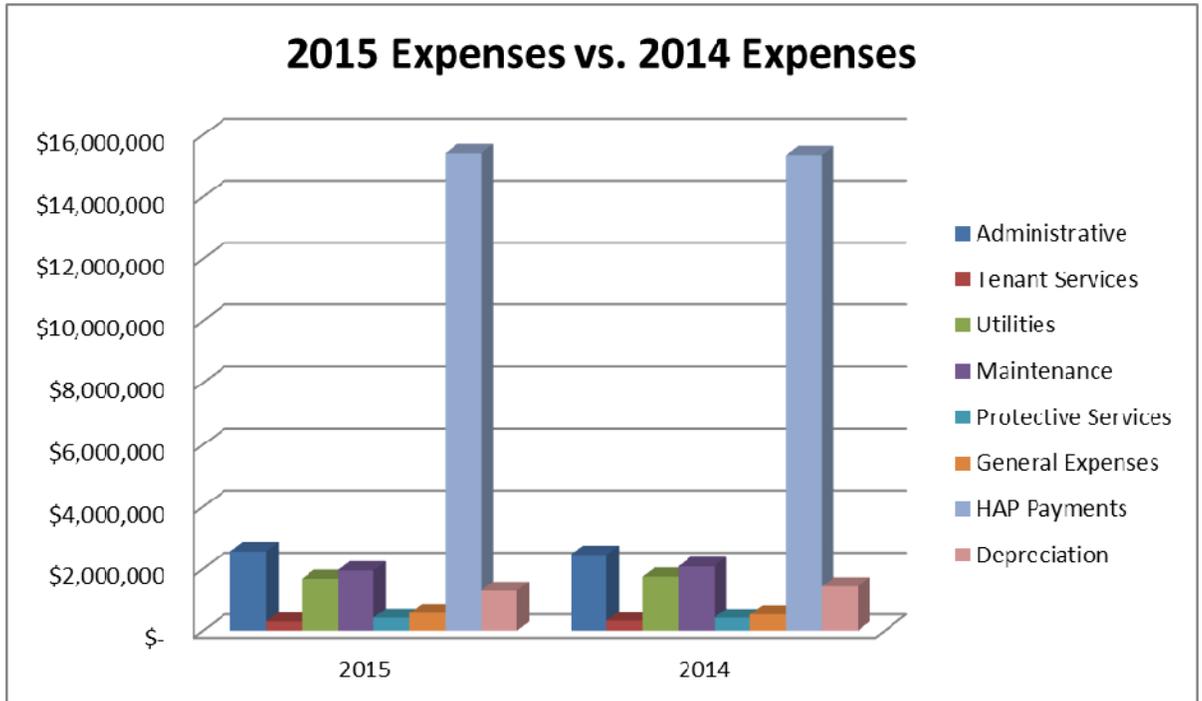
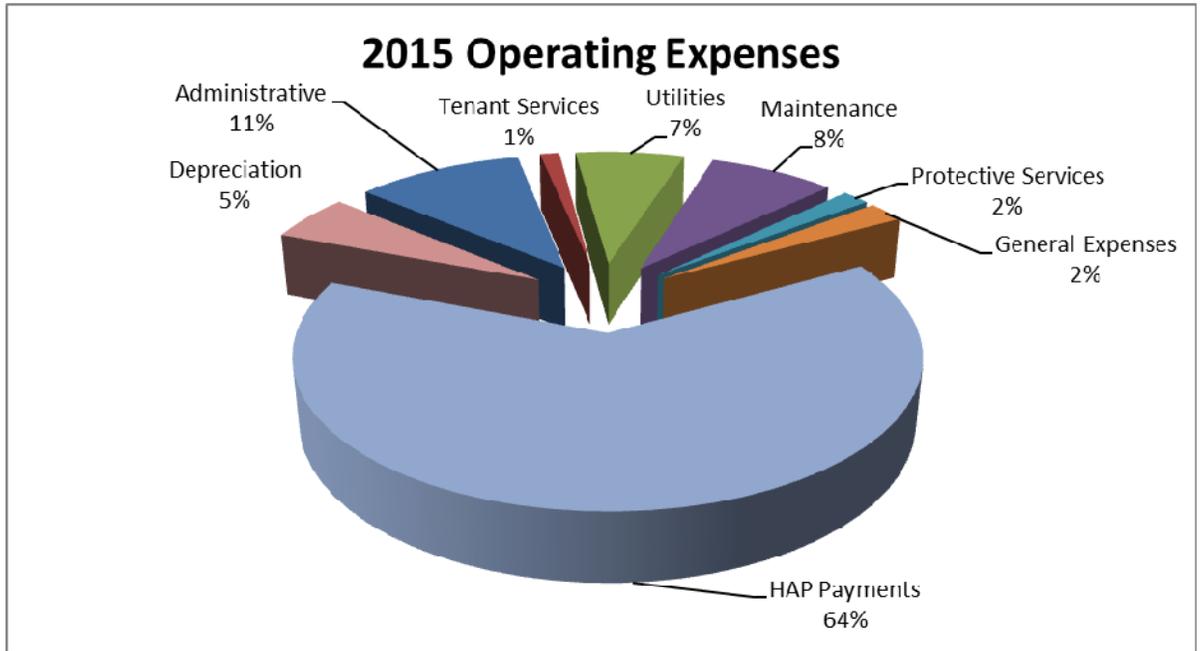
**D – The Authority as a Whole (continued)**

The following charts illustrate the Authority's financial activity on the previous page.



**PASSAIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
DECEMBER 31, 2015**

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



**PASSAIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
DECEMBER 31, 2015**

**E – Budgetary Highlights**

For the year ended December 31, 2015, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

Below is the Low Rent Public Housing Consolidated Budget to Actual Comparison.

	<b>Budget</b>	<b>Actual</b>	<b>Net Change</b>
<b><u>Operating Revenues:</u></b>			
Tenant Revenues	\$ 2,782,419	\$ 2,871,178	\$ (88,759)
HUD Grants	2,957,531	3,456,515	(498,984)
Other Revenues	224,075	246,678	(22,603)
Interest Income	1,630	1,388	242
<b>Total Operating Revenues</b>	<b>\$ 5,965,655</b>	<b>\$ 6,575,759</b>	<b>\$ (610,104)</b>
<b><u>Operating Expenses:</u></b>			
Administrative	\$ 1,295,667	\$ 1,504,307	\$ (208,640)
Tenant Services	219,631	298,633	(79,002)
Utilities	1,802,125	1,683,832	118,293
Ordinary Maintenance & Operations	1,733,359	1,945,138	(211,779)
Protective Services	392,047	405,502	(13,455)
Insurance & General Expenses	453,969	480,442	(26,473)
<b>Total Operating Expenses</b>	<b>\$ 5,896,798</b>	<b>\$ 6,317,854</b>	<b>\$ (421,056)</b>
<b>Residual Receipts</b>	<b>\$ 68,857</b>	<b>\$ 257,905</b>	<b>\$ (189,048)</b>

*Note: Depreciation expense is excluded for budgetary purposes.*

**F – Summary of Significant Changes from Fiscal Year December 31, 2014 to 2015:**

- 1 – The Authority was required to adopt Government Accounting Standards Board Opinion (GASB) No. 68 which required that the Authority record its unfunded pension obligation as of January 1, 2015. The adoption of GASB 68 resulted in a net pension liability of \$5,347,496, deferred inflows of resources of \$318,682 and deferred outflows of resources of \$482,867.
- 2 – Cash and cash equivalents (including restricted cash) increased \$501,507 primarily as a result of the Authority generating \$1,088,333 from operating activities, \$19,858 from investing activities and used \$606,684 from capital and related financing activities.
- 3 – Restricted cash increased \$34,757 as HUD overfunded the Authority in the Housing Choice Voucher program. This restricted cash is only to be used for the payment of tenant rents.
- 4 – Capital asset decreased \$256,993 as depreciation expense of \$1,291,451 exceeded capital purchases of \$1,034,458.

**PASSAIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
DECEMBER 31, 2015**

**F – Summary of Significant Changes from Fiscal Year December 31, 2014 to 2015 (continued):**

5 – The Authority's operating grants increased \$189,044 as follows:

- Low Rent Public Housing Operating subsidies increased \$121,842
- Housing Choice Voucher Subsidies increased \$112,068
- Capital Fund Operating grants decreased \$30,124
- R.O.S.S. Grant decreased \$14,742

6 – The decrease in tenant services costs of \$27,331 can be attributed to a decrease in salaries and employee benefits.

7 – The Authority's HAP payments increased \$63,253 from 2014 to 2015 primarily due to the Authority having 575 more unit months under lease which was offset by the Authority having less port in vouchers to administer.

8 – Insurance and general expenses increased \$41,456 as PILOT increased \$19,700 and insurance expense increased \$20,629.

**G – Capital Assets and Debt Administration**

**1 – Capital Assets**

As of December 31, 2015, the Authority's investment in capital assets for its Proprietary Fund was \$11,284,286 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Additional informational on the Authority's capital assets can be found in Note 6 to the Financial Statements which is included in this Report.

**2 – Long Term Debt**

As of December 31, 2015, the Authority has no interest bearing long-term debt. However, as discussed in note 12 of the financial statements, the Authority has entered into a repayment agreement with HUD. The original amount of that agreement was \$590,042.

Beginning in 2007, the Authority is to repay HUD in the amount of \$19,668 per annum through 2036. The amount is interest free and unsecured. As of December 31, 2015, \$432,697 remains payable.

**H – Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2015:

- 1 – The state of the economy, particularly, unemployment and current world affairs.
- 2 – The possible cut-back on HUD subsidies and grants by Congress.
- 3 – The continued increases of health insurance costs.

**PASSAIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
DECEMBER 31, 2015**

**I – Contacting the Authority's Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Vincent Wynter, Director of Finance and Operations, Housing Authority of the City of Passaic, 52 Aspen Place, Passaic, NJ 07055

## **FINANCIAL STATEMENTS**

**PASSAIC HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2015**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,782,119
Accounts receivable - HUD	103,008
Accounts receivable - tenants, net	17,583
Accounts receivable - miscellaneous	970,748
Notes receivable, current	24,744
Prepaid expenses	<u>236,723</u>
Total current assets	<u>7,134,925</u>
Non-current assets:	
Restricted cash and cash equivalents	117,848
Notes receivable, non-current	330,763
Capital assets, net	<u>11,284,286</u>
Total non-current assets	<u>11,732,897</u>
Total assets	<u>18,867,822</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>1,156,220</u>
Total assets and deferred outflows of resources	<u>\$ 20,024,042</u>

**PASSAIC HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION (continued)**  
**AS OF DECEMBER 31, 2015**

LIABILITIES

Current liabilities:	
Accounts payable	\$ 177,461
HUD liability - current portion	39,336
Accounts payable - other government	131,323
Accrued expenses	100,824
Accrued compensated absences, current	48,001
Tenant security deposits	204,694
Prepaid tenant rent	10,811
Accrued liabilities - other	<u>182,813</u>
Total current liabilities	<u>895,263</u>
Non-current liabilities:	
Accrued compensated absences, non-current	596,067
HUD liability, net of current portion	393,361
Net pension liability	<u>6,480,459</u>
Total non-current liabilities	<u>7,469,887</u>
Total liabilities	<u>8,365,150</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>107,265</u>
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NET POSITION

Net position:	
Net investment in capital assets	11,284,286
Restricted	117,848
Unrestricted	<u>149,493</u>
Total net position	<u>11,551,627</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 20,024,042</u>

See accompanying notes to financial statements.

**PASSAIC HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Operating revenues:	
Tenant revenue	\$ 2,990,341
HUD grants	20,376,530
Other revenues	<u>143,424</u>
Total operating revenue	<u>23,510,295</u>
Operating expenses:	
Administrative	2,563,280
Tenant services	298,633
Utilities	1,683,832
Ordinary maintenance and operations	1,945,138
Protective services	418,870
Insurance and general expenses	570,293
Housing assistance payments	15,420,235
Depreciation	<u>1,291,451</u>
Total operating expenses	<u>24,191,732</u>
Operating loss	<u>(681,437)</u>
Non-operating revenues (expenses):	
Investment income	<u>12,255</u>
Loss before capital grants	(669,182)
Capital grants	<u>752,292</u>
Change in net position	83,110
Total net position, beginning of year (as restated)	<u>11,468,517</u>
Total net position, end of year	<u>\$ 11,551,627</u>

See accompanying notes to financial statements.

**PASSAIC HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 2,953,068
Cash received from grantors	20,273,522
Cash paid to vendors	(19,794,037)
Cash paid to employees	<u>(2,344,220)</u>
Net cash flows provided by operating activities	<u>1,088,333</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(1,034,458)
RAD program development costs	(324,518)
Capital grants	<u>752,292</u>
Net cash flows used by capital and related financing activities	<u>(606,684)</u>
Cash Flows from Investing Activities:	
Repayment on note receivable	7,603
Investment income	<u>12,255</u>
Net cash flows provided by investing activities	<u>19,858</u>
Net increase in cash	501,507
Cash and cash equivalents, beginning of year	<u>5,398,460</u>
Cash and cash equivalents, end of year	<u>\$ 5,899,967</u>

See accompanying notes to financial statements.

**PASSAIC HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Reconciliation of operating loss to net cash provided  
by operating activities:

Operating loss	\$ (681,437)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,291,451
Bad debts	9,985
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources::	
Accounts receivable - HUD	(103,008)
Accounts receivable - tenants	(13,577)
Accounts receivable - miscellaneous	159,883
Prepaid expenses	(1,542)
Deferred outflows of resources	(1,156,220)
Accounts payable	(70,075)
Accounts payable - other government	19,700
Accrued expenses	193,229
Accrued compensated absences	48,001
Tenant security deposits	4,876
Prepaid tenant rent	(17,346)
Net pension liability	1,297,148
Deferred outflows of resources	<u>107,265</u>
Net cash provided by operating activities	<u>\$ 1,088,333</u>

A reconciliation of cash and cash equivalents  
to Statements of Net Position is as follows:

Unrestricted cash and cash equivalents	\$ 5,782,119
Restricted cash and cash equivalents	<u>117,848</u>
	<u>\$ 5,899,967</u>

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Passaic 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 City of Passaic. 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 Housing Authority's Board 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:

Public and Indian Housing Program

The Public and Indian Housing Program is designed to provide low-cost housing. 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 Choice Voucher 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.

Resident Opportunity and Supportive Services Program

The purpose of the Resident Opportunities and Self Sufficiency (ROSS) grant program is to provide funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

**PASSAIC HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 Passaic 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.

**D. Basis of Accounting**

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 of Cash Flows. GASB 34 also requires the Authority to include Managements' 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.

**PASSAIC HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

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 require that housing assistance payments ("HAP"), under proprietary fund reporting, should be reported as restricted net position with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported as unrestricted.

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, the aforementioned funds are treated as restricted cash and cash equivalents on the Authority's Statements of Net Position and Cash Flows.

Both administrative fee and HAP revenues 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.

**New Accounting Standards Adopted**

The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board "*Accounting and Financial Reporting for Pensions*." The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans of State and Local Governments. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

**E. Cash and cash equivalents**

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States, or the 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.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Cash and cash equivalents (continued)**

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

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit, or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes 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.

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

**F. Accounts Receivable - tenants, net**

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

The Authority 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.

**G. Prepaid Expenses**

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

**H. Capital Assets, net**

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.

**PASSAIC HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Capital Assets, net (continued)**

Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

• Buildings	40 Years
• Leasehold Improvements	15 Years
• Furniture and Equipment	5 Years
• Computers	3 Years

The Authority has established a capitalization threshold of \$2,000.

**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 the current salary to a maximum of \$15,000.

**J. Prepaid Rent**

The Authority's prepaid rent primarily consists of the prepayment of rent by residents.

**K. 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, interprogram receivables and payables are eliminated for financial statement purposes.

**L. Taxes**

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

**PASSAIC HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. 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, and contingencies. Actual results could differ significantly from these estimates.

**O. Equity Classifications**

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

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

Restricted net position - 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 "net investment in capital assets."

**P. Economic Dependency**

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

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Budgets and Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its programs 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.

**R. Impairment of Long Lived Assets**

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements.

**NOTE 2. CASH AND CASH EQUIVALENTS**

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

As of December 31, 2015, the carrying amount of the Authority's cash (including restricted cash) was \$5,899,967 and the bank balances were \$6,473,414, respectively.

Of the bank balances, \$541,901 was covered by federal depository insurance and the remaining \$5,931,513 was collateralized with the pledging financial institution as of December 31, 2015.

<u>Cash Account</u>	<u>Amount</u>
Insured:	
FDIC	\$ 541,901
Collateralized:	
Governmental Unit Depository Protection Act	<u>5,931,513</u>
	<u>\$ 6,473,414</u>

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 December 31, 2015, the Authority's bank balances were not exposed to custodial credit risk.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 3. ACCOUNTS RECEIVABLE**

**A. Accounts receivable - HUD**

Accounts receivable - HUD consists of unreimbursed expenditures from various grant programs and amounted to \$103,008 as of December 31, 2015. Management estimates that the amount is fully collectable and as such has made no allowance for doubtful accounts.

**B. Accounts receivable - tenants, net**

Accounts receivable - tenants, net are shown net of an allowance for doubtful accounts of \$18,451 as of December 31, 2015.

**C. Accounts receivable - miscellaneous**

Accounts receivable - miscellaneous consisted of amounts due from the Public Housing Authorities Joint Insurance Fund for insurance claims as a result of damages caused by Hurricane Irene in 2011, portable tenants in the Housing Choice Voucher program and unreimbursed expenditures from the Authority's conversion to the Rental Assistance Demonstration Program.

The amounts are shown net of an allowance for doubtful accounts of \$40,050.

**NOTE 4. PREPAID EXPENSES**

The Authority contributed funds to the Housing Authority Risk Retention Group at inception. Amounts are held as prepaid insurance expenses as amounts will be used to supplement insurance as needed.

**NOTE 5. NOTES RECEIVABLE**

The Authority issued a note receivable dated November 26, 2014 to the Passaic Affordable Housing Coalition to facilitate the development of affordable housing in Passaic, NJ. Monthly principal and interest payments of \$3,552.47 are due monthly, beginning in June, 2015. The loan is unsecured and matures in March, 2035.

	\$ 355,507
Less: current portion	<u>24,744</u>
Note receivable, excluding current portion	<u>\$ 330,763</u>

**PASSAIC HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 6. CAPITAL ASSETS, NET**

A summary of the changes in capital assets during the year ended December 31, 2015 were as follows:

Description	December 31, 2014	Additions	Disposals	Transfers	December 31, 2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,946,351	\$ -	\$ -	\$ -	\$ 1,946,351
Construction in progress	<u>1,193,572</u>	<u>752,292</u>	<u>-</u>	<u>-</u>	<u>1,945,864</u>
Total	<u>3,139,923</u>	<u>752,292</u>	<u>-</u>	<u>-</u>	<u>3,892,215</u>
<u>Depreciable capital assets:</u>					
Buildings and improvements	64,065,768	177,049	-	-	64,242,817
Leasehold improvements	2,752,841	-	-	-	2,752,841
Furniture and equipment	<u>2,083,935</u>	<u>105,117</u>	<u>-</u>	<u>-</u>	<u>2,189,052</u>
Total	<u>68,902,544</u>	<u>282,166</u>	<u>-</u>	<u>-</u>	<u>69,184,710</u>
Less: accumulated depreciation	<u>60,501,188</u>	<u>1,291,451</u>	<u>-</u>	<u>-</u>	<u>61,792,639</u>
Net capital assets	<u>\$ 11,541,279</u>	<u>\$ (256,993)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,284,286</u>

For the year ended December 31, 2015, depreciation expense totaled \$1,291,451.

**NOTE 7. ACCRUED COMPENSATED ABSENCES**

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued for which payment is probable. As of December 31, 2015, the Authority had accrued compensated absences totaling \$644,068, of which, management estimates \$48,001 to be currently due.

**NOTE 8. 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. Under the Cooperation Agreement, the Authority must pay the City the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended December 31, 2015, PILOT expense amounted to \$131,323.

**PASSAIC HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 9. NON-CURRENT LIABILITIES:**

As of December 31, 2015, other liabilities consisted of the following:

Description	December 31, 2014	Additions	Deletions	December 31, 2015	Due within one year
Accrued compensated absences	\$ 596,067	\$ 255,724	\$ (207,723)	\$ 644,068	\$ 48,001
Due to HUD	432,697	-	-	432,697	39,336
Net pension liability	<u>5,347,497</u>	<u>1,368,419</u>	<u>(235,457)</u>	<u>6,480,459</u>	<u>\$ -</u>
Total	<u>\$ 11,291,061</u>	<u>\$ 2,992,562</u>	<u>\$ (678,637)</u>	<u>\$ 13,604,986</u>	<u>\$ 48,001</u>

**NOTE 10. PENSION PLAN**

**A. 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 the 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).

**B. Benefits**

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:

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.

**PASSAIC HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 10. PENSION PLAN (continued)**

**C. Contributions**

Early retirement benefits are available to tiers one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more 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 a member retires prior to the age at which a member 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.

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by all 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.

The local employers' contribution amounts are based on the 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 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 the assets.

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the Authority reported a liability of \$6,480,459 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating local employers, actuarially determined. At June 30, 2015 the Authority's proportion was .00289 percent which was a decrease of (.0003) percent from its proportion measured at July 1, 2014.

For the year ended December 31, 2015, the Authority recognized pension expense of \$492,665.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 10. PENSION PLAN (continued)**

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 695,951	\$ -
Changes in Proportion	305,668	-
Differences between expected and actual experience	154,601	-
Net differences between actual and projected earnings on pension plan investments	-	104,194
Net differences between Proportionate Share and actual Contribution	<u>\$ -</u>	<u>3,071</u>
Total	<u>\$ 1,156,220</u>	<u>\$ 107,265</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	<u>Amount</u>
2016	\$ 201,776
2017	201,776
2018	201,778
2019	281,445
2020	<u>162,180</u>
	<u>\$ 1,048,955</u>

**E. Actuarial Assumptions**

The total pension liability calculated utilizing a 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 total pension liability calculated utilizing a June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 10. PENSION PLAN (continued)**

**E. Actuarial Assumptions (continued)**

This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate	3.04%
Salary Increases 2012-2021	2.15-4.40%, based on age
Thereafter	3.15-5.40%, based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

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.

**F. Long-term expected rate of return**

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class includes the PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	1.04%
Core Bonds	1.75%	1.64%
Intermediate Term Bonds	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 Markets	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%

**PASSAIC HOUSING AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 10. PENSION PLAN (continued)**

**G. 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 the long-term expected rate of return on the 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 municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined 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.

**H. 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 of 4.90 percent, 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 percent) or 1 percentage point higher (5.90 percent) than the current rate.

	1% Decrease <u>(3.90%)</u>	Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Authority's proportionate share of the net pension liability	\$ <u>8,054,419</u>	\$ <u>6,480,459</u>	\$ <u>5,160,865</u>

**NOTE 11. POST-RETIREMENT BENEFITS**

The Authority participates in 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 labor agreements if they have twenty-five (25) or more years enrolled in the pension system.

**PASSAIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 11. POST-RETIREMENT BENEFITS (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. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions:

<u>Year</u>	<u>Amount</u>
2013	\$ <u>226,546</u>
2014	\$ <u>220,689</u>
2015	\$ <u>211,110</u>

**NOTE 12. HUD OFFICE OF INSPECTOR GENERAL AUDIT**

In 2006, HUD's Office of Inspector General ("OIG") concluded an audit of the Authority's operations. Results of the audit, which impacted the financial statements of the Authority, are as follows:

- 1) The OIG found that the Authority made an ineligible transfer of funds in the amount of \$1,000,000 from the Section 8 Program to the Low Rent Public Housing Program in fiscal year 2002. Accordingly, the 2005 financial statements and supplemental information reflect a \$1,000,000 equity transfer from the Low Rent Public Housing Program to the Section 8 Program in order to repay Section 8 program funds.
- 2) As a result of finding #1 above and according to Section 8 Program regulations, \$590,042 was not available for recapture by HUD. Therefore OIG has determined that this amount is owed back to HUD. The Authority has committed to repay HUD \$19,668 per annum, through 2036 from the Housing Choice Voucher Program. As of December 31, 2015, \$413,029 remains payable, of which \$39,336 is due currently.
- 3) The OIG also found that in fiscal year 2005, the Authority made an ineligible transfer of Capital Funds to the Section 8 Program. As a result, \$401,046 is owed back to the Capital Fund Program from the Section 8 Program. The Authority has agreed to charge \$13,368 per annum through 2036, to the Housing Choice Voucher Program for protective services. Protective service expenses are normally funded by the capital fund program. Included in protective services expense in 2015 is \$13,368 for this transaction.

**NOTE 13. RESTRICTED NET POSITION AND RESTRICTED CASH**

As of December 31, 2015, restricted net position restricted cash consisted of housing assistance payment reserves which are restricted for rent payments to landlords as part of the Housing Choice Voucher Program.

**PASSAIC HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE**

The Authority adopted the provisions of GASB Statement 68, *"Accounting and Financial Reporting for Pensions"* as amended by GASB Statement 71, *"Pension Transition for Contributions made Subsequent to the Measurement Date."* The provisions were effective for periods beginning after June 15, 2014. As of December 31, 2014, the Authority's net position has been reduced by \$5,183,311 to reflect a net pension liability of \$5,347,496, deferred outflows of resources of \$482,867 and deferred inflows of resources of \$318,682.

**NOTE 15. CONTINGENCIES**

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

**NOTE 16. 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.

The authority has also purchased flood insurance with the Selective Insurance Company for certain properties included in flood zones.

**NOTE 17. 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 July 14, 2016 (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  
Passaic Housing Authority:

We have audited, in accordance with the 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, the financial statements of the Passaic Housing Authority ("the Authority") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Passaic Housing Authority's basic financial statements, and have issued our report thereon dated July 14, 2016.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 Passaic 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*

July 14, 2016  
Toms River, New Jersey



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
NEW JERSEY OMB CIRCULAR 04-04**

To the Board of Commissioners  
Passaic Housing Authority:

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

We have audited the Passaic Housing Authority compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Passaic Housing Authority's major federal programs for the year ended December 31, 2015. Passaic 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 the Passaic 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State of New Jersey OMB Circular 04-04. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Passaic 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 Passaic Housing Authority's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
NEW JERSEY OMB CIRCULAR 04-04 (continued)**

**Opinion on Each Major Federal Program**

In our opinion, Passaic 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 December 31, 2015.

**Report on Internal Control Over Compliance**

Management of Passaic 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 Passaic 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 the Uniform Guidance, 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 Passaic 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

July 14, 2016  
Toms River, New Jersey

*Fallon & Larsen LLP*

**PASSAIC HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period From / To		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
<u>U.S. Department of Housing and Urban Development</u>								
Low Rent Public Housing:								
NJ013-00000115D	14.850	N/A	1/1/15	12/31/15	1,718,351	1,718,351	1,718,351	1,718,351
NJ013-00000215D	14.850	N/A	1/1/15	12/31/15	689,950	689,950	689,950	689,950
NJ013-00000315D	14.850	N/A	1/1/15	12/31/15	<u>479,980</u>	<u>479,980</u>	<u>479,980</u>	<u>479,980</u>
Grant subtotal					<u>2,888,281</u>	<u>2,888,281</u>	<u>2,888,281</u>	<u>2,888,281</u>
Section 8 Housing Choice Voucher Program:								
NJ013-2FPH-2014	14.871	N/A	1/1/15	12/31/15	<u>16,920,015</u>	<u>16,920,015</u>	<u>16,713,023</u>	<u>16,694,491</u>
Public Housing Capital Fund Program:								
NJ39P013501-11	14.872	N/A	8/3/11	8/2/15	1,011,387	4,852	4,852	1,011,387
NJ39P013501-12	14.872	N/A	3/12/12	3/11/16	935,015	151,101	151,101	935,015
NJ39P013501-13	14.872	N/A	9/9/13	9/8/17	898,389	224,863	224,863	898,389
NJ39P013501-14	14.872	N/A	5/13/14	5/12/18	1,055,509	115,269	115,269	507,321
NJ39P013501-15	14.872	N/A	6/9/15	6/8/19	<u>1,075,617</u>	<u>651,433</u>	<u>754,441</u>	<u>754,441</u>
Grant subtotal					<u>4,975,917</u>	<u>1,147,518</u>	<u>1,250,526</u>	<u>4,106,553</u>
Resident Opportunity and Supportive Services Program:								
NJ013RPS073A011	14.870	N/A	9/22/11	9/22/15	<u>240,000</u>	<u>70,000</u>	<u>70,000</u>	<u>240,000</u>
Totals					<u>\$ 25,024,213</u>	<u>\$ 21,025,814</u>	<u>\$ 20,921,830</u>	<u>\$ 23,929,325</u>

**PASSAIC HOUSING AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Passaic Housing Authority under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Passaic Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Passaic 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 December 31, 2015.

**PASSAIC HOUSING AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 5. SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES**

The total amount of Capital Fund Program Costs and Advances incurred and earned by the Passaic Housing Authority as of and for the year ended December 31, 2015 are provided herein.

	<u>501-11</u>	<u>501-12</u>	<u>501-13</u>	<u>501-14</u>	<u>501-15</u>	<u>Totals</u>
Budget	\$ <u>1,011,387</u>	\$ <u>935,015</u>	\$ <u>898,389</u>	\$ <u>1,055,509</u>	\$ <u>1,075,617</u>	\$ <u>4,975,917</u>
<u>Advances:</u>						
Cumulative through 12/30/2014	\$ 1,006,535	\$ 783,914	\$ 673,526	\$ 392,052	\$ -	\$ 2,856,027
Current year	<u>4,852</u>	<u>151,101</u>	<u>224,863</u>	<u>115,269</u>	<u>651,433</u>	<u>1,147,518</u>
Cumulative through 12/31/2015	<u>1,011,387</u>	<u>935,015</u>	<u>898,389</u>	<u>507,321</u>	<u>651,433</u>	<u>4,003,545</u>
<u>Costs:</u>						
Cumulative through 12/30/2014	1,006,535	783,914	673,526	392,052	-	2,856,027
Current year	<u>4,852</u>	<u>151,101</u>	<u>224,863</u>	<u>115,269</u>	<u>754,441</u>	<u>1,250,526</u>
Cumulative through 12/31/2015	<u>1,011,387</u>	<u>935,015</u>	<u>898,389</u>	<u>507,321</u>	<u>754,441</u>	<u>4,106,553</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(103,008)</u>	\$ <u>(103,008)</u>

Capital Fund Grant's NJ39P013501-11, NJ39P013501-12 and NJ39P013501-13 with approved fundings of \$1,011,387, \$935,015 and \$898,389, respectively, have been fully drawn down and expended as per Capital Fund Grant Regulations.

**PASSAIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 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<br>not considered to be material weaknesses? | No         |
| 3. | Noncompliance material to the financial statements?                                      | No         |

Federal Awards Section

- |    |   |            |
|----|---|------------|
| 1. | Dollar threshold used to distinguish Type A Programs  |            |
|    | from Type B Programs:   | \$627,655  |
| 2. | Auditee qualified as low-risk Auditee?  | Yes        |
| 3. | Type of auditor's report on compliance<br>for major programs:   | Unmodified |
| 4. | Internal Control over compliance:   |            |
|    | a. Material weakness(es) identified?  | No         |
|    | b. Were significant deficiencies identified<br>not considered to be material weaknesses?  | No         |
|    | c. Any audit findings disclosed that are required<br>to be reported in accordance with OMB Circular<br>A-133 (section .510(a))? | No         |

5. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Voucher Program
14.872	Public Housing Capital Fund

**PASSAIC HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**DECEMBER 31, 2015**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with government auditing standards.

III. Federal Award Findings and Questioned Costs

There were no findings or questions costs relating to federal awards.

IV. Summary of Prior Audit Findings

None reported.

**PASSAIC HOUSING AUTHORITY  
REQUIRED PENSION INFORMATION  
DECEMBER 31, 2015**

**SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS\*\*\***

	December 31, <u>2013</u>	December 31, <u>2014</u>	December 31, <u>2015</u>
Contractually required contribution	\$ 215,760	\$ 209,330	\$ 235,457
Contributions in relation to the contractually required contribution	<u>215,760</u>	<u>209,330</u>	<u>235,457</u>
(Over) / under funded	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Authority's covered-employee payroll	\$ <u>2,499,763</u>	\$ <u>2,568,176</u>	\$ <u>2,339,335</u>
Contributions as a percentage of covered-employee payroll	<u>8.63 %</u>	<u>8.15 %</u>	<u>10.07 %</u>

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET PENSION LIABILITY FOR THE LAST TEN FISCAL YEARS\*\*\***

	December 31, <u>2013</u>	December 31, <u>2014</u>	December 31, <u>2015</u>
Authority's proportion of the net pension liability	<u>0.0266 %</u>	<u>0.0286 %</u>	<u>0.0289 %</u>
Authority's proportionate share of the net pension liability	\$ <u>5,068,108</u>	\$ <u>5,347,497</u>	\$ <u>6,480,460</u>
Authority's covered-employee payroll	\$ <u>2,499,763</u>	\$ <u>2,568,176</u>	\$ <u>2,339,335</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>202.74 %</u>	<u>208.22 %</u>	<u>277.02 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.72 %</u>	<u>52.08 %</u>	<u>47.93 %</u>

\*\*\* = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

Passaic Housing Authority							
NJ013							
Financial Data Schedule (FDS)							
December 31, 2015							
Line Item #	Account Description	PROJECTS	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
<b>ASSETS:</b>							
<b>CURRENT ASSETS:</b>							
Cash:							
111	Cash - unrestricted	\$ 1,749,382	\$ -	\$ 2,389,120	\$ 1,438,923	\$ -	\$ 5,577,425
112	Cash - restricted - modernization and development	-	-	-	-	-	-
113	Cash - other restricted	-	-	117,848	-	-	117,848
114	Cash - tenant security deposits	204,694	-	-	-	-	204,694
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-
100	Total cash	1,954,076	-	2,506,968	1,438,923	-	5,899,967
Accounts and notes receivables:							
121	Accounts receivable - PHA projects	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	-	-	103,008	-	103,008
124	Accounts receivable - other government	-	-	1,019	-	-	1,019
125	Accounts receivable - miscellaneous	119,834	-	-	889,945	-	1,009,779
126	Accounts receivable- tenants	36,034	-	-	-	-	36,034
126.1	Allowance for doubtful accounts - tenants	(18,451)	-	-	-	-	(18,451)
126.2	Allowance for doubtful accounts - other	(40,050)	-	-	-	-	(40,050)
127	Notes, loans, & mortgages receivable- current	-	-	-	24,744	-	24,744
128	Fraud recovery	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	97,367	-	1,019	1,017,697	-	1,116,083
Current investments							
131	Investments - unrestricted	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-	-
142	Prepaid expenses and other assets	7,528	-	-	229,195	-	236,723
143	Inventories	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	2,058,971	-	2,507,987	2,685,815	-	7,252,773
<b>NONCURRENT ASSETS:</b>							
Fixed assets:							
161	Land	1,946,351	-	-	-	-	1,946,351
162	Buildings	64,242,817	-	-	-	-	64,242,817
163	Furniture, equipment & machinery - dwellings	443,171	-	-	-	-	443,171
164	Furniture, equipment & machinery - administration	1,308,487	-	57,749	379,645	-	1,745,881
165	Leasehold improvements	2,752,841	-	-	-	-	2,752,841
166	Accumulated depreciation	(61,377,581)	-	(38,361)	(376,697)	-	(61,792,639)
167	Construction in Progress	1,945,864	-	-	-	-	1,945,864
168	Infrastructure	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	11,261,950	-	19,388	2,948	-	11,284,286
Other non-current assets:							
171	Notes, loans and mortgages receivable - non-current	-	-	-	330,763	-	330,763
172	Notes, loans and mortgages receivable-non-current - past due	-	-	-	-	-	-
173	Grants receivable - non-current	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	11,261,950	-	19,388	333,711	-	11,615,049
200	Deferred Outflow of Resources	741,033	-	194,497	220,690	-	1,156,220
190	TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 14,061,954	\$ -	\$ 2,721,872	\$ 3,240,216	\$ -	\$ 20,024,042

Passaic Housing Authority														
NJ013														
Financial Data Schedule (FDS)														
December 31, 2015														
Line Item #					Account Description	PROJECTS	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL			
<b>LIABILITIES AND EQUITY:</b>														
Liabilities:														
Current Liabilities:														
311					Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
312					Accounts payable ≤ 90 days	115,475	-	1,852	2,965	-	120,292			
313					Accounts payable > 90 days past due	57,169	-	-	-	-	57,169			
321					Accrued wage/payroll taxes payable	64,329	-	15,548	20,947	-	100,824			
322					Accrued compensated absences - current portion	26,374	-	12,173	9,454	-	48,001			
324					Accrued contingency liability	-	-	-	-	-	-			
325					Accrued interest payable	-	-	-	-	-	-			
331					Accounts payable - HUD PHA programs	-	-	39,336	-	-	39,336			
332					Accounts payable - PHA projects	-	-	-	-	-	-			
333					Accounts payable - other government	131,323	-	-	-	-	131,323			
341					Tenant security deposits	204,694	-	-	-	-	204,694			
342					Unearned revenue	10,811	-	-	-	-	10,811			
343					Current portion of L-T debt - capital projects	-	-	-	-	-	-			
344					Current portion of L-T debt - operating borrowings	-	-	-	-	-	-			
345					Other current liabilities	-	-	-	-	-	-			
346					Accrued liabilities - other	95,515	-	-	87,298	-	182,813			
347					Interprogram - due to	-	-	-	-	-	-			
310					<b>TOTAL CURRENT LIABILITIES</b>	<b>705,690</b>	<b>-</b>	<b>68,909</b>	<b>120,664</b>	<b>-</b>	<b>895,263</b>			
<b>NONCURRENT LIABILITIES:</b>														
351					Long-term debt, net of current - capital projects/mortgage	-	-	-	-	-	-			
352					Long-term debt, net of current - operating borrowings	-	-	-	-	-	-			
353					Non-current liabilities- other	-	-	393,361	-	-	393,361			
354					Accrued compensated absences - noncurrent	283,550	-	116,789	195,728	-	596,067			
355					Loan Liability - Non Current	-	-	-	-	-	-			
356					FASB 5 Liabilities	-	-	-	-	-	-			
357					Accrued pension and OPEB liabilities	4,153,387	-	1,090,134	1,236,938	-	6,480,459			
350					<b>TOTAL NONCURRENT LIABILITIES</b>	<b>4,436,937</b>	<b>-</b>	<b>1,600,284</b>	<b>1,432,666</b>	<b>-</b>	<b>7,469,887</b>			
300					<b>TOTAL LIABILITIES</b>	<b>5,142,627</b>	<b>-</b>	<b>1,669,193</b>	<b>1,553,330</b>	<b>-</b>	<b>8,365,150</b>			
400					Deferred Inflow of Resources	68,747	-	18,044	20,474	-	107,265			
<b>EQUITY:</b>														
508.4					Net Investment in Capital Assets	11,261,950	-	19,388	2,948	-	11,284,286			
511.4					Restricted Net Position	-	-	117,848	-	-	117,848			
512.4					Unrestricted Net Position	(2,411,370)	-	897,399	1,663,464	-	149,493			
513					<b>TOTAL EQUITY</b>	<b>8,850,580</b>	<b>-</b>	<b>1,034,635</b>	<b>1,666,412</b>	<b>-</b>	<b>11,551,627</b>			
600					<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY</b>	<b>\$ 14,061,954</b>	<b>\$ -</b>	<b>\$ 2,721,872</b>	<b>\$ 3,240,216</b>	<b>\$ -</b>	<b>\$ 20,024,042</b>			
					<b>Proof of concept</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			

Passaic Housing Authority								
NJ013								
Financial Data Schedule (FDS)								
December 31, 2015								
Line Item #	Account Description	OPERATING	CAPITAL	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
<b>REVENUE:</b>								
70300	Net tenant rental revenue	\$ 2,871,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,871,178
70400	Tenant revenue - other	119,163	-	-	-	-	-	119,163
70500	Total tenant revenue	2,990,341	-	-	-	-	-	2,990,341
70600	HUD PHA grants	2,888,281	498,234	70,000	16,920,015	-	-	20,376,530
70610	Capital grants	-	752,292	-	-	-	-	752,292
70710	Management fee	-	-	-	-	836,553	(836,553)	-
70720	Asset management fee	-	-	-	-	45,960	(45,960)	-
70730	Book keeping fee	-	-	-	-	196,215	(196,215)	-
70750	Other fees	-	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-	-
71100	Investment income - unrestricted	1,388	-	-	2,634	8,183	-	12,205
71200	Mortgage interest income	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	13,358	-	-	13,358
71500	Other revenue	127,515	-	-	2,490	61	-	130,066
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	50	-	-	50
70000	<b>TOTAL REVENUE</b>	6,007,525	1,250,526	70,000	16,938,547	1,086,972	(1,078,728)	24,274,842
<b>EXPENSES:</b>								
Administrative								
91100	Administrative salaries	396,635	-	-	394,671	447,820	-	1,239,126
91200	Auditing fees	10,988	-	-	4,176	1,456	-	16,620
91300	Outside management fees	514,887	107,562	-	214,104	-	(836,553)	-
91310	Book-keeping fee	62,401	-	-	133,814	-	(196,215)	-
91400	Advertising and marketing	-	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	259,796	-	-	312,797	270,640	-	843,233
91600	Office expenses	69,124	-	-	47,658	50,650	-	167,432
91700	Legal expenses	60	-	-	20,950	56,874	-	77,884
91800	Travel	3,865	-	-	11,885	15,154	-	30,904
91810	Allocated overhead	-	-	-	-	-	-	-
91900	Other	33,029	-	-	75,965	79,087	-	188,081
92000	Asset Management Fee	45,960	-	-	-	-	(45,960)	-
Tenant services								
92100	Tenant services - salaries	147,364	-	46,041	-	-	-	193,405
92200	Relocation costs	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	46,200	-	23,959	-	-	-	70,159
92400	Tenant services - other	35,069	-	-	-	-	-	35,069

Passaic Housing Authority								
NJ013								
Financial Data Schedule (FDS)								
December 31, 2015								
Line Item #	Account Description	OPERATING	CAPITAL	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
	Utilities							
93100	Water	155,636	-	-	-	-	-	155,636
93200	Electricity	728,849	-	-	-	-	-	728,849
93300	Gas	340,152	-	-	-	-	-	340,152
93400	Fuel	-	-	-	-	-	-	-
93500	Labor	191,822	-	-	-	-	-	191,822
93600	Sewer	91,929	-	-	-	-	-	91,929
93700	Employee benefit contributions- utilities	170,744	-	-	-	-	-	170,744
93800	Other utilities expense	4,700	-	-	-	-	-	4,700
	Ordinary maintenance & operation							
94100	Ordinary maintenance and operations - labor	691,117	-	-	-	-	-	691,117
94200	Ordinary maintenance and operations - materials & other	176,584	43,047	-	-	-	-	219,631
94300	Ordinary maintenance and operations - contract costs	471,850	70,230	-	-	-	-	542,080
94500	Employee benefit contributions- ordinary maintenance	492,310	-	-	-	-	-	492,310
	Protective services							
95100	Protective services - labor	76,751	-	-	-	-	-	76,751
95200	Protective services- other contract costs	289,289	8,488	-	13,368	-	-	311,145
95300	Protective services - other	95	-	-	-	-	-	95
95500	Employee benefit contributions- protective services	30,879	-	-	-	-	-	30,879
	General expenses							
96100	Insurance premiums	312,760	-	-	13,406	16,996	-	343,162
96200	Other general expenses	-	-	-	37,821	-	-	37,821
96210	Compensated absences	26,374	-	-	12,173	9,455	-	48,002
96300	Payments in lieu of taxes	131,323	-	-	-	-	-	131,323
96400	Bad debt - tenant rents	9,985	-	-	-	-	-	9,985
96500	Bad debt- mortgages	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-	-
96710	Amortization of bond issue costs	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-
96900	<b>TOTAL OPERATING EXPENSES</b>	6,018,527	229,327	70,000	1,292,788	948,132	(1,078,728)	7,480,046
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	(11,002)	1,021,199	-	15,645,759	138,840	-	16,794,796
97100	Extraordinary maintenance	-	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	15,417,883	-	-	15,417,883
97350	HAP Portability - in	-	-	-	2,352	-	-	2,352
97400	Depreciation expense	1,277,889	-	-	8,468	5,094	-	1,291,451
97500	Fraud losses	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-
90000	<b>TOTAL EXPENSES</b>	7,296,416	229,327	70,000	16,721,491	953,226	(1,078,728)	24,191,732

Passaic Housing Authority								
NJ013								
Financial Data Schedule (FDS)								
December 31, 2015								
Line Item #	Account Description	OPERATING	CAPITAL	14.870 RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES	14.871 HOUSING CHOICE VOUCHERS	CENTRAL OFFICE COST CENTER	ELIMINATION	TOTAL
<b>OTHER FINANCING SOURCES (USES)</b>								
10010	Operating transfers in	268,907	-	-	-	-	(268,907)	-
10020	Operating transfers out		(268,907)	-	-	-	268,907	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-	-
10091	Inter Project excess cash transfer in	200,000	-	-	-	-	(200,000)	-
10092	Inter Project excess cash transfer out	(200,000)	-	-	-	-	200,000	-
10093	Transfers between program and project in	-	-	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-	-	-
10100	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	268,907	(268,907)	-	-	-	-	-
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(1,019,984)	752,292	-	217,056	133,746	-	83,110
<b>MEMO ACCOUNT INFORMATION:</b>								
11020	Required annual debt principal payments	-	-	-	-	-	-	-
11030	Beginning equity	12,440,304	-	-	1,689,509	2,522,015	-	16,651,828
11040	Prior period adjustments and equity transfers	(3,322,031)	-	-	(871,930)	(989,350)	-	(5,183,311)
11170	Administrative fee equity	-	-	-	1,830,468	-	-	1,830,468
11180	Housing assistance payments equity	-	-	-	117,848	-	-	117,848
		-	-	-	1,948,316	-	-	1,948,316
11190	Unit months available	8,388	-	-	21,936	-	-	30,324
11210	Number of unit months leased	8,320	-	-	17,842	-	-	26,162
Equity Roll Forward Test:								
	Calculation from R/E Statement	\$ 8,850,581	\$ -	\$ -	\$ 1,034,635	\$ 1,666,411	\$ -	\$ 11,551,627
	B/S Line 513	8,850,581	-	-	1,034,635	1,666,411	-	11,551,627
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -